

This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment dealer, broker, lawyer or other professional advisor. This Offer (as defined below) has not been approved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer, upon the securities offered pursuant to the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is an offence.

*This document may not be distributed, transmitted or otherwise sent into the United States of America (including its territories and possessions, every State in the United States and the District of Columbia). This document does not constitute an extension into the United States of the Offer, and this document does not constitute or form part of an offer to sell securities or the solicitation of an offer to buy securities in the United States. **PERSONS IN THE UNITED STATES OR WHO ARE, OR WHO ARE ACTING FOR THE ACCOUNT OR BENEFIT OF, A US PERSON (AS DEFINED HEREIN) ARE NOT ELIGIBLE TO PARTICIPATE IN THE OFFER. THE OFFER IS OPEN FOR ACCEPTANCE ONLY BY ELIGIBLE SHAREHOLDERS, AS DESCRIBED HEREIN. PLEASE SEE THE IMPORTANT NOTICE BELOW UNDER "SHAREHOLDERS IN THE UNITED STATES".***

October 19, 2012



NORD GOLD N.V.

**Offer to purchase
all of the issued and outstanding common shares of**

HIGH RIVER GOLD MINES LTD.

**on the basis of
0.285 of a global depositary receipt of Nord Gold N.V.
or
\$1.40 in cash
per common share**

Nord Gold N.V. ("**Nordgold**") hereby offers to purchase, upon the terms and subject to the conditions described herein, all of the issued and outstanding common shares (the "**High River Shares**") of High River Gold Mines Ltd. ("**High River**"), including any High River Shares that may become issued and outstanding after the date of the Offer and prior to the Expiry Time (as defined below) upon the exercise of options or any other rights to acquire High River Shares, other than High River Shares already held by Nordgold. Under the Offer, each eligible holder of High River Shares (a "**High River Shareholder**") will be entitled to receive, at the election of the High River Shareholder, either 0.285 of a global depositary receipt of Nordgold (a "**Nordgold GDR**") or \$1.40 in cash for each High River Share held (the "**Offer**"). Each Nordgold GDR represents an interest in one ordinary share of Nordgold. A High River Shareholder who deposits High River Shares to the Offer but does not make an election with respect to the consideration to be received will be deemed to have elected to receive Nordgold GDRs.

THE OFFER WILL BE OPEN FOR ACCEPTANCE BY HIGH RIVER SHAREHOLDERS UNTIL 12:01 A.M. (TORONTO TIME) ON NOVEMBER 27, 2012 (THE "EXPIRY TIME"), UNLESS THE OFFER IS EXTENDED OR WITHDRAWN BY NORDGOLD.

Jefferies

Financial Advisor to Nordgold

Nordgold has entered into lock-up agreements (the “**Lock-Up Agreements**”) with High River Shareholders holding, in aggregate, approximately 29% of the High River Shares not held by Nordgold, pursuant to which such High River Shareholders have agreed to deposit their High River Shares under the Offer and elect to receive Nordgold GDRs as consideration. See Section 4 of the Circular, “*Lock-Up Agreements*”.

The High River Shares are listed and posted for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “HRG”. The closing price of the High River Shares on July 17, 2012, the last trading day prior to the announcement of Nordgold’s intention to make the Offer, was \$1.23.

Nordgold GDRs are issued in two forms, Regulation S GDRs and Rule 144A GDRs (each as defined herein). The Regulation S GDRs and the Rule 144A GDRS are both admitted to the official list of the Financial Services Authority of the United Kingdom (the “**FSA**”) and to trading on the main market of the London Stock Exchange (the “**LSE**”) under the symbols “NORD” and “96BE”, respectively. The closing price of the Regulation S GDRs on July 17, 2012 was US\$5.00. (\$5.07, converted at the Bank of Canada’s noon spot exchange rate from July 17, 2012 of US\$1.00 = \$1.0141). The Rule 144A GDRs have no trading history. The ordinary shares of Nordgold are not listed on any stock exchange.

As of July 17, 2012, the last trading day prior to the announcement of Nordgold’s intention to make the Offer, the offer of Nordgold GDRs in exchange for High River Shares represented: (i) a 17.2% premium based on Nordgold and High River’s respective closing share prices; (ii) a 20.2% premium based on Nordgold and High River’s respective one month average share prices; and (iii) a 30.6% premium based on Nordgold and High River’s respective three month average share prices.

Based on the closing price on the LSE on July 17, 2012, the offer of Nordgold GDRs as consideration values High River at approximately US\$1.2 billion, or approximately 58% of the value of the fully consolidated Nordgold (i.e., assuming 100% ownership of High River), with the High River Shares not already owned by Nordgold representing approximately 14% of the value of the fully consolidated Nordgold.

The Offer is subject to certain conditions described herein, including, among other things, that: (a) certain regulatory approvals shall have been obtained and/or waiting periods shall have expired, as described herein; and (b) the Lock-Up Agreements shall not have been terminated or breached. See Section 4 of the Offer, “*Conditions of the Offer*” for more information on these conditions and the other conditions of the Offer. **The Offer does not include a condition with respect to the minimum number of High River Shares that must be deposited nor is it subject to a financing condition.**

As of the date hereof, Nordgold beneficially owns 630,627,472 High River Shares, representing approximately 75.1% of the outstanding High River Shares. See Section 7 of the Circular, “*Beneficial Ownership of and Trading in High River Securities — Beneficial Ownership of High River Securities*”.

The purpose of the Offer is to enable Nordgold to acquire all of the outstanding High River Shares it does not already own. See Section 5 of the Circular, “*Purpose of the Offer and Plans for High River*”. Depending on the number of High River Shares that Nordgold acquires under the Offer, Nordgold intends to acquire any High River Shares not deposited under the Offer through a Compulsory Acquisition (as defined herein) or to propose a Subsequent Acquisition Transaction (as defined herein), as discussed in Section 17 of the Circular, “*Acquisition of High River Shares Not Deposited Under the Offer*”.

The Offer is made only for High River Shares and is not made for any Options (as defined herein). Holders of Options who wish to participate in the Offer should exercise the rights under such Options to acquire High River Shares and deposit the High River Shares issued as a result of such exercise under the Offer. Any such exercise must be made sufficiently in advance of the Expiry Time to ensure that such High River Shares will be available for deposit at or prior to the Expiry Time or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, “*Manner of Acceptance — Procedure for Guaranteed Delivery*”.

High River Shareholders who wish to accept the Offer and deposit their High River Shares must (i) properly complete and execute the accompanying Letter of Transmittal (printed on GREEN paper) and deposit it (or a manually signed facsimile thereof), together with the certificate(s) representing their High River Shares and all other documents required by the Letter of Transmittal, at or prior to the Expiry Time at the offices of the Depositary (as defined herein) in accordance with the instructions in the Letter of Transmittal or (ii) request their broker, investment dealer, commercial bank, trust company or other nominee to effect the transaction on their behalf. Alternatively, High River Shareholders may accept the Offer by: (i) following the procedures for book-entry transfer of High River Shares described in Section 3 of the Offer, “*Manner of Acceptance — Acceptance by Book-Entry Transfer*”; or (ii) following the procedures for guaranteed delivery described in Section 3 of the Offer, “*Manner of Acceptance — Procedure for Guaranteed Delivery*”, using the accompanying Notice of Guaranteed Delivery (printed on YELLOW paper) or a manually signed facsimile thereof, where the certificate(s) representing the High River Shares are not immediately available, or if the certificate(s) and all of the required documents cannot be provided to the Depositary before the Expiry Time. High River Shareholders whose High River Shares are registered in the name of a nominee should consult their broker, investment dealer, commercial bank, trust company or other nominee for assistance in depositing their High River Shares. High River Shareholders will not be required to pay any fee or commission if they accept the Offer by depositing their High River Shares directly with the Depositary.

Questions and requests for assistance may be directed to the Depositary for the Offer. Contact details for the Depositary may be found on the back page of this document. Additional copies of this document and related materials may be obtained without charge on request from the Depositary at its office specified on the back page of this document. Copies of this document and related materials may also be found under the profile of High River on SEDAR (as defined herein) at www.sedar.com.

No person has been authorized to give any information or make any representation other than those contained in this document, and if given or made, that information or representation must not be relied upon as having been authorized by Nordgold.

An investment in the Nordgold GDRs offered pursuant to this Offer involves certain risks. For a discussion of risk factors you should consider in evaluating the Offer, see “*Risk Factors*” in Annex A hereto.

Shareholders should be aware that during the period of the Offer, Nordgold or any of its affiliates may, directly or indirectly, bid for and make purchases of High River Shares as permitted by applicable Law. See Section 12 of the Offer, “*Market Purchases*”.

The information contained in this document speaks only as of the date of this document, and Nordgold does not undertake any duty to update any such information, except as required by applicable Law.

This document does not constitute an offer or a solicitation to any person in the United States or any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, High River Shareholders in the United States or any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, Nordgold may, in its sole discretion, take such action as it may deem necessary to comply with the laws of any such jurisdiction so that the Offer may be extended to, or deposits accepted from, High River Shareholders in any such jurisdiction.

THIS OFFER AND CIRCULAR AND THE RELATED LETTER OF TRANSMITTAL AND NOTICE OF GUARANTEED DELIVERY CONTAIN IMPORTANT INFORMATION. SHAREHOLDERS SHOULD CAREFULLY READ THESE DOCUMENTS IN THEIR ENTIRETY BEFORE MAKING A DECISION WITH RESPECT TO THE OFFER.

SHAREHOLDERS IN THE UNITED STATES

The Nordgold GDRs and the ordinary shares of Nord Gold represented or evidenced thereby (together, the “**Nordgold Securities**”) to be issued pursuant to the Offer have not been and will not be registered under the US Securities Act (as defined herein) or with any securities regulatory authority of any state or other jurisdiction in the United States. The Nordgold Securities are being offered outside of the United States in reliance on Regulation S (as defined herein). The Nordgold Securities may not be offered, sold, resold or delivered, directly or indirectly, within the United States or to or for the account or benefit of US Persons, except in a transaction exempt from registration under the US Securities Act.

The Offer is not being made, directly or indirectly, in or into the United States or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States. Such means or instrumentalities include, but are not limited to, facsimile, telex, telephone, email and other forms of electronic transmission. Any person receiving this document, the Letter of Transmittal, the Notice of Guaranteed Delivery or any other documents relating to the Offer must not, directly or indirectly, distribute or send such documents into the United States, or make them available to any US Person or any person who is in the United States.

Each High River Shareholder who accepts the Offer will be required to irrevocably represent and warrant to Nordgold at the time it accepts the Offer that:

- such shareholder has not received or sent copies of the Offer and Circular, the Letter of Transmittal, the Notice of Guaranteed Delivery or any other documents relating to the Offer in, into or from the United States and has not otherwise utilized in connection with the Offer, directly or indirectly, the United States mails or any means or instrumentality (including, without limitation, facsimile, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States,
- this Offer and Circular, the Letter of Transmittal, the Notice of Guaranteed Delivery and any other documents relating to the Offer have not been mailed or otherwise sent in, into or from the United States, and
- no acceptance of the Offer has been made by any means or instrumentality of interstate or foreign commerce of the United States.

CURRENCY

All references herein to “\$” or “C\$” mean Canadian dollars, references to “US\$” or “USD” or US dollars mean United States dollars, references to “€” or “EUR” mean euros and references to “RUB” mean Russian roubles. All payments under the Offer will be made in Canadian dollars. As at October 17, 2012, the Bank of Canada noon spot exchange rate for Canadian dollars (i) per United States dollar was US\$1.00 = \$0.9870; (ii) per euro was €1.00 = \$1.2741; and (iii) per Russian rouble was RUB 1.00 = \$0.03168.

NON-IFRS FINANCIAL MEASURES

This Offer and Circular includes certain measures that are not measures defined by IFRS. These measures are EBITDA and EBITDA margin, total cash costs and net debt, and they are used by the management of Nordgold to assess the company’s financial performance. However, these measures should not be used instead of or considered as alternatives to Nordgold’s historical financial results based on IFRS. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company.

EBITDA and EBITDA Margin

EBITDA results from operating activities adjusted for income tax expense, finance income and costs, depreciation and amortisation charges, impairment of non-current assets, other operating expenses and income, negative goodwill and the net result from the disposal of property, plant and equipment. Nordgold uses EBITDA in the reporting of its segments and in assessing its growth and operational efficiencies. The EBITDA margin is EBITDA as a percentage of sales.

Information regarding EBITDA and the EBITDA margin or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements.

EBITDA, by itself, does not provide a sufficient basis to compare Nordgold's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. For a reconciliation of EBITDA to Nordgold's historical financial results based on IFRS, see Annex A, "*Management's Discussion and Analysis — Overall Performance — Reconciliation of Consolidated Profit / (Loss) to EBITDA*".

Total Cash Cost

Total cash costs measure what Nordgold considers to be the cash costs most relevant to its principal operations. Total cash cost is calculated by subtracting non-cash, central corporate and ancillary or exceptional operational costs (including depreciation and amortisation, provision for asset retirement obligations, allowance for slow-moving and obsolete inventories, fair value adjustments for work-in-progress and finished goods, corporate overheads, allowance for bad debts, unused employee vacation time and employee bonuses, change in finished goods and revenue of by-products) from cost of sales, general and administrative expenses and taxes other than income tax. The calculations of total cash costs for each relevant period and segment appear in Annex A, "*Management's Discussion and Analysis — Overall Performance — Reconciliation of Cost of Sales to Total Cash Costs*". Cash costs are measured against total ounces of gold produced.

Net Debt

In order to assess Nordgold's liquidity position, management uses a measure of net cash or debt, which is the sum of cash and cash equivalents and short- and long-term debt finance, which are divided between debt and lease liabilities. Short-term and long-term debt include loans and other credit facilities, accrued interest and bank overdrafts. For a reconciliation of Nordgold's net debt see Annex A, "*Management's Discussion and Analysis — Liquidity and Capital Resources — Net Cash / Debt*."

TECHNICAL INFORMATION

All of the disclosure of a scientific or technical nature in this Offer and Circular (including the Annexes hereto) regarding Nordgold's mineral projects on properties material to Nordgold is based upon information prepared by or under the supervision of one or more "qualified person" independent of Nordgold within the meaning of NI 43-101 (as defined herein), with the exception of the disclosure prepared by Marc-André Boudreau, who is a qualified person but is not considered "independent" of Nordgold within the meaning of NI 43-101, and was derived from the Aprelkovo Technical Report, the Berezitovy Technical Report, the Bissa Technical Report, the Irokinda Technical Report, the Lefa Technical Report, the Suzdal Technical Report, the Tabornoe and Gross Technical Report, the Taparko-Bouroum Technical Report and the Zun-Holba Technical Report (each as defined herein and collectively the "**Technical Reports**"), each of which is available under Nordgold's profile on SEDAR at www.sedar.com. Each of the Technical Reports was prepared entirely by or under the supervision of one or more independent "qualified persons" within the meaning of NI 43-101 (with the exception of the Lefa Technical Report, as one of its authors, Marc-André Boudreau, is a qualified person but is not considered "independent" of Nordgold within the meaning of NI 43-101).

Production and mineral resource and mineral reserve reporting herein has not been adjusted to give effect to minority interests.

FORWARD LOOKING INFORMATION

The information provided in this Offer and Circular may contain forward-looking information about Nordgold and/or High River within the meaning of applicable securities laws. All statements, other than statements of historical fact, made by Nordgold that address activities, events, or developments that Nordgold expects or anticipates will or may occur in the future are forward-looking information, including, but not limited to statements preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intends", "plan", "forecast", "budget", "schedule", "project", "estimate", "outlook" or other similar or comparable words or the negative of such words.

Forward-looking information involves significant risks, assumptions, uncertainties and other factors that may cause actual future realities or anticipated events to differ materially from those expressed or implied in any forward-looking information and, accordingly, should not be read as guarantees of future performance or realities. Material factors or assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting Nordgold's and High River's respective operations will continue substantially in their current state, including, without limitation, with respect to industry conditions, general levels of economic activity, market prices for gold, competition for and scarcity of gold mine assets, achievement of anticipated mineral reserve and mineral resource tonnages or grades, ability to develop additional mineral reserves, acquisition of funding for capital expenditures, adequacy and availability of production, processing and product delivery infrastructure, electricity costs, continuity and availability of personnel and third party service providers, local and international laws and regulations, foreign currency exchange rates and interest rates, inflation, taxes, and that there will be no unplanned material changes to Nordgold's or High River's facilities, equipment, customer and employee relations and credit arrangements. Nordgold cautions that the foregoing list of material factors and assumptions is not exhaustive. Many of these assumptions are based on factors and events that are not within the control of Nordgold and there is no assurance that they will prove correct. The risks and other factors include, but are not limited to, the satisfaction or waiver of the conditions to completing the Offer; the ability of Nordgold to complete a Compulsory Acquisition or Subsequent Acquisition Transaction; Nordgold's, High River's and the combined company's ability to execute their development and exploration programs; the financial and operational performance of the combined company; civil disturbance, armed conflict or security issues at the mineral projects of Nordgold or High River; political factors; the capital requirements associated with the operations of the combined company; dependence

on key personnel; compliance with environmental regulations; estimated production, mineral reserves and mineral resources of the mineral projects of the combined company; competition; and the risk factors described in Annex A, “*Risk Factors*”.

Actual performance or achievement could differ materially from that expressed in, or implied by, any forward-looking information in this Offer and Circular and, accordingly, investors should not place undue reliance on any such forward-looking information. Further, any forward-looking information speaks only as of the date on which such statement is made, and Nordgold does not undertake any obligation to update any forward-looking information to reflect information, events, results, circumstances or realities after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by Law. All forward-looking information contained in this Offer and Circular is qualified by such cautionary statements. New risk factors emerge from time to time, and it is not possible for management to predict all of such risk factors and to assess in advance the impact of each such factor on Nordgold’s, High River’s or the combined company’s business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking information.

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SUMMARY

The following is a summary only and is qualified in its entirety by the detailed provisions contained in the Offer and Circular. You should read the Offer and Circular in their entirety. Certain capitalized and other terms used in this summary are defined in the Glossary.

The Offer

Nordgold hereby offers to purchase, on and subject to the terms and conditions set out in the Offer, any and all of the issued and outstanding High River Shares (including any High River Shares that may become issued and outstanding after the date of this Offer and prior to the Expiry Time upon the exercise of any Options), other than High River Shares held by Nordgold, on the basis of either (i) 0.285 of a Nordgold GDR or (ii) \$1.40 in cash for each High River Share deposited under the Offer.

A High River Shareholder who deposits High River Shares under the Offer but does not elect either the GDR Offer or the Cash Alternative will be deemed to have elected the GDR Offer.

Nordgold GDRs are issued in two forms, Regulation S GDRs and Rule 144A GDRs, to facilitate compliance with the registration requirements of the federal securities laws of the United States. Subject to the terms of the GDR Deposit Agreements governing the Nordgold GDRs, a holder of a Regulation S GDR can withdraw the underlying Nordgold Share from the Regulation S Deposit Agreement and deposit it under the Rule 144A Deposit Agreement to receive a Rule 144A GDR and vice versa. See Annex A for more information about the Nordgold GDRs, including a description of the rights, privileges, restrictions and conditions attaching thereto and the differences between Regulation S GDRs and Rule 144A GDRs.

High River Shareholders who elect the GDR Offer will be deemed to have elected to receive Regulation S GDRs as consideration, except where it is considered reasonably necessary or advisable by Nordgold or the GDR Depositary to issue Rule 144A GDRs as consideration to ensure compliance with applicable Laws. A registered High River Shareholder may request to receive Rule 144A GDRs by giving written notice to the Depositary. In such circumstances, Nordgold shall use its reasonable commercial efforts to arrange for such High River Shareholder to receive Rule 144A GDRs as consideration if the issuance and delivery of the Rule 144A GDRs to such High River Shareholder is, in the judgment of Nordgold and the GDR Depositary, consistent with the terms and conditions of the Offer and any transfer restrictions implemented to ensure that the Offer and the issuance, transfer and resale of the GDRs comply with applicable Laws.

The closing price of the High River Shares on July 17, 2012, the last trading day prior to the announcement of Nordgold's intention to make the Offer, was \$1.23.

The closing price of the Nordgold GDRs on July 17, 2012 was US\$5.00 (or \$5.07 when converted at the Bank of Canada's noon spot exchange rate from July 17, 2012 of US\$1.00 = \$1.0141).

As of July 17, 2012, the last trading day prior to the announcement of Nordgold's intention to make the Offer, the offer of Nordgold GDRs in exchange for High River Shares represented: (i) a 17.2% premium based on Nordgold and High River's respective closing share prices; (ii) a 20.2% premium based on Nordgold and High River's respective one month average share prices; and (iii) a 30.6% premium based on Nordgold and High River's respective three month average share prices.

Based on the closing price on the LSE on July 17, 2012, the offer of Nordgold GDRs as consideration values High River at approximately US\$1.2 billion, or approximately 58% of the value of the fully consolidated Nordgold (i.e., assuming 100% ownership of High River), with the High River Shares not already owned by Nordgold representing approximately 14% of the value of the fully consolidated Nordgold.

Nordgold

Nordgold was incorporated under the laws of the Netherlands on July 6, 2005 and has since developed into a leading, internationally diversified gold producer, with a strategic focus on emerging markets. The head office of Nordgold is located at Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, the Netherlands. See Section 1 of the Circular, “*Nordgold*”.

Nordgold beneficially owns 630,627,472 High River Shares, representing approximately 75.1% of the outstanding High River Shares. See Section 7 of the Circular, “*Beneficial Ownership of and Trading in Securities — Beneficial Ownership*”.

High River

High River is an unhedged gold company with interests in producing mines, development and advanced exploration projects in Russia and Burkina Faso. Two underground mines, Zun-Holba and Irokinda, are situated in the Lake Baikal region of Russia. Two open pit gold mines, Berezitovy in Russia and Taparko-Bouroum in Burkina Faso, are also in production. Finally, High River has a 90% interest in a development project, the Bissa gold project in Burkina Faso, and a 50% interest in the advanced exploration Prognoz silver project in Russia.

High River exists under the YBCA. High River’s registered office is located at 204 Lambert Street, Suite 200, Whitehorse, Yukon Territory, Canada, Y1A3T2 and its head office is located at, 67 Yonge Street, Suite 1502, Toronto, Ontario, Canada M5E 1J8. See Section 2 of the Circular, “*High River*”.

Purpose of the Offer

The purpose of the Offer is to enable Nordgold to acquire all of the outstanding High River Shares it does not already own. Depending on the number of High River Shares that Nordgold acquires under the Offer, Nordgold intends to acquire any High River Shares not deposited under the Offer through a Compulsory Acquisition or to propose a Subsequent Acquisition Transaction, in each case for consideration per High River Share equal in amount to and in the same form as the consideration paid by Nordgold per High River Share under the Offer. See Section 5 of the Circular, “*Purpose of the Offer and Plans for High River*”.

Conditions of the Offer

The Offer is subject to certain conditions described herein. See Section 4 of the Offer, “*Conditions of the Offer*” for more information. The Offer does not include a minimum condition with respect to the number of High River Shares deposited other than the High River Shares held by the Locked-Up Shareholders.

Time for Acceptance

The Offer is open for acceptance until the Expiry Time, being 12:01 a.m. (Toronto time) on November 27, 2012 unless the Offer is withdrawn or extended by Nordgold. The Expiry Time may be extended at Nordgold’s sole discretion. See Section 5 of the Offer, “*Extension and Variation of the Offer*”.

Manner of Acceptance

High River Shareholders who wish to accept the Offer and deposit their High River Shares must (i) properly complete and execute the accompanying Letter of Transmittal (printed on GREEN paper) and deposit it (or a manually signed facsimile thereof), together with the certificate(s) representing their High River Shares and all other documents required by the Letter of Transmittal, at or prior to the Expiry Time at the offices of the Depositary (as defined herein) in accordance with the instructions in the Letter of Transmittal or (ii) request their broker, investment dealer, commercial bank, trust company or other nominee to effect the transaction on

their behalf. Alternatively, High River Shareholders may accept the Offer by: (i) following the procedures for book-entry transfer of High River Shares described in Section 3 of the Offer, “*Manner of Acceptance — Acceptance by Book-Entry Transfer*”; or (ii) following the procedures for guaranteed delivery described in Section 3 of the Offer, “*Manner of Acceptance — Procedure for Guaranteed Delivery*”, using the accompanying Notice of Guaranteed Delivery (printed on YELLOW paper) or a manually signed facsimile thereof, where the certificate(s) representing the High River Shares are not immediately available, or if the certificate(s) and all of the required documents cannot be provided to the Depositary before the Expiry Time. High River Shareholders whose High River Shares are registered in the name of a nominee should consult their broker, investment dealer, commercial bank, trust company or other nominee for assistance in depositing their High River Shares. High River Shareholders will not be required to pay any fee or commission if they accept the Offer by depositing their High River Shares directly with the Depositary.

Take Up and Payment for Deposited Shares

Upon the terms and subject to the conditions of the Offer (including but not limited to the conditions specified in Section 4 of the Offer, “*Conditions of the Offer*”), Nordgold will take up High River Shares validly deposited to the Offer and not withdrawn pursuant to Section 8 of the Offer, “*Right to Withdraw Deposited Shares*”, not later than ten (10) days after the Expiry Time and will pay for the High River Shares taken up as soon as possible, but in any event not later than three (3) Business Days after taking up the High River Shares. Any High River Shares deposited to the Offer after the first date on which High River Shares have been taken up by Nordgold will be taken up and paid for not later than ten (10) days after such deposit. See Section 6 of the Offer, “*Take Up and Payment for Deposited Shares*”.

Withdrawal of Deposited Shares

Except as otherwise provided in Section 8 of the Offer, “*Right to Withdraw Deposited Shares*”, all deposits of High River Shares are irrevocable.

Acquisitions of High River Shares not Deposited Under the Offer

Pursuant to the provisions of Section 197 of the YBCA, Nordgold expects to have the right to acquire the High River Shares not deposited under the Offer on the same terms as the High River Shares acquired under the Offer if the following criteria are satisfied: (i) the Offer is an offer made to High River Shareholders to acquire all of the High River Shares not already owned by Nordgold and its affiliates and associates (as such terms are defined in the YBCA); and (ii) prior to the Expiry Time or within 120 days after the date of the Offer, whichever period is shorter, the Offer is accepted by the holders of not less than 90% of the High River Shares (including securities currently convertible into High River Shares and currently exercisable options and rights to acquire High River Shares or securities currently convertible into High River Shares) not already owned by Nordgold and its affiliates and associates (as such terms are defined in the YBCA).

If the right of Compulsory Acquisition described above is not available for any reason, or if Nordgold determines not to exercise its right of Compulsory Acquisition, Nordgold intends to pursue other means of acquiring the remaining High River Shares not deposited to the Offer pursuant to a Subsequent Acquisition Transaction under which the consideration payable to High River Shareholders will be equal in amount to and in the same form as that payable under the Offer.

See Section 17 of the Circular, “*Acquisition of High River Shares not Deposited Under the Offer*”.

Lock-Up Agreements

Nordgold has entered into the Lock-Up Agreements with High River Shareholders holding, in aggregate, approximately 29% of the High River Shares not held by Nordgold, pursuant to which such High River Shareholders have agreed to deposit their High River Shares under the Offer and elect to receive Nordgold GDRs as consideration. See Section 4 of the Circular, “*Lock-Up Agreements*”.

Valuation

Paradigm Capital was formally engaged to act as financial advisor to the High River Special Committee and prepare a formal valuation.

Based upon and subject to the analyses, assumptions, qualifications and limitations discussed in the Valuation, and such other factors as Paradigm Capital considered relevant, Paradigm Capital is of the opinion that, as of October 16, 2012, the fair market value of High River is in the range of \$1.33 to \$1.80 per share. Furthermore, Paradigm Capital is of the opinion that, as of October 16, 2012, the value of Nordgold is in the range of \$4.02 to \$6.60 per share.

A copy of the Valuation is attached as Annex C to the Circular. See Section 8 of the Circular, “*Valuation*”.

Certain Canadian Federal Income Tax Considerations

A High River Shareholder whose High River Shares are accepted for payment and paid for under the Offer will be considered to have disposed of such High River Shares for purposes of the Tax Act. On such disposition, the High River Shareholder will realize a capital gain (or a capital loss) in respect of the High River Shares so disposed of to the extent that the proceeds of disposition received or deemed to have been received by the High River Shareholder for such High River Shares exceed (or are less than) the total of the adjusted cost base to the High River Shareholder of such High River Shares immediately before the disposition and any reasonable costs of disposition. For this purpose, the proceeds of disposition will equal the fair market value of any Nordgold GDRs and/or the cash received under the Offer. See Section 23 of the Circular, “*Certain Canadian Federal Income Tax Considerations*”.

High River Shareholders should consult their own tax advisors for advice with respect to the tax consequences to them of disposing High River Shares pursuant to the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction.

Risks Relating to the Offer

An investment in the Nordgold GDRs offered pursuant to this Offer involves certain risks. For a discussion of risk factors you should consider in evaluating the Offer, see “*Risk Factors*” in Annex A hereto.

Depository

Nordgold has engaged Equity Financial Trust Company to act as the depository for the Offer. The Depository may contact High River Shareholders by mail, telephone and facsimile and may request banks, brokers, investment dealers and other nominees to forward materials relating to the Offer to beneficial owners of High River Shares. The Depository will facilitate book-entry only transfers of High River Shares deposited under the Offer.

Questions and requests for assistance may be directed to the Depository, Equity Financial Trust Company, at 1-866-393-4891 toll free in North America, or at 416-361-0152 outside of North America, or by e-mail at corporateactions@equityfinancialtrust.com.

THE OFFER

October 19, 2012

The accompanying Circular, Letter of Transmittal and the Notice of Guaranteed Delivery, which are incorporated into and form part of this Offer, contain important information that should be read carefully before making a decision with respect to this Offer. Terms used in this Offer, where not otherwise defined herein, are defined in the Glossary.

TO: THE HOLDERS OF SHARES OF HIGH RIVER GOLD MINES LTD.

1. THE OFFER

Nordgold hereby offers to purchase, on and subject to the following terms and conditions, any and all of the issued and outstanding High River Shares (including any High River Shares that may become issued and outstanding after the date of this Offer and prior to the Expiry Time upon the exercise of any Options), other than High River Shares held by Nordgold, on the basis of either (i) 0.285 of a Nordgold GDR (the “**GDR Offer**”) or (ii) \$1.40 in cash (the “**Cash Alternative**”) for each High River Share deposited under the Offer (the “**Offer Consideration**”).

If a High River Shareholder deposits High River Shares under the Offer but does not elect either the GDR Offer or the Cash Alternative, then such Shareholder will be deemed to have elected the GDR Offer.

Nordgold GDRs are issued in two forms, Regulation S GDRs and Rule 144A GDRs, to facilitate compliance with the registration requirements of the federal securities laws of the United States. Subject to the terms of the GDR Deposit Agreements governing the Nordgold GDRs, a holder of a Regulation S GDR can withdraw the underlying Nordgold Share from the Regulation S Deposit Agreement and deposit it under the Rule 144A Deposit Agreement to receive a Rule 144A GDR and vice versa. See Annex A for more information about the Nordgold GDRs, including a description of the rights, privileges, restrictions and conditions attaching thereto and the differences between Regulation S GDRs and Rule 144A GDRs.

High River Shareholders who elect the GDR Offer will be deemed to have elected to receive Regulation S GDRs as consideration, except where it is considered reasonably necessary or advisable by Nordgold or the GDR Depositary to issue Rule 144A GDRs as consideration to ensure compliance with applicable Laws. A registered High River Shareholder may request to receive Rule 144A GDRs by giving written notice to the Depositary. In such circumstances, Nordgold shall use its reasonable commercial efforts to arrange for such High River Shareholder to receive Rule 144A GDRs as consideration if the issuance and delivery of the Rule 144A GDRs to such High River Shareholder is, in the judgment of Nordgold and the GDR Depositary, consistent with the terms and conditions of the Offer and any transfer restrictions implemented to ensure that the Offer and the issuance, transfer and resale of the GDRs comply with applicable Laws.

The closing price of the High River Shares on July 17, 2012, the last trading day prior to the announcement of Nordgold’s intention to make the Offer, was \$1.23.

The closing price of the Nordgold GDRs on July 17, 2012 was US\$5.00. (\$5.07, converted at the Bank of Canada’s noon spot exchange rate from July 17, 2012 of US\$1.00 = \$1.0141).

As of July 17, 2012, the last trading day prior to the announcement of Nordgold’s intention to make the Offer, the GDR Offer represented:

- a 17.2% premium based on Nordgold and High River’s respective closing share prices;
- a 20.2% premium based on Nordgold and High River’s respective one month average share prices; and
- a 30.6% premium based on Nordgold and High River’s respective three month average share prices.

Based on the closing price on the LSE on July 17, 2012, the GDR Offer values High River at approximately US\$1.2 billion, or approximately 58% of the value of the fully consolidated Nordgold (i.e., assuming 100% ownership of High River), with the High River Shares not already owned by Nordgold representing approximately 14% of the value of the fully consolidated Nordgold.

In no event shall any High River Shareholder be entitled to a fractional Nordgold GDR. Where the aggregate number of Nordgold GDRs to be issued to a High River Shareholder as consideration under the Offer would result in a fraction of a Nordgold GDR being issuable, the number of Nordgold GDRs to be received by such High River Shareholder shall be rounded down to the nearest whole Nordgold GDR and such High River Shareholder will receive, in lieu of a fractional Nordgold GDR, a cash payment in Canadian dollars (rounded down to the nearest cent) determined on the basis of an amount equal to (i) the volume weighted average trading price on the LSE of the Nordgold GDRs over the five (5) trading days ending one (1) Business Day before the date that Nordgold first takes up and pays for High River Shares under the Offer (converted into Canadian dollars based on the Bank of Canada's noon spot exchange rate from the Business Day before the date that Nordgold first takes up and pays for High River Shares under the Offer) multiplied by (ii) the fractional Nordgold GDR that the High River Shareholder would have otherwise been entitled to.

The Offer is made only for High River Shares and not for any Options. Any holder of such Options who wishes to accept the Offer should, to the extent permitted by their terms and applicable Law, exercise the rights under their Options in order to obtain High River Shares that may be deposited in accordance with the terms of the Offer. Any such exercise must be made sufficiently in advance of the Expiry Time to ensure that such holders will have their High River Shares available for deposit prior to the Expiry Time or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, "*Manner of Acceptance — Procedure for Guaranteed Delivery*".

2. TIME FOR ACCEPTANCE

The Offer is open for acceptance until the Expiry Time, being 12:01 a.m. (Toronto time) on November 27, 2012 unless the Offer is withdrawn or extended by Nordgold. The Expiry Time may be extended at Nordgold's sole discretion pursuant to Section 5 of this Offer, "*Extension and Variation of the Offer*".

3. MANNER OF ACCEPTANCE

Letter of Transmittal

The Offer may be accepted by High River Shareholders by depositing the following documents with the Depositary at the offices specified in the Letter of Transmittal (printed on GREEN paper) no later than the Expiry Time:

- (a) the certificate(s) representing the High River Shares for which the Offer is accepted;
- (b) a properly completed and duly executed copy of the Letter of Transmittal, in the form accompanying the Offer, or a manually signed facsimile thereof or, in the case of a book-entry transfer, a Book-Entry Confirmation through the CDSX system (in the case of High River Shares held in CDS) or an Agent's Message (in the case of High River Shares held in DTC); and
- (c) any other documents specified in the instructions set out in the Letter of Transmittal.

Participants in CDS or DTC should contact the Depositary with respect to the deposit of their High River Shares under the Offer. CDS and DTC will be issuing instructions to their participants as to the method of depositing such High River Shares to the Offer. No fee or commission will be payable by High River Shareholders who deposit their High River Shares to the Offer directly to the Depositary.

The Offer will be deemed to be accepted only if the Depositary has actually received these documents at or before the Expiry Time at one of the addresses for the Depositary indicated on the Letter of Transmittal.

High River Shareholders who cannot comply on a timely basis with these procedures for deposit of the requisite certificate(s) for High River Shares may deposit such certificate(s) representing High River Shares pursuant to the procedure for guaranteed delivery described below.

A High River Shareholder who wishes to deposit High River Shares to the Offer and whose High River Shares are registered in the name of a broker, investment dealer, commercial bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to deposit such High River Shares to the Offer.

Each High River Shareholder who accepts the Offer shall be required to irrevocably represent and warrant to Nordgold at the time it accepts the Offer that:

- such High River Shareholder has not received or sent copies of the Offer Documents or any related materials in, into or from the United States, and has not otherwise utilized in connection with the Offer, directly or indirectly, the United States mails or any means or instrumentality (including, without limitation, facsimile, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States,
- the Offer Documents and any other documents relating to the Offer have not been mailed or otherwise sent in, into or from the United States, and
- no acceptance of the Offer has been made by any means or instrumentality of interstate or foreign commerce of the United States.

A High River Shareholder will be deemed not to have accepted the Offer if such High River Shareholder does not make the above representations when submitting its Letter of Transmittal. Nordgold reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations could have been truthfully given by the relevant High River Shareholder and, if such investigation is made and as a result Nordgold determines that such representation could not have been so given, such acceptance shall not be valid.

If, notwithstanding the foregoing restrictions, any person (including, without limitation, custodians, nominees and trustees) whether pursuant to a contractual or legal obligation or otherwise forwards the Offer Documents or any other materials related to the Offer in, into or from the United States, or uses the mails or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States in connection with such forwarding, such person should:

- inform the recipient of such fact,
- explain to the recipient that such action may invalidate any purported acceptance by the recipient, and
- draw the attention of the recipient to this Section 3 of the Offer, "*Manner of Acceptance*".

Signature Guarantees

No signature guarantee is required on the Letter of Transmittal if:

- (a) the Letter of Transmittal is signed by the registered owner of the High River Shares exactly as the name of the registered High River Shareholder appears on the share certificate(s) deposited therewith, and the Offer Consideration is to be delivered directly to such registered High River Shareholder; or
- (b) High River Shares are tendered for the account of an Eligible Institution.

In all other cases, all signatures on the Letter of Transmittal must be medallion signature guaranteed by an Eligible Institution. If a certificate representing High River Shares is registered in the name of a person other than a signatory of a Letter of Transmittal or if the Offer Consideration is to be delivered to a person other than the registered owner, the certificate must be endorsed or accompanied by an appropriate power of attorney, in either case, signed exactly as the name of the registered owner appears on the certificate with the signature on the certificate or power of attorney medallion guaranteed by an Eligible Institution.

Procedure for Guaranteed Delivery

If a High River Shareholder wishes to accept the Offer and either: (i) the certificate(s) representing such High River Shareholder's High River Shares are not immediately available; or (ii) such High River Shareholder cannot deliver the certificate(s) and Letter of Transmittal to the Depositary by the Expiry Time, those High River Shares may nevertheless be deposited to the Offer provided that all of the following conditions are met:

- (a) such deposit is made by or through an Eligible Institution;
- (b) a Notice of Guaranteed Delivery (printed on YELLOW paper) or a manually signed facsimile thereof, properly completed and duly executed, including a guarantee to deliver by an Eligible Institution in the form set out in the Notice of Guaranteed Delivery, is received by the Depositary at its principal office in Toronto, Ontario, Canada at or before the Expiry Time; and
- (c) the certificate(s) representing the Deposited Shares, in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), relating to such Deposited Shares, with signatures guaranteed if so required in accordance with the Letter of Transmittal, or, in the case of a book-entry transfer, a Book-Entry Confirmation through the CDSX system (in the case of High River Shares held in CDS) or an Agent's Message (in the case of High River Shares held in DTC) and all other documents required by the Letter of Transmittal, are received at the Toronto, Ontario, Canada office of the Depositary by 5:00 p.m. (Toronto time) on the third trading day on the TSX after the Expiry Time.

The Notice of Guaranteed Delivery may be delivered by hand or couriered or transmitted by facsimile or mailed to the Depositary only at its principal office in Toronto, Ontario, Canada and must include a medallion signature guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery. Delivery of the Notice of Guaranteed Delivery and the Letter of Transmittal and accompanying certificate(s) and other required documents to any office other than the Toronto, Ontario Canada office of the Depositary does not constitute delivery for the purpose of satisfying the guaranteed delivery.

Method of Delivery

The method of delivery of certificates representing High River Shares, the Letter of Transmittal, the Notice of Guaranteed Delivery and all other required documents is at the option and risk of the depositing High River Shareholder. Nordgold recommends that those documents be delivered by hand to the Depositary and that a receipt be obtained or, if sent by mail, that registered mail with return receipt requested, properly insured, be used. It is suggested that any such mailing be made sufficiently in advance of the Expiry Time to permit delivery to the Depositary prior to the Expiry Time. Delivery will only be effective upon actual receipt by the Depositary.

Acceptance by Book-Entry Transfer

High River Shareholders may accept the Offer by following the procedures for a book-entry transfer established by CDS, provided that a Book-Entry Confirmation through CDSX is received by the Depositary at its office in Toronto, Ontario, Canada prior to the Expiry Time. The Depositary has established an account at CDS for the purpose of the Offer. Any financial institution that is a participant in CDS may cause CDS to make a book-entry transfer of a High River Shareholder's High River Shares into the Depositary's account in accordance with CDS procedures for such transfer. Delivery of High River Shares to the Depositary by means of a book-entry transfer will constitute a valid tender under the Offer.

High River Shareholders who, through their respective CDS Participants, use CDSX to accept the Offer through a book-entry transfer of their holdings into the Depositary's account with CDS shall be deemed to have completed and submitted a Letter of Transmittal and to be bound by the terms thereof and therefore such instructions received by the Depositary are considered a valid tender in accordance with the terms of the Offer.

High River Shareholders who have an account maintained by DTC may accept the Offer by following the procedures for book-entry transfer established by DTC, provided that a Book-Entry Confirmation, together with

an Agent's Message in respect thereof, or a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile copy thereof) and any other required documents, are received by the Depositary at its office specified in the Letter of Transmittal prior to the Expiry Time of the Offer. The Depositary has established an account at DTC for the purpose of the Offer. Any financial institution that is a participant in DTC's systems may cause DTC to make a book-entry transfer of an eligible High River Shareholder's High River Shares into the Depositary's account in accordance with DTC's procedures for such transfer. However, as noted above, although delivery of High River Shares may be effected through book-entry transfer at DTC, either a Letter of Transmittal (or a manually signed facsimile copy thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in lieu of a Letter of Transmittal, and any other required documents, must, in any case, be received by the Depositary at its office specified in the Letter of Transmittal prior to the Expiry Time of the Offer. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Depositary. High River Shareholders who accept the Offer through a book-entry transfer of their holdings into the Depositary's account with DTC shall be deemed to have completed and submitted a Letter of Transmittal and be bound by the terms thereof and therefore such instructions received by the Depositary are considered a valid tender in accordance with the terms of the Offer.

A High River Shareholder who wishes to deposit High River Shares to the Offer and whose High River Shares are registered in the name of a broker, investment dealer, commercial bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to deposit such High River Shares to the Offer.

Determination of Validity

All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for exchange of any deposit of High River Shares under the Offer will be determined by Nordgold in its sole discretion, which determination will be final and binding on all parties. Nordgold reserves the absolute right to reject any and all deposits of High River Shares determined by it not to be in proper form, or in respect of which the issue of Nordgold GDRs and/or payment of cash may, in the opinion of Nordgold's counsel, be unlawful. Nordgold also reserves the absolute right to waive: (i) any of the conditions of the Offer; or (ii) any defect or irregularity in any deposit of High River Shares. No deposit of High River Shares will be deemed to be properly made until all defects and irregularities have been cured or waived. None of Nordgold, the Depositary or any other person will be under any duty to give notification of any defect or irregularity in deposits or incur any liability for failure to give any such notice. Nordgold's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Notice of Guaranteed Delivery) will be final and binding on all parties. Nordgold reserves the right to permit the Offer to be accepted in a manner other than as set forth herein.

Under no circumstances will any interest be paid by Nordgold or the Depositary by reason of any delay in exchanging any High River Shares or in making payments to any person on account of High River Shares taken up pursuant to the Offer.

Dividends and Distributions

Subject to the terms and conditions of the Offer and subject, in particular, to High River Shares being validly withdrawn by or on behalf of a depositing High River Shareholder, and except as provided below, by accepting the Offer pursuant to the procedures set forth above, a High River Shareholder irrevocably assigns to Nordgold, free and clear of all liens, restrictions, charges, encumbrances, claims, adverse interests, equities and rights of others, all of the rights and benefits of a High River Shareholder in and to the High River Shares identified in the Letter of Transmittal delivered to the Depositary (the "**Deposited Shares**") and in and to all rights and benefits arising from such Deposited Shares including any and all dividends, distributions, payments, securities, property or other interests (collectively, "**Distributions**") declared, paid, accrued, issued, distributed, made or transferred on or in respect of the Deposited Shares or any of them on and after the date of the Offer, including any dividends, distributions or payments on such Distributions.

If, notwithstanding such assignment, any Distributions are received by or made payable to or to the order of a High River Shareholder, then: (i) in the case of any cash dividend, distribution or payment, the amount of the dividend, distribution or payment shall be received and held by a High River Shareholder for the account of Nordgold until Nordgold pays for such High River Shares and (a) for High River Shareholders who elect the GDR Offer, the whole of any such cash dividend, distribution or payment shall be promptly remitted and transferred by the High River Shareholder to the Depositary for the account of Nordgold, accompanied by appropriate documentation of transfer and (b) for High River Shareholders who elect the Cash Alternative, (I) to the extent that such dividend, distribution or payment does not exceed the cash consideration per High River Share payable by Nordgold pursuant to the Offer, the cash consideration per High River Share pursuant to the Offer will be reduced by the amount of any such dividend, distribution or payment and (II) to the extent such cash dividend, distribution or payment exceeds the cash consideration per High River Share payable by Nordgold pursuant to the Offer, the whole of any such cash dividend, distribution or payment shall be promptly remitted and transferred by the High River Shareholder to the Depositary for the account of Nordgold, accompanied by appropriate documentation of transfer; and (ii) in the case of any non-cash dividend, distribution, payment, right or other interest, the whole of any such non-cash dividend, distribution, payment, right or other interest shall be received and held by such High River Shareholder for the account of Nordgold and shall be promptly remitted and transferred by the High River Shareholder to the Depositary for the account of Nordgold, accompanied by appropriate documentation of transfer. The declaration or payment of any such dividend or distribution may have tax consequences not discussed in Section 18 of the Circular, “*Certain Canadian Federal Income Tax Considerations*”.

Power of Attorney

Delivery of an executed Letter of Transmittal to the Depositary (or, in the case of High River Shares deposited by book-entry transfer, the making of a book-entry transfer into the Depositary’s accounts with CDS or DTC) irrevocably approves, constitutes and appoints, effective on and after the date that Nordgold takes up and pays for the Deposited Shares covered by the Letter of Transmittal or book-entry transfer (which High River Shares upon being taken up and paid for are, together with any Distributions thereon after the date of the Offer, hereinafter referred to as the “**Purchased Securities**”), each director and officer of Nordgold and any other person designated by Nordgold in writing (each an “**Appointee**”) as the true and lawful agents, attorneys and attorneys-in-fact and proxies, with full power of substitution and resubstitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), of the depositing High River Shareholder with respect to the Purchased Securities. The Letter of Transmittal or the making of a book-entry transfer authorizes an Appointee, in the name and on behalf of such High River Shareholder: (i) to register or record the transfer and/or cancellation of such Purchased Securities (to the extent consisting of securities) on the appropriate register maintained by or on behalf of High River; (ii) for so long as any Purchased Securities are registered or recorded in the name of such High River Shareholder (whether or not they are now so registered or recorded), to exercise any and all rights of such High River Shareholder including the right to vote, to execute and deliver any and all instruments of proxy, authorizations or consents in form and on terms satisfactory to Nordgold in respect of any or all Purchased Securities, to revoke any such instrument, authorization or consent, and to designate in such instrument, authorization or consent any person or persons as the proxy of such High River Shareholder in respect of the Purchased Securities for all purposes including in connection with any meeting or meetings (whether annual, special or otherwise or any adjournment thereof, including any meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of High River; (iii) to execute, endorse and negotiate, for and in the name of and on behalf of such High River Shareholder, any and all cheques or other instruments representing any Distribution payable to or to the order of, or endorsed in favour of, such High River Shareholder; and (iv) to exercise any other rights of a holder of Purchased Securities.

A High River Shareholder accepting the Offer under the terms of the Letter of Transmittal revokes any and all other authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise, previously conferred or agreed to be conferred by the High River Shareholder at any time with respect to the Deposited Shares or any Distributions. The High River Shareholder accepting the Offer agrees that no subsequent authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise will be granted with respect to the Deposited Shares or any

Distributions by or on behalf of the depositing High River Shareholder unless the Deposited Shares are not taken up and paid for under the Offer. A High River Shareholder accepting the Offer also agrees not to vote any of the Purchased Securities taken up and paid for under the Offer at any meeting (whether annual, special or otherwise or any adjournment or postponement thereof, including any meeting to consider a Subsequent Acquisition Transaction) of holders of High River Shares and not to exercise any or all of the other rights or privileges attached to such Purchased Securities, or otherwise act with respect thereto. The High River Shareholder accepting the Offer agrees to execute and deliver to Nordgold, at any time and from time to time, as and when requested by, and at the expense of, Nordgold, any and all instruments of proxy, authorization or consent, in form and on terms satisfactory to Nordgold, in respect of any such Purchased Securities. Such High River Shareholder further agrees to designate in any such instruments of proxy the person or persons specified by Nordgold as the proxyholder of the High River Shareholder in respect of all or any such Purchased Securities. Upon such appointment, all prior proxies and other authorizations (including, without limitation, all appointments of any agent, attorney or attorney-in-fact) or consents given by the holder of such Purchased Shares with respect thereto will be revoked and no subsequent proxies or other authorizations or consents may be given by such person with respect thereto without direction from Nordgold. The Offer does not constitute a solicitation of proxies for any meeting of High River Shareholders, which would be made only pursuant to separate proxy materials complying with the requirements of applicable Laws.

Further Assurances

A High River Shareholder accepting the Offer covenants under the terms of the Letter of Transmittal to execute, upon request of Nordgold, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Purchased Securities to Nordgold. Each authority therein conferred or agreed to be conferred may be exercised during any subsequent legal incapacity of such holder and shall, to the extent permitted by Law, survive the death or incapacity, bankruptcy or insolvency of the holder and all obligations of the holder therein shall be binding upon the heirs, executors, administrators, attorneys, personal representatives, successors and assigns of such High River Shareholder.

Binding Agreement

The acceptance of the Offer pursuant to the procedures set forth above constitutes a binding agreement between a depositing High River Shareholder and Nordgold, effective immediately following Nordgold taking up the High River Shares deposited by such High River Shareholder, in accordance with the terms and conditions of the Offer. Such agreement includes a representation and warranty by the depositing High River Shareholder that: (i) the person signing the Letter of Transmittal or on whose behalf a book-entry transfer is made owns the Deposited Shares and has full power and authority to deposit, sell, assign and transfer the Deposited Shares and any Distributions being deposited to the Offer; (ii) the Deposited Shares and Distributions have not been sold, assigned or transferred, nor has any agreement been entered into to sell, assign or transfer any of the Deposited Shares and Distributions, to any other person; (iii) the deposit of the Deposited Shares and Distributions complies with applicable Laws; and (iv) when the Deposited Shares and Distributions are taken up and paid for by Nordgold, Nordgold will acquire good title thereto, free and clear of all liens, restrictions, charges, encumbrances, claims, adverse interests, equities and rights of others.

4. CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, Nordgold shall have the right to withdraw or terminate the Offer (and will not be required to accept for payment, take up, purchase or pay for any High River Shares deposited under the Offer) or may extend the Expiry Time and postpone taking up and paying for any High River Shares deposited under the Offer, unless all of the following conditions are satisfied or waived by Nordgold, in its sole discretion, at or prior to the Expiry Time:

- (a) all Regulatory Approvals shall have been obtained or concluded or, in the case of waiting or suspensory periods, expired or been waived or terminated;

- (b) there shall not exist and there shall not have occurred or been publicly disclosed since the date of this Circular any change, circumstance, event or effect (or condition, circumstance, event or development involving a prospective change or effect) in respect of High River or any of its subsidiaries which, when considered either individually or in the aggregate, might have a Material Adverse Effect on High River or which, if this Offer, a Compulsory Acquisition or any Subsequent Acquisition Transaction were consummated, might have a Material Adverse Effect on Nordgold and High River on a consolidated basis;
- (c) (i) no act, action, suit or proceeding shall have been taken or commenced, or to the knowledge of Nordgold, been threatened in writing or is pending, by any Governmental Entity or private person in Canada or elsewhere, whether or not having the force of law and (ii) no Law shall have been proposed, enacted, promulgated, amended or applied, in the case of (i) or (ii) above:
 - (A) seeking to cease trade, enjoin, make illegal, delay or otherwise directly or indirectly prohibit or impose material limitations or conditions on or make materially more costly the purchase by or the sale to Nordgold of High River Shares under the Offer or the rights of Nordgold to own or exercise full rights of ownership of High River Shares or to complete a Compulsory Acquisition or Subsequent Acquisition Transaction or which would reasonably be expected to have such an effect;
 - (B) seeking to prohibit or limit the ownership or operation by Nordgold of High River or any material portion of the business, properties or assets of High River or any of its subsidiaries or affiliates, or to compel Nordgold to dispose of or hold separate any portion of the business or assets of High River or any of its subsidiaries; or
 - (C) which otherwise is considered by Nordgold in its reasonable judgment to be reasonably likely to have a Material Adverse Effect on High River or Nordgold or to materially and adversely affect the ability of Nordgold to take up and pay for High River Shares under the Offer or to complete a Compulsory Acquisition or a Subsequent Acquisition Transaction; and
- (d) none of the Lock-Up Agreements shall have been terminated by a Locked-Up Shareholder and no breach of any Lock-Up Agreement by a Locked-Up Shareholder shall have occurred.

These conditions are for the sole benefit of Nordgold and may be asserted by Nordgold regardless of the circumstances giving rise to any such assertion (including any action or inaction by Nordgold or any of its affiliates) or may be waived by Nordgold in whole or in part in its sole discretion at any time and from time to time without prejudice to any other rights which Nordgold may have. The failure of Nordgold to exercise any of these rights will not be deemed a waiver of any such rights and each such right will be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by Nordgold concerning the events described in the conditions will be final and binding on Nordgold, the Depositing Shareholders and any other High River Shareholder.

Any waiver of a condition or the withdrawal of the Offer will be effective upon written notice, or other communication confirmed in writing, by Nordgold to that effect to the Depositary at its principal office in Toronto, Ontario, Canada. Nordgold, after giving any such notice, will make a public announcement of such waiver or withdrawal and provide a copy of such notice to the TSX and, to the extent required by applicable Laws, will cause the Depositary as soon as practicable thereafter to notify the High River Shareholders, in the manner set forth in Section 9 of the Offer, “*Notice and Delivery*”. If the Offer is withdrawn, Nordgold will not be obligated to take up or pay for any High River Shares deposited under the Offer and the Depositary will promptly return all documents tendered to the Depositary under the Offer including certificates representing deposited High River Shares, Letters of Transmittal, Notices of Guaranteed Delivery and related documents to the parties by whom they were deposited or, in the case of High River Shares deposited by book-entry transfer into the Depositary’s account at CDS or DTC, as applicable, such High River Shares will be credited to an account maintained by CDS or DTC, as applicable. See Section 7 of the Offer, “*Return of Deposited Shares*”.

5. EXTENSION AND VARIATION OF THE OFFER

The Offer is open for acceptance until the Expiry Time, unless the Offer is withdrawn or is extended by Nordgold.

Subject to the limitations described below, Nordgold expressly reserves the right, in its sole discretion, at any time and from time to time while the Offer is open for acceptance, to vary the terms of the Offer or extend the Expiry Time, in accordance with applicable Laws, by giving notice in writing to the Depositary at its principal office in Toronto, Ontario, Canada. Also, if at any time before the Expiry Time, or at any time after the Expiry Time, but before the expiry of all rights of withdrawal with respect to the Offer, a change occurs in the information contained in this Offer and Circular, as amended from time to time, that would reasonably be expected to affect the decision of a High River Shareholder to accept or reject the Offer (other than a change that is not within the control of Nordgold or its affiliates, unless it is a change in a material fact relating to the Nordgold GDRs), Nordgold will give written notice of such change to the Depositary at its principal office in Toronto, Ontario, Canada. Upon the giving of such notice to the Depositary, the Expiry Time or withdrawal rights, as applicable, will be deemed to be extended to the date specified in such notice or as required by applicable Law, or in the case of a variation, the Offer will be deemed to be varied in the manner described in such notice, as the case may be. Nordgold will, as soon as practicable after giving any such notice to the Depositary, publicly announce the extension, variation or change and, if required by applicable Law, cause the Depositary to mail a copy of any such notice to High River Shareholders as required by applicable Canadian Securities Laws at their respective addresses appearing in the share register of High River. In addition, Nordgold will provide a copy of such notice to the TSX and the applicable Securities Regulatory Authorities. Any notice of extension, variation or change will be deemed to have been given and be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario, Canada. The Lock-Up Agreements restrict Nordgold's ability to amend certain terms and conditions of the Offer without the prior written consent of the Locked-Up Shareholders. See Section 4 of the Circular, "*Lock-Up Agreements*".

During any extension of the Offer, all High River Shares previously deposited and not withdrawn will remain subject to the Offer and may be accepted for purchase by Nordgold in accordance with the terms of the Offer, subject to Section 8 of this Offer, "*Right to Withdraw Deposited Shares*". An extension of the Expiry Time will not, in and of itself, constitute a waiver by Nordgold of any of its rights under Section 4 of this Offer, "*Conditions of the Offer*".

Under applicable Canadian Securities Laws, if there is a variation in the terms of the Offer, the period during which High River Shares may be deposited to the Offer will not expire before ten (10) days after the date that the notice of variation has been delivered.

If, before the Expiry Time, Nordgold in its sole discretion elects to increase either form of the Offer Consideration, such increase will be applicable to all holders whose High River Shares are taken up under the Offer and who have elected such form, whether or not such High River Shares were taken up before the increase in such form of the Offer Consideration.

Notwithstanding the foregoing, but subject to applicable Laws, the Offer may not be extended by Nordgold if all of the terms and conditions of the Offer have been complied with or waived, unless Nordgold first takes up all High River Shares deposited under the Offer and not withdrawn.

6. TAKE UP AND PAYMENT FOR DEPOSITED SHARES

Upon the terms and subject to the conditions of the Offer (including but not limited to the conditions specified in Section 4 of this Offer, "*Conditions of the Offer*"), Nordgold will take up High River Shares validly deposited to the Offer and not withdrawn pursuant to Section 8 of this Offer, "*Right to Withdraw Deposited Shares*", not later than ten (10) days after the Expiry Time and will pay for the High River Shares taken up as soon as possible, but in any event not later than three (3) Business Days after taking up the High River Shares.

Any High River Shares deposited to the Offer after the first date on which High River Shares have been taken up by Nordgold will be taken up and paid for not later than ten (10) days after such deposit.

Subject to applicable Laws, Nordgold expressly reserves the right in its sole discretion to delay taking up and paying for any High River Shares or to terminate the Offer and not take up or pay for any High River Shares pursuant to the Offer if any condition specified in Section 4 of this Offer, “*Conditions of the Offer*” is not satisfied or waived, by giving written notice thereof or other communication confirmed in writing to the Depositary at its principal office in Toronto, Ontario, Canada. Subject to applicable Law, Nordgold also expressly reserves the right, in its sole discretion and notwithstanding any other condition of the Offer, to delay taking up and paying for High River Shares to comply, in whole or in part, with any Law.

For the purposes of the Offer, Nordgold will be deemed to have taken up and accepted for payment High River Shares validly deposited and not validly withdrawn pursuant to the Offer if, as and when Nordgold gives written notice or other communication confirmed in writing to the Depositary at its principal office in Toronto, Ontario, Canada of its acceptance for payment of such Deposited Shares pursuant to the Offer. Nordgold will not, however, take up and pay for any High River Shares deposited under the Offer unless it simultaneously takes up and pays for all High River Shares then validly deposited under the Offer.

Nordgold will pay for High River Shares validly deposited to the Offer and not withdrawn by providing the Depositary with the cash component of the Offer Consideration in the form of sufficient funds (for fractional Nordgold GDRs and the cash portion of the Offer Consideration) for transmittal to Depositing Shareholders. The Depositary will act as the agent of the Depositing Shareholders for the purposes of receiving the Offer Consideration from Nordgold and transmitting such Offer Consideration to such Depositing Shareholders. Receipt of cash representing the Offer Consideration by the Depositary will be deemed to constitute receipt of payment by Depositing Shareholders. Under no circumstances will interest accrue or be paid by Nordgold or the Depositary to Depositing Shareholders on the purchase price of High River Shares purchased by Nordgold, regardless of any delay in making such payment.

Nordgold will deposit, on behalf of the depositing High River Shareholders that elected to receive, or shall otherwise receive, Offer Consideration in the form of Nordgold GDRs (“**GDR-Entitled High River Shareholders**”), sufficient Nordgold Shares into the Nordgold GDR custody accounts (the “**Custody Accounts**”) maintained by the Custodian pursuant to the GDR Deposit Agreements. The Custodian will receive and hold such deposited Nordgold Shares in its capacity as custodian for the GDR Depositary in accordance with the terms and conditions of the GDR Deposit Agreements.

Upon receipt by the GDR Depositary of (A) confirmation from the Custodian that sufficient Nordgold Shares have been deposited into the Custody Accounts and (B) written instructions from Nordgold and the Depositary that (i) set out the number of Nordgold GDRs to be issued to the Depositary (the “**Offer Consideration GDRs**”), (ii) set out the details of the account(s) of the Depositary to which the Offer Consideration GDRs should be delivered, and (iii) instruct the GDR Depositary to issue and deliver the Offer Consideration GDRs to the Depositary’s account(s), the GDR Depositary will issue and deliver the Offer Consideration GDRs on the basis of one Nordgold GDR for each Nordgold Share deposited with the Custodian as so instructed, for transmittal by the Depositary to the GDR-Entitled High River Shareholders. The Depositary will act as the agent of the GDR-Entitled High River Shareholders for the purposes of receiving the Offer Consideration GDRs and transmitting such Offer Consideration GDRs to the GDR-Entitled High River Shareholders. Receipt of the Offer Consideration GDRs by the Depositary will be deemed to constitute receipt of payment by the GDR-Entitled High River Shareholders. In no event will any GDR-Entitled High River Shareholder be entitled to a fractional Nordgold GDR.

Registered High River Shareholders may elect to receive and hold Nordgold GDRs in a book-entry Direct Registration System (“**DRS**”) by selecting the applicable option in the Letter of Transmittal. A DRS is a method of recording shares of stock in book-entry form. Book-entry means that the transfer agent for the Nordgold

GDRs, American Stock Transfer & Trust Company, LLC, will maintain a Depositing Shareholder's Nordgold GDRs on the Depositing Shareholder's behalf without the need for the issuance of physical certificates. Nordgold GDRs held in uncertificated book-entry form have the same rights and privileges as Nordgold GDRs held in certificated form. If a Depositing Shareholder selects this option, the Depositary shall transfer such Depositing Shareholder's registration details from the High River share register over to American Stock Transfer & Trust Company, LLC, who shall use such information to effect the DRS registration.

Upon the issuance and delivery of the Offer Consideration GDRs, each GDR-Entitled High River Shareholder will become a party to the applicable GDR Deposit Agreement, and the names of each GDR-Entitled High River Shareholder will be added to the register of holders of Nordgold GDRs maintained by the GDR Depositary.

All cash payments under the Offer will be denominated in Canadian dollars. However, a Depositing Shareholder can choose to receive payment in United States dollars by checking the box captioned "Currency Election" in the Letter of Transmittal. If such box is checked, such Depositing Shareholder acknowledges and agrees that payment funds received from Nordgold in Canadian dollars will be exchanged by the Depositary using the exchange rate for one Canadian dollar expressed in United States dollars available to the Depositary at its typical banking institution on the date the funds are converted (which will be approximately two Business Days prior to payment to the applicable Depositing Shareholder). By electing to be paid in United States dollars, Depositing Shareholders will have further acknowledged and agreed that any change to the currency exchange rate between Canadian dollars and United States dollars between the date the funds are converted and the date of receipt of payment will be at the sole risk of the Depositing Shareholder. If the box captioned "Currency Election" in the Letter of Transmittal is not checked, all payments will be paid in Canadian dollars.

Subject to the foregoing and unless otherwise directed by the Letter of Transmittal, the Nordgold GDRs and/or cheque will be issued in the name of the registered High River Shareholder who deposited the High River Shares. Unless the Depositing Shareholder instructs the Depositary to hold the Nordgold GDRs and/or cheque for pick-up by checking the appropriate box in the Letter of Transmittal, the Nordgold GDRs and/or cheque will be forwarded by first-class mail to such person at the address specified in the Letter of Transmittal. If no such address is specified, the Nordgold GDRs and/or cheque will be sent to the address of the Depositing Shareholder as shown on the securities register maintained by or on behalf of High River Gold. Nordgold GDRs and cheques mailed in accordance with this paragraph will be deemed to be delivered at the time of mailing.

Pursuant to rules of the Canadian Payments Association, a \$25 million ceiling has been established on cheques, bank drafts and other paper-based payments processed through Canada's clearing system. As a result, any payment to a Shareholder in excess of \$25 million will be effected by the Depositary by wire transfer in accordance with the Large Value Transfer System Rules established by the Canadian Payments Association. Accordingly, settlement with a High River Shareholder involving a payment in excess of \$25 million will be made only in accordance with wire transfer instructions provided by the High River Shareholder to the Depositary in writing. In the event wire transfer instructions are required as set out above, the Depositary will contact the High River Shareholder promptly following the Expiry Time for the purposes of obtaining such wire transfer instructions. Any delay in payment by the Depositary resulting from the provision by the High River Shareholder of wire transfer instructions will not entitle the High River Shareholder to interest or other compensation in addition to the amounts to which the High River Shareholder is entitled pursuant to the Offer.

High River Shareholders depositing High River Shares will not be required to pay any fee or commission if they accept the Offer by depositing their High River Shares directly with the Depositary.

7. RETURN OF DEPOSITED SHARES

If any Deposited Shares are not taken up and paid for pursuant to the terms and conditions of the Offer for any reason, or if certificates are submitted for more High River Shares than are deposited, they will be returned, at Nordgold's expense, to the Depositing Shareholder as soon as is practicable following the early termination, Expiry Time or withdrawal of the Offer. Certificates representing unpurchased High River Shares and other relevant documentation will be forwarded by first class mail in the name of and to the address specified by the Depositing Shareholder in the Letter of Transmittal or, if such name and address is not specified in the Letter of Transmittal, in the name and to the address of the registered High River Shareholder as shown on High River's securities register. In the case of High River Shares deposited by book-entry transfer into an account maintained by the Depositary with CDS or DTC, as applicable, those High River Shares that have not been taken up will be credited to the Depositing Shareholder's account maintained by CDS or DTC, as applicable.

8. RIGHT TO WITHDRAW DEPOSITED SHARES

Except as otherwise stated in this Section 8, all deposits of High River Shares pursuant to the Offer are irrevocable. Unless otherwise required or permitted by applicable Laws, any High River Shares deposited in acceptance of the Offer may be withdrawn by or on behalf of the Depositing Shareholder:

- (a) at any time before the High River Shares have been taken up by Nordgold;
- (b) at any time before the expiration of ten (10) days from the date upon which either:
 - (i) a notice of change relating to a change which has occurred in the information contained in the Offer or the Circular, which change is one that would reasonably be expected to affect the decision of a High River Shareholder to accept or reject the Offer (other than a change that is not within the control of Nordgold or an affiliate of Nordgold unless it is a change in a material fact relating to the Nordgold GDRs) in the event that such change occurs before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal in respect of the Offer; or
 - (ii) a notice of variation concerning a variation in the terms of the Offer (other than a variation consisting solely of an increase in the consideration offered for the High River Shares pursuant to the Offer where the Offer is not extended for a period greater than ten (10) days);is mailed, delivered, or otherwise properly communicated, but subject to abridgment of that period pursuant to such order or orders as may be granted by applicable courts or securities regulatory authorities and only if such Deposited Shares have not been taken up by Nordgold at the date of the notice; or
- (c) at any time after three (3) Business Days from the date Nordgold takes up the High River Shares, if such High River Shares have not been paid for by Nordgold.

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be received by the Depositary at the place of deposit of the relevant High River Shares within the time limits set out above. Any such notice of withdrawal must: (i) be made by a method, including a manually signed facsimile transmission, that provides the Depositary with a written or printed copy; (ii) be signed by or on behalf of the person who signed the Letter of Transmittal (or Notice of Guaranteed Delivery) that accompanied the High River Shares to be withdrawn; (iii) specify the number of High River Shares to be withdrawn, the name of the registered High River Shareholder and the certificate number shown on the certificate(s) representing each High River Share to be withdrawn; and (iv) must be actually received by the Depositary at the place of deposit for the applicable High River Shares (or Notice of Guaranteed Delivery in respect thereof). No signature guarantee is required on a notice of withdrawal if the notice of withdrawal is signed by the registered High River Shareholder exactly as the name of the registered High River Shareholder appears on the certificate(s) representing High River Shares deposited with the Letter of Transmittal or if the High River Shares were deposited for the account of an Eligible Institution. In all other cases, the signature on a notice of withdrawal must be guaranteed by an Eligible Institution. The withdrawal will take effect upon actual receipt by the Depositary of the properly completed notice of withdrawal.

If High River Shares have been deposited pursuant to the procedures for book-entry transfer, as set forth in Section 3 of this Offer, “*Manner of Acceptance — Acceptance by Book-Entry Transfer*”, any notice of withdrawal must specify the name and number of the account at CDS or DTC, as applicable, to be credited with the withdrawn High River Shares and otherwise comply with the procedures of CDS or DTC, as applicable.

A withdrawal of High River Shares deposited to the Offer can only be accomplished in accordance with the foregoing procedure. The withdrawal will take effect only upon actual receipt by the Depositary of the properly completed and executed written or facsimile notice of withdrawal.

All questions as to form and validity (including time of receipt) of notices of withdrawal will be determined by Nordgold in its sole discretion and such determination will be final and binding. There will be no duty or obligation on Nordgold, the Depositary or any other person to give notice of any defect or irregularity in any notice of withdrawal, and no liability will be incurred by any of them for failure to give such notice.

Withdrawals may not be rescinded and any High River Shares properly withdrawn will thereafter be deemed not validly deposited for the purposes of the Offer. However, withdrawn High River Shares may be re-deposited at any subsequent time prior to the Expiry Time by again following any of the procedures described in Section 3 of this Offer, “*Manner of Acceptance*”.

If Nordgold extends the period of time during which the Offer is open, is delayed in taking up or paying for the High River Shares or is unable to take up or pay for High River Shares for any reason, then, without prejudice to Nordgold’s other rights under the Offer, the Depositary may, subject to applicable Laws, retain on behalf of Nordgold all Deposited Shares and Distributions, and such Shares may not be withdrawn except to the extent that depositing High River Shareholders are entitled to withdrawal rights as set forth in this Section 8 or pursuant to applicable Laws.

9. NOTICE AND DELIVERY

Without limiting any other lawful means of giving notice, any notice which Nordgold or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given to registered High River Shareholders if it is mailed by prepaid first class mail to the registered High River Shareholders at their respective addresses appearing in the appropriate registers maintained by or on behalf of High River in respect of the High River Shares and will be deemed, unless otherwise specified by applicable Laws, to have been received on the first Business Day following the date of mailing. These provisions apply notwithstanding any accidental omission to give notice to any one or more High River Shareholders and notwithstanding any interruption of mail service following mailing. Except as otherwise required or permitted by Law, in the event of any interruption of mail service in Canada, Nordgold intends to make reasonable efforts to disseminate the notice by other means such as publication. Except as otherwise required or permitted by Law, if post offices are not open for the deposit of mail, or there is reason to believe that there is or could be a disruption in all or any part of the postal service, any notice which Nordgold or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given and to have been received by High River Shareholders if: (i) it is given to the TSX for dissemination through its facilities; (ii) it is published once in the national edition of *The Globe and Mail* or the *National Post* and in *La Presse*; or (iii) it is provided to the Marketwire News Wire Service for dissemination through its facilities.

Unless post offices in Canada are not open for the deposit of mail, the Offer Documents will be mailed to registered High River Shareholders by first class mail, postage prepaid, or made available in such other manner as is permitted by applicable regulatory authorities and Nordgold will use its reasonable efforts to furnish such documents to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the security holder list of High River, or, if applicable, who are listed as participants in a clearing agency’s security position listing, for subsequent transmission to beneficial owners of High River Shares when such list or listing is received.

Wherever the Offer calls for documents to be delivered to the Depositary, those documents will not be considered delivered unless and until they have been physically received at one of the addresses listed for the Depositary in the Letter of Transmittal or the Notice of Guaranteed Delivery, as applicable. Wherever the Offer calls for documents to be delivered to a particular office of the Depositary, those documents will not be considered delivered unless and until they have been physically received at the particular office at the address listed in the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable.

10. CHANGES IN CAPITALIZATION

If, on or after the date of the Offer, High River should divide, combine, reclassify, consolidate, convert or otherwise change any of the High River Shares or its capitalization, or should disclose that it has taken or intends to take any such action, then Nordgold may, in its sole discretion and without prejudice to its rights under Section 4 of this Offer, “*Conditions of the Offer*”, make such adjustments to the Offer Consideration or other terms of the Offer (including the type of securities offered to be purchased and the consideration payable therefor) as it deems appropriate to reflect such division, combination, reclassification, consolidation, conversion or other change.

11. HIGH RIVER SHARES NOT DEPOSITED UNDER THE OFFER

The purpose of the Offer is to enable Nordgold to acquire all of the High River Shares. Depending on the number of High River Shares that Nordgold acquires under the Offer, Nordgold intends to acquire any High River Shares not deposited under the Offer through a Compulsory Acquisition or to propose a Subsequent Acquisition Transaction, as discussed in Section 17 of the Circular, “*Acquisition of High River Shares Not Deposited Under the Offer*”.

12. MARKET PURCHASES

Nordgold reserves the right to, and may, acquire or cause an affiliate to acquire beneficial ownership of High River Shares by making purchases through the facilities of the TSX at any time, and from time to time, prior to the Expiry Time subject to and in accordance with applicable Canadian Securities Laws. In no event will Nordgold make any such purchases of High River Shares until the third Business Day following the date of the Offer. The aggregate number of High River Shares acquired in this manner will not exceed 5% of the High River Shares outstanding and Nordgold will issue and file with the applicable Canadian Securities Administrators a press release containing the information prescribed by Canadian Securities Laws immediately after the close of business of the TSX on each day on which such High River Shares are purchased.

Although Nordgold has no present intention to sell any High River Shares taken up under this Offer, subject to compliance with applicable Canadian Securities Laws, it reserves the right to make or to enter into an agreement, commitment or understanding at or prior to the Expiry Time to sell any of such High River Shares after the Expiry Time.

13. OTHER TERMS OF THE OFFER

Nordgold reserves the right to transfer or assign, in whole or from time to time in part, to one or more affiliates of Nordgold, the right to purchase all or any portion of the High River Shares deposited to the Offer, but any such transfer will not relieve Nordgold of its obligations under the Offer or prejudice the rights of depositing High River Shareholders to receive payment for High River Shares validly tendered and accepted for payment pursuant to the Offer.

No broker, investment dealer or other person (including the Depositary) has been authorized to make any representation or warranty on behalf of Nordgold or any of its affiliates in connection with the Offer other than as contained in the Offer and, if any such representation or warranty is given or made, it must not be relied upon as

having been authorized. No broker, investment dealer or other person shall be deemed to be the agent of Nordgold or any of its affiliates or the Depositary for the purposes of the Offer.

The Offer and all contracts resulting from the acceptance of the Offer shall be governed by and construed in accordance with the Laws of the Province of Ontario and the federal Laws of Canada applicable therein. Each party to any agreement resulting from the acceptance of the Offer unconditionally and irrevocably attorns in respect thereof to the non-exclusive jurisdiction of the courts of the Province of Ontario.

This document does not constitute an offer or a solicitation to any person in the United States or any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, High River Shareholders in the United States or any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, Nordgold may, in its sole discretion, take such action as it may deem necessary to comply with the laws of any such jurisdiction so that the Offer may be extended to, or deposits accepted from, High River Shareholders in any such jurisdiction.

Nordgold, in its sole discretion, shall be entitled to make a final and binding determination of all questions relating to the Offer, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, the validity of any acceptance of the Offer and the validity of any withdrawal of High River Shares.

The provisions of the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery accompanying the Offer, including the instructions contained therein, are incorporated into and form part of the terms and conditions of the Offer.

Where the Offer provides that the time for the taking of any action, the doing of any thing or the end of any period, expires or falls upon a day that is not a Business Day, the time shall be extended and action may be taken, the thing may be done or the period shall end as the case may be, on the next Business Day.

The Offer and the accompanying Circular together constitute the take-over bid circular required under Canadian Securities Laws with respect to the Offer. High River Shareholders are urged to refer to the accompanying Circular for additional information relating to the Offer.

Dated: October 19, 2012

NORD GOLD N.V.

(signed) Nikolai Zelenski

Chief Executive Officer

CIRCULAR

This Circular is furnished in connection with the Offer dated October 19, 2012 by Nordgold to purchase, upon the terms and subject to the conditions described therein, any and all of the issued and outstanding High River Shares, including those High River Shares that may become outstanding upon the exercise or conversion of Options, other than High River Shares held by Nordgold. The terms and provisions of the Offer, the Letter of Transmittal and the Notice of Guaranteed Delivery are incorporated into and form part of this Circular. Terms defined in the Offer and the Glossary and not otherwise defined in this Circular shall have the respective meanings given thereto in the Offer and the Glossary unless the context otherwise requires. Unless otherwise indicated, information concerning High River and Nordgold is given as at October 17, 2012.

1. NORDGOLD

Nordgold was incorporated under the laws of the Netherlands on July 6, 2005 and has since developed into a leading, internationally diversified gold producer, with a strategic focus on emerging markets. The head office of Nordgold is located at Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, the Netherlands.

On January 19, 2012, Nordgold was sold by Severstal to Severstal's controlling shareholder and commenced trading as an independent public company via a listing of the Nordgold GDRs on the LSE representing approximately 10.6% of Nordgold's share capital.

Nordgold has achieved rapid growth both organically and through acquisitions, increasing gold production from approximately 21 Koz in 2007 to 754 Koz in 2011, a compound annual growth rate of 145%, including the effect of acquisitions. In 2011, Nordgold produced half of its output outside Russia, highlighting Nordgold's increasingly global footprint.

Nordgold now boasts a diverse portfolio of high quality producing assets. Nordgold's portfolio consists of eight producing mines, two development projects, five advanced exploration projects and a broad portfolio of early exploration projects and licences including the mines and projects of High River. Nordgold's operations are located in the Russian Federation, Kazakhstan, Guinea and Burkina Faso.

Additional information about Nordgold and Nordgold GDRs is set forth in Annex A, which is incorporated into and forms part of this Circular.

Authorized and Outstanding Share Capital

The authorised share capital of Nordgold amounts to €4,484,927,250, divided into 1,793,970,900 Nordgold Shares, with a nominal value of €2.50 each. As of October 17, 2012, the issued share capital of Nordgold amounts to €896,985,450, divided into 358,794,180 Nordgold Shares, with a nominal value of €2.50 each.

As of October 17, 2012, 37,896,313 Nordgold GDRs, each representing one of the issued Nordgold Shares, were issued and outstanding. Nordgold GDRs are issued in two forms, Regulation S GDRs and Rule 144A GDRs.

See Annex A for more information about the Nordgold Shares and Nordgold GDRs, including a description of the rights, privileges, restrictions and conditions attaching thereto and the differences between Regulation S GDRs and Rule 144A GDRs.

Price Range and Trading Volume

The Regulation S GDRs are listed and traded under the stock symbol "NORD" on the LSE. The Rule 144A GDRs are listed on the LSE under the symbol "96BE", but have no trading history.

The following table sets forth, for the periods indicated, the high and low trading prices in United States dollars and trading volumes of the Regulation S GDRs on the LSE since they were admitted to the official list in January 2012 (as reported by Bloomberg and Fidessa).

<u>Year</u>	<u>Period</u>	<u>Price Range</u>		
		<u>High</u> (US\$)	<u>Low</u> (US\$)	<u>Volume</u> (#)
2012	January 19 th to 31 st	7.80	7.00	2,701,421
	February	7.40	6.60	5,182,105
	March	6.91	6.15	2,357,125
	April	6.40	5.85	6,936,924
	May	6.30	4.80	541,246
	June	5.10	4.55	4,987,250
	July	5.35	4.79	2,960,048
	August	4.80	4.15	2,261,858
	September	4.55	4.20	926,465
	October 1 st to 17 th	5.00	4.55	391,869

The closing price of the Regulation S GDRs on July 17, 2012, the last trading day prior to the announcement of Nordgold's intention to make the Offer, was US\$5.00. The average closing price of the Regulation S GDRs on the LSE for the 20 Business Days ended on July 17, 2012 was US\$4.98.

2. HIGH RIVER

High River is an unhedged gold company with interests in producing mines, development and advanced exploration projects in Russia and Burkina Faso. Two underground mines, Zun-Holba and Irokinda, are situated in the Lake Baikal region of Russia. Two open pit gold mines, Berezitovy in Russia and Taparko-Bouroum in Burkina Faso, are also in production. Finally, High River has a 90% interest in a development project, the Bissa gold project in Burkina Faso, and a 50% interest in the advanced exploration Prognoz silver project in Russia.

High River exists under the YBCA. High River's registered office is located at 204 Lambert Street, Suite 200, Whitehorse, Yukon Territory, Canada, Y1A3T2 and its head office is located at 67 Yonge Street, Suite 1502, Toronto, Ontario, Canada, M5E 1J8.

Authorized and Outstanding Share Capital

High River is authorized to issue an unlimited number of High River Shares and an unlimited number of preference shares, issuable in series, of which there were 840,218,962 High River Shares and no preferred shares issued and outstanding as at October 17, 2012.

As of the date hereof, Nordgold beneficially owns 630,627,472 High River Shares, representing approximately 75.1% of the outstanding High River Shares.

Price Range and Trading Volume

The High River Shares are listed and posted for trading on the TSX under the symbol "HRG".

The following table sets forth, for the periods indicated, the high and low trading prices and the trading volume of the High River Shares on the TSX (as reported by Bloomberg and Fidessa).

<u>Year</u>	<u>Period</u>	<u>Price Range</u>		
		<u>High</u>	<u>Low</u>	<u>Volume</u>
		<u>(\$)</u>	<u>(\$)</u>	<u>(#)</u>
2011	October	1.40	1.16	12,064,105
	November	1.34	1.25	16,039,048
	December	1.31	1.19	8,490,756
2012	January	1.27	1.21	6,235,725
	February	1.40	1.23	7,381,073
	March	1.35	1.18	6,235,886
	April	1.27	1.12	3,932,326
	May	1.21	0.92	9,744,308
	June	1.25	1.13	6,602,549
	July	1.43	1.16	45,027,733
	August	1.42	1.38	13,064,614
	September	1.43	1.40	9,486,991
	October 1 st to 17 th	1.40	1.31	4,971,810

The closing price of the High River Shares on July 17, 2012, the last trading day prior to the announcement of Nordgold's intention to make the Offer, was \$1.23. The average closing price of the High River Shares on the TSX for the 20 Business Days ended on July 17, 2012 was \$1.20.

3. BACKGROUND TO THE OFFER

Nordgold currently holds 630,627,472 High River Shares, representing approximately 75.1% of the issued and outstanding High River Shares.

In February, 2012, Nordgold began to discuss internally the possibility of pursuing a strategic transaction relating to the acquisition of the remaining High River Shares outstanding not already owned by Nordgold. During the next several months, the senior management of Nordgold and the Nordgold Board reviewed and evaluated the proposed transaction with Nordgold's financial advisors, Jefferies International Limited ("Jefferies") and Sberbank CIB, and legal counsel.

At a board meeting on May 25, 2012, the Nordgold Board agreed to the proposed parameters of the transaction and gave its approval for Nordgold to approach key High River minority shareholders on the agreed basis.

On June 29, 2012, the Chief Executive Officer of Nordgold, Nikolai Zelenski, directed Jefferies and Sberbank CIB to approach a number of substantial minority High River Shareholders with a view to negotiating lock-up agreements with such High River Shareholders in connection with Nordgold's intention to make the Offer. Negotiations continued with these High River Shareholders throughout the weeks of July 2 and July 9, 2012.

At a board meeting held on July 17, 2012, the Nordgold Board was advised that negotiations with the majority of those substantial High River Shareholders that had been approached had been successful and that lock-up agreements representing approximately 28% of the High River Shares not already owned by Nordgold had been executed and delivered. At the meeting, the Nordgold Board authorized the making of the Offer and the

announcement thereof to the High River Shareholders. The Nordgold Board also appointed a special committee, composed of Philip Baum, David Morgan and Mikhail Noskov, authorised to determine the final exchange ratio for the GDR Offer and the amount of the Cash Alternative, based on the final closing price of the shares on July 17, 2012. On the same day, the Chairman of Nordgold, Philip Baum, sent a letter addressed to the Chairman of High River, Alexey Khudyakov, stating Nordgold's intention to make the Offer.

Prior to the opening of financial markets on July 18, 2012, Nordgold issued a press release announcing the execution of the Lock-Up Agreements and its intention to make the Offer.

Later on July 18, 2012, High River issued a press release acknowledging Nordgold's announcement of its intention to make the Offer and announced that the High River Board had established a special committee of independent directors comprised of Mr. Khudyakov (Chair), Andrew Matthews and Karl Glackmeyer in response to Nordgold's announcement. High River's release stated that the High River Special Committee was established to consider the Offer, consider alternatives to the Offer, and to engage a financial advisor to prepare a formal valuation of High River in accordance with the requirements of the Canadian Securities Laws.

On the evening of July 18, 2012, Nordgold entered into an additional Lock-Up Agreement with a minority shareholder of High River, such that the percentage of the High River Shares committed to be deposited under the Offer pursuant to Lock-Up Agreements increased to approximately 29% of the High River Shares not already owned by Nordgold.

On July 31, 2012, High River issued a further press release updating the market in connection of the Offer and announcing that the High River Special Committee had engaged Paradigm Capital to prepare the formal valuation of the High River Shares and the Nordgold GDRs required under the Canadian Securities Laws and retained Fraser Milner Casgrain LLP as its legal counsel.

On October 15, 2012, Nordgold provided confirmation to Paradigm Capital of Nordgold's intention to launch the Offer and requested that Paradigm Capital finalize the Valuation.

On October 16, 2012, the High River Special Committee delivered to Nordgold the Valuation prepared by Paradigm Capital which concluded that, subject to the qualifications therein, Paradigm was of the opinion that, as of October 16, 2012, the Fair Market Value (as defined in the Valuation) of (i) High River is in the range of \$1.33 to \$1.80 per High River Share and (ii) Nordgold is in the range of \$4.02 to \$6.60 per Nordgold Share. See Section 8 of the Circular, "*Valuation*" for additional details regarding the Valuation.

At a board meeting held on October 16, 2012, the Nordgold Board approved the Offer Documents and their sending to the High River Shareholders and holders of Options.

4. LOCK-UP AGREEMENTS

Pursuant to the Lock-Up Agreements, the Locked-Up Shareholders have agreed to deposit an aggregate of 59,900,206 High River Shares, representing approximately 29% of the issued and outstanding High River Shares not owned by Nordgold, under the Offer and elect to receive Nordgold GDRs as consideration. The following is a summary of the principal terms of the Lock-Up Agreements, which are materially similar among the Lock-Up Agreements, subject to the exceptions noted below. It does not purport to be complete and is qualified in its entirety by reference to the full text of the Lock-Up Agreements, which have been filed under the profile of High River on SEDAR at www.sedar.com.

Agreement to Tender

The Locked-Up Shareholders have agreed to tender to the Offer all of their respective High River Shares on or before the tenth business day following the mailing of the Offer Documents to High River Shareholders and to elect to receive Nordgold GDRs as consideration therefor. Each Locked-Up Shareholder has agreed it will not withdraw its High River Shares from the Offer except in accordance with the Lock-Up Agreement.

Covenants of the Locked-Up Shareholders

Each Locked-Up Shareholder has agreed, among other things, to not:

- option, sell, transfer, pledge, encumber, grant a security interest in, hypothecate or otherwise convey any of the High River Shares owned by such Locked-Up Shareholder, or any right or interest therein (direct or indirect), to any person or group or agree to do any of the foregoing except pursuant to the Offer;
- grant or agree to grant any proxy or other right to vote the Locked-Up Shareholder's High River Shares, or enter into any voting trust, vote pooling or other agreement with respect to the right to vote the Locked-Up Shareholder's High River Shares; and
- take any other action of any kind which is inconsistent with the performance of the Locked-Up Shareholder's obligations under the Lock-Up Agreement.

Certain of the Locked-Up Shareholders have additionally covenanted to exercise any options, rights or warrants to purchase High River Shares held by such Locked-Up Shareholders and tender the High River Shares received to the Offer, or cancel such options, rights or warrants without any payment therefor, on or before the Expiry Date.

Representations and Warranties of the Locked-Up Shareholders

Each of the Locked-Up Shareholders has made representations and warranties in respect of the following matters: (i) organization; (ii) authorization; (iii) ownership of the High River Shares locked up; (iv) absence of any agreement, options or right or privilege to purchase, acquire or transfer any of the High River Shares owned by the Locked-Up Shareholder; (v) absence of any proxy, voting trust, vote pooling or other agreement in respect of the right to vote, call meetings of shareholders or give consents or approvals of any kind to which the High River Shares owned by the Locked-Up Shareholder are subject; (vi) absence of a requirement to obtain a consent or other similar approval in connection with entry into the Lock-Up Agreement or consummation of the transactions provided therein; and (vii) absence of legal or regulatory proceedings or investigations or judgements that would affect the Locked-Up Shareholder's (A) ability to enter into the Lock-Up Agreement, (B) perform its obligations thereunder or (C) title to the High River Shares.

Representations and Warranties of Nordgold

Nordgold has made a representation and warranty in the Lock-Up Agreements in respect of its authority relative to the Lock-Up Agreement. Nordgold also represented to Arbat Capital Group Limited ("Arbat") that it is duly organized and that the execution, delivery and performance by Nordgold of its obligations under the Lock-Up Agreement and consummation of the transactions contemplated by the Offer do and will not (i) violate Nordgold's constituting documents; (ii) violate any Law (as defined in the Lock-Up Agreement) applicable to Nordgold; (iii) require any consent or other action by any person or constitute a default under, or give rise to any right of termination, cancellation or acceleration or to a loss of any benefit to which Nordgold is entitled under any material contract or permit binding on Nordgold; or (iv) result in the imposition of any lien on any asset of Nordgold.

Termination

Subject to the terms of the applicable Lock-Up Agreement and provided that the Locked-Up Shareholder is not in material default in its performance of its obligations under the Lock-Up Agreements, each Locked-Up Shareholder (with the exception of Arbat) may, without prejudice to any of its accrued rights under such Lock-Up Agreement and in its sole discretion, terminate the Lock-Up Agreement by written notice to Nordgold if Nordgold has not complied with its covenants contained in the Lock-Up Agreement in any material respects. Written notice of the breach is required to be delivered to Nordgold and, if such matter is capable of being cured,

the Locked-Up Shareholder may not terminate its Lock-Up Agreement as a result of such matter until the expiration of 10 business days from the date the notice is received by Nordgold. With respect to the Lock-Up Agreement with Baker Steel Capital Managers LLP, acting on behalf of its discretionary mandates (“**Baker Steel**”), Baker Steel may also terminate the agreement if, at the time Baker Steel provides a notice of termination to Nordgold, its assets under management (being the total value of all funds being managed on a discretionary basis by Baker Steel) have declined by an aggregate amount of more than 33.3% from the level of its assets under management as of the date of its Lock-Up Agreement.

Each Lock-Up Agreement (with the exception of the Lock-Up Agreement with Arbat) provides that, unless extended by mutual agreement of the Locked-Up Shareholder and Nordgold, the Lock-Up Agreement shall automatically terminate: (i) on the date the Offer is terminated or withdrawn or otherwise expires; or (ii) the date which is 90 days after the Mailing Date (as defined in the Lock-Up Agreements), subject to the right of Nordgold to extend such date for up to an additional 30 days (in 10-day increments) if (A) certain regulatory approvals have not been obtained and have not been denied by a non-appealable decision or (B) Nordgold is delayed from taking-up and paying for High River Shares by an injunction or order made by a court or regulatory authority of competent jurisdiction.

The Lock-Up Agreement with Arbat may be terminated (i) at any time with written consent of both parties; (ii) automatically if the Offer is withdrawn or otherwise terminates without Nordgold proposing a transaction other than the Offer pursuant to which Nordgold would acquire all of the High River Shares on materially the same or better economic terms as the Offer (an “**Alternative Transaction**”); (iii) by Arbat in its sole discretion if (A) Nordgold has not acquired Arbat’s High River Shares by December 15, 2012 or (B) Nordgold amends the Offer other than in accordance with the Lock-Up Agreement or proposes an Alternative Transaction that does not meet certain conditions.

5. PURPOSE OF THE OFFER AND PLANS FOR HIGH RIVER

Purpose of the Offer

The purpose of the Offer is to enable Nordgold to acquire all of the High River Shares. Depending on the number of High River Shares that Nordgold acquires under the Offer, Nordgold intends to acquire any High River Shares not deposited under the Offer through a Compulsory Acquisition or to propose a Subsequent Acquisition Transaction, in each case for consideration per High River Share equal in value to the consideration paid by Nordgold per High River Share under the Offer. The exact timing and details of any such transaction will depend upon a number of factors and it is possible that such transaction will not be consummated or may be delayed. See Section 17 of this Circular, “*Acquisition of High River Shares Not Deposited Under the Offer*”.

If Nordgold is unable to effectuate a Compulsory Acquisition or a Subsequent Acquisition Transaction as outlined above, Nordgold will evaluate other available alternatives. These alternatives could include, to the extent permitted by applicable Laws, purchasing additional High River Shares: (i) in the open market; (ii) in privately negotiated transactions; (iii) in another take-over bid or exchange offer or otherwise; or (iv) from High River. Any additional purchases of High River Shares could be at a price greater than, equal to or less than the price to be paid for High River Shares under the Offer and could be for cash, securities and/or other consideration. Alternatively, Nordgold may sell or otherwise dispose of any or all High River Shares acquired pursuant to the Offer. These transactions may be effectuated on terms and at prices then determined by Nordgold, which may vary from the terms and the price paid for High River Shares under the Offer.

Plans for High River Following the Completion of the Offer

Following the completion of the Offer and a Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable, Nordgold intends to cause High River to apply to de-list the High River Shares from the TSX. See Section 13 of this Circular, “*Effect of the Offer on the Market for High River Shares, Listing and*

Public Disclosure by High River". Once de-listed, Nordgold also intends to cause High River to make an application to cease to be a reporting issuer under the Canadian Securities Laws.

Treatment of Options

The Offer is made only for High River Shares and not for any Options. Any holder of such Options who wishes to accept the Offer should, to the extent permitted by their terms and applicable Law, exercise the rights under their Options in order to obtain High River Shares that may be deposited in accordance with the terms of the Offer. Any such exercise must be made sufficiently in advance of the Expiry Time to ensure that such holders will have their High River Shares available for deposit prior to the Expiry Time or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, "*Manner of Acceptance — Procedure for Guaranteed Delivery*".

The tax consequences to holders of Options are not described in this Circular. Holders of Options should consult their tax advisors for advice with respect to any potential income tax consequences arising from the Offer and any Compulsory Acquisition or Subsequent Acquisition Transaction.

6. SOURCE OF OFFER CONSIDERATION

Nordgold estimates that if it acquires all of the outstanding High River Shares pursuant to the Offer and is required to pay the maximum amount of cash payable pursuant to the Offer, the total cash consideration payable, excluding any cash that may be payable by High River in lieu of fractional Nordgold GDRs, will be approximately \$210 million, assuming all High River Shareholders (other than the Locked-Up Shareholders) elect the Cash Alternative.

Nordgold intends to finance the cash payable pursuant to the Offer with cash and cash equivalents on its balance sheet. Nordgold has received a commitment letter from Raiffeisenbank in respect of a new six month US\$129 million credit facility denominated in Russian roubles which will bear interest at a variable rate of one month Mosprime plus 2.9%. Nordgold has also received an indicative term sheet from Natixis, Sberbank and Societe Generale in respect of a new six month US\$300 million credit facility which will bear interest at a variable rate of one month LIBOR plus margin of 2.25% during the first three months rising to a maximum margin of 3.5% for the final three months depending on the timing of repayment. Nordgold anticipates finalizing only one of the two available facilities. If finalized and drawn upon, the new Raiffeisenbank and Natixis, Sberbank and Societe Generale facilities would contain customary events of default and would be repayable over time with proceeds of capital markets issues and/or subsequent debt financings and/or freely available cash, although Nordgold has no plans for such issues or financings at this time. Nordgold's obligation to purchase the High River Shares tendered to the Offer is not subject to any financing condition.

7. BENEFICIAL OWNERSHIP OF AND TRADING IN HIGH RIVER SECURITIES

Beneficial Ownership of High River Securities

Other than the 630,627,472 High River Shares held by Nordgold (and ultimately controlled by Alexey Mordashov through his indirect ownership of Nordgold Shares) disclosed above, none of Nordgold or any directors or officers of Nordgold beneficially own, or exercise control or direction over, any High River securities. To the knowledge of Nordgold after reasonable enquiry, no (a) associate or affiliate of an insider of Nordgold; (b) insider of Nordgold, other than a director or officer of Nordgold; or (c) person or company acting jointly or in concert with Nordgold, beneficially owns, or exercises control or direction over, any High River securities.

Trading in High River Securities

To the knowledge of Nordgold after reasonable enquiry, none of (a) Nordgold, (b) any insider of Nordgold, (c) any associate or affiliate of an insider of Nordgold, nor (e) any person or company acting jointly or in concert with Nordgold, has purchased or sold any securities of High River during the 6-month period preceding the date hereof.

8. VALUATION

The following summary of the Valuation is qualified in its entirety by the full text of the Valuation appended hereto as Annex “C”. Shareholders are encouraged to read the full text of the Valuation. The Valuation has been prepared for the use of the High River Special Committee and the High River Board and for inclusion in this Offer and Circular and the Directors’ Circular. The Valuation does not constitute a recommendation to any High River Shareholder as to whether such High River Shareholder should tender to the Offer.

Engagement of Paradigm Capital by the High River Special Committee

Paradigm Capital was formally engaged to act as financial advisor to the High River Special Committee pursuant to an agreement dated July 31, 2012 (the “**Engagement Agreement**”). The terms of the Engagement Agreement provide that Paradigm Capital is to be paid a fixed fee for its service and will be reimbursed for out of pocket expenses upon submission of the Valuation. In addition, High River has agreed to indemnify Paradigm Capital, its subsidiaries and affiliates, and their respective officers, directors, employees and agents, against certain expenses, losses, claims, actions, damages and liabilities arising from the Engagement Agreement. The fee payable to Paradigm Capital is not contingent upon the completion of the Offer. No understandings or agreements exist between Paradigm Capital and High River with respect to future financial advisor or investment banking business.

Credentials of Paradigm Capital

Paradigm Capital is a Canadian independent investment banking firm with a sales, trading, research and corporate finance focus providing services for both institutional investors and corporations. Paradigm Capital was founded in 1999 and is a member of the TSX, the TSX Venture Exchange and IIROC. Paradigm Capital has participated in many transactions involving both public and private companies.

Independence of Paradigm Capital

None of Paradigm Capital, its associates or affiliates: (i) is an issuer insider, associate, affiliate or affiliated entity (as those terms are defined in MI 61-101) of High River or Nordgold, or any of their respective associates or affiliates; (ii) is an advisor to any person or company other than to the High River Special Committee with respect to the Offer; (iii) is a manager or co-manager of a soliciting dealer group formed in respect of the Offer (or a member of such a group performing services beyond the customary soliciting dealer’s functions or receiving more than the per security or per security holder fees payable to the other members of the group). Paradigm Capital has not provided any financial advisory services to High River or Nordgold, or any of their respective associates or affiliates for which it has received compensation since January 1, 2009, other than in June 2009 when Paradigm Capital acted as financial advisor to High River in connection with the non-binding expression of interest from Severstal to acquire all of the issued and outstanding shares of High River from minority shareholders at \$0.22 per High River Share, and in May 2009 when Paradigm Capital acted as financial advisor to High River with respect to providing High River with a review of the strategic and financing alternatives available to High River.

Paradigm Capital may, however, in the ordinary course of its business, provide financial advisory or investment banking services to High River, Nordgold or any of their respective affiliates. In addition, during the ordinary course of business, Paradigm Capital may actively trade common shares and other securities of High River or Nordgold for its own account and for the accounts of Paradigm Capital’s clients and, accordingly, may at any time hold a long or short position in such securities. As an investment dealer, Paradigm Capital conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including those related to any of High River, Nordgold, or the Offer.

Scope of Review

In connection with the Valuation, Paradigm Capital obtained information from publicly available sources and from High River and Nordgold. In addition, Paradigm Capital reviewed and relied upon (without attempting to verify independently the completeness or accuracy thereof) or carried out, among other things: High River's internal financial, operations and corporate projections for the Company's assets, including financial models for High River's assets, that were prepared or provided by the management of High River, as well as such other corporate, industry and financial market information, investigations and analyses as Paradigm Capital deemed necessary or appropriate in the circumstances. In addition, Paradigm Capital participated in discussions with members of High River's and Nordgold's senior management and project technical teams regarding High River and Nordgold, past and current business operations, and High River's and Nordgold's respective financial condition and prospects. Paradigm Capital has not, to the best of its knowledge, been denied access by High River or Nordgold to any information requested by Paradigm Capital.

General Assumptions and Limitations

With the approval of the High River Special Committee and, as provided in the Engagement Agreement, Paradigm Capital has relied, without independent verification, upon all financial and other information that was obtained from public sources or that was provided to it by High River, Nordgold and their respective affiliates, associates, advisors or otherwise. Paradigm Capital has assumed that this information was complete and accurate as of the date of the Valuation and did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. The Valuation is conditional upon such completeness and accuracy. In accordance with the terms of the Engagement Letter, but subject to the exercise of Paradigm Capital's professional judgment, Paradigm Capital has not conducted any independent investigation to verify the completeness or accuracy of such information. With respect to the financial forecasts and budgets provided to Paradigm Capital and used in its analysis, Paradigm Capital has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of High River and the management of Nordgold as to the matters covered thereby.

The Valuation is based on the securities markets, economic, general business and financial conditions prevailing as of the date of the Valuation and the conditions and prospects, financial and otherwise, of High River and Nordgold as they were reflected in the information reviewed by Paradigm Capital. In the analysis and in preparing the Valuation, Paradigm Capital has made a number of assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Paradigm Capital, High River, Nordgold and any other party involved in connection with the Offer.

Paradigm Capital has also assumed that the final terms of the Offer are substantially the same as contemplated in the July 18, 2012 press release by Nordgold announcing its intention to make the Offer and reviewed by Paradigm Capital. Paradigm Capital has also assumed that each of the Offer and Circular and the Directors' Circular will satisfy all applicable legal requirements.

Finally Paradigm Capital has assumed that all material governmental, regulatory or other required consents and approvals necessary for the consummation of the Offer will be obtained without any meaningful adverse effect on High River, Nordgold or the contemplated benefits of the Offer.

Paradigm Capital believes that its analyses must be considered as a whole and that selecting portions of the analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. Accordingly, the Valuation should be read in its entirety.

The Valuation is not, and should not be construed as, a recommendation to High River Shareholders to accept or reject the Offer.

Valuation

Based upon and subject to the analyses, assumptions, qualifications and limitations discussed in the Valuation, Paradigm Capital is of the opinion that, as of October 16, 2012, the fair market value of High River is in the range of \$1.33 to \$1.80 per share.

Based upon and subject to the analyses, assumptions, qualifications and limitations discussed in the Valuation, and such other factors as Paradigm Capital considered relevant, Paradigm Capital is of the opinion that, as of October 16, 2012, the fair market value of Nordgold is in the range of \$4.02 to \$6.60 per share.

9. PRIOR VALUATIONS

To the knowledge of Nordgold and its directors and senior officers, after reasonable inquiry, other than the Valuation, there have been no prior valuations (as defined in MI 61-101) prepared in respect of High River, the High River Shares or any material assets of High River during the 24 months prior to the date of the Offer.

10. DIVIDENDS AND DIVIDEND POLICY

To the knowledge of Nordgold, High River has paid no dividends on the High River Shares to date and does not anticipate paying dividends on the High River Shares in the foreseeable future. Nordgold understands that High River anticipates that for the foreseeable future it will retain all future earnings and other cash resources for the operation and development of its business. Nordgold understands that payment of any future dividends will be at the discretion of the High River Board after taking into account many factors, including High River's operating results, financial condition and current and anticipated cash needs.

11. PREVIOUS PURCHASES AND SALES

Nordgold has not purchased or sold any securities of High River during the twelve months preceding the date of the Offer.

12. PREVIOUS DISTRIBUTIONS OF SECURITIES

To the knowledge of Nordgold, during the five years prior to the date hereof, High River has not completed any distribution of High River Shares (excluding High River Shares distributed pursuant to the exercise of Options, warrants or other convertible securities) other than as set forth below:

- In November 2007, High River issued 32,300,000 units (each unit comprising one High River Share and one-half of one High River Share purchase warrant) in a bought deal public financing at a price of \$3.10/unit for gross proceeds of \$100,130,000. Each whole warrant entitled the holder to purchase one High River Share at a price of \$4.00 at any time prior to November 8, 2010. In December 2007, High River also issued an additional 2,422,500 warrants pursuant to an overallotment option granted to the underwriters of the bought deal financing at a price of \$0.38/warrant for gross proceeds of \$920,550.
- In November 2008, High River issued 282,288,515 High River Shares and 40,674,540 High River Share purchase warrants in a private placement to a member of the Severstal Group at a price of \$0.20/share for gross proceeds of \$56,457,703. Each warrant entitled the holder thereof to acquire one High River Share at an exercise price of \$0.64 until September 29, 2013.
- In June 2009, High River issued 59,019,367 High River Shares in a private placement to a member of the Severstal Group at a price of \$0.18/share for gross proceeds of \$10,623,486.06.
- In December 2009, High River issued 150,000,000 High River Shares in a private placement to Polenica Investments Limited, an affiliate of Sberbank CIB, at a price of \$0.38/share for gross proceeds of \$57,000,000.

13. EFFECT OF THE OFFER ON THE MARKET FOR HIGH RIVER SHARES, LISTING AND PUBLIC DISCLOSURE BY HIGH RIVER

Market for the High River Shares

The purchase of High River Shares by Nordgold pursuant to the Offer will reduce the number of High River Shares that might otherwise trade publicly, as well as the number of High River Shareholders, and, depending on the number of High River Shares deposited and purchased under the Offer, could adversely affect the liquidity and market value of the remaining High River Shares held by the public.

The rules and regulations of the TSX establish certain criteria which, if not met, could lead to the cessation of trading and de-listing of the High River Shares from the TSX. According to the TSX Company Manual, the High River Shares may be delisted if (i) the market value of the High River Shares is less than \$2 million over any period of 30 consecutive trading days, (ii) the number of High River Shares is less than 500,000 or (iii) the number of High River Shareholders, each holding a board lot or more, is less than 150, in each case exclusive of holdings of officers and directors of High River and persons who own or control, directly or indirectly, 10% or more of the High River Shares. Depending upon the number of High River Shares purchased pursuant to the Offer, it is possible that the High River Shares would fail to meet the criteria for continued listing on the TSX. If this were to happen, the High River Shares could be de-listed and this could, in turn, adversely affect the market or result in a lack of an established market for the High River Shares.

Nordgold intends to seek to de-list the High River Shares from the TSX as soon as practicable after completion of a Compulsory Acquisition or any Subsequent Acquisition Transaction.

Public Disclosure by High River

Following completion of a Compulsory Acquisition or any Subsequent Acquisition Transaction, as applicable, Nordgold intends to cause High River to apply to cease to be a reporting issuer under applicable Canadian Securities Laws.

Public Disclosure by Nordgold

Nordgold is, and will continue to be after completion of the Offer, subject to the continuous disclosure requirements and reporting obligations applicable to companies listed on the Official List and admitted to trading on the LSE. For the most part, these requirements originate from the Listing Rules and the Disclosure and Transparency Rules set out by the FSA in the FSA Handbook.

After the completion of the Offer, it is expected that Nordgold will be a reporting issuer in each of the Canadian provinces of British Columbia, Saskatchewan, Manitoba, Québec and Newfoundland & Labrador. It is expected that Nordgold will be a “designated foreign issuer” within the meaning of National Instrument 71-102 — *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* of the Canadian Securities Administrators. If Nordgold is a designated foreign issuer, it will be able to rely on available exemptions from most of the continuous disclosure requirements of Canadian Securities Laws, as well as certain other requirements, provided Nordgold complies with the continuous disclosure requirements of the United Kingdom and the LSE and, generally, files the same documents with Canadian securities regulators as are filed with securities regulators in the United Kingdom and the LSE.

14. COMMITMENTS TO ACQUIRE HIGH RIVER SHARES

Except pursuant to the Offer and the Lock-Up Agreements, no agreements, commitments or understandings to acquire securities of High River have been made by Nordgold, nor, to the knowledge of Nordgold after reasonable inquiry, by (i) any insider of Nordgold, (ii) any associate or affiliate of an insider of Nordgold, or (iii) any person or company acting jointly or in concert with Nordgold.

15. ARRANGEMENTS, AGREEMENTS OR UNDERSTANDINGS; OTHER BENEFITS TO INSIDERS, AFFILIATES AND ASSOCIATES

There are no agreements, commitments or understandings made or proposed to be made between Nordgold and any of the directors or officers of High River and no payments or other benefits are proposed to be made or given by Nordgold by way of compensation for loss of office or for such directors or senior officers remaining in or retiring from office if the Offer is successful.

Other than the Lock-Up Agreements described above, there are no agreements, commitments or understandings made or proposed to be made between Nordgold and any security holder of High River relating to the Offer. There are no agreements, commitments or understandings made between Nordgold and High River relating to the Offer. There are no agreements, commitments or understandings of which Nordgold is aware that could affect control of High River that Nordgold has access to and can reasonably be regarded as material to a High River Shareholder in deciding whether to deposit High River Shares under the Offer.

16. MATERIAL FACTS AND OTHER INFORMATION

Except as disclosed elsewhere in this Offer and Circular, Nordgold has no knowledge of any undisclosed material fact concerning securities of High River or any other matter that has not previously been generally disclosed but which would reasonably be expected to affect the decision of High River Shareholders to accept or reject the Offer.

17. ACQUISITION OF HIGH RIVER SHARES NOT DEPOSITED UNDER THE OFFER

Depending on the number of High River Shares that Nordgold acquires under the Offer, Nordgold intends to acquire any High River Shares not deposited under the Offer through a Compulsory Acquisition or to propose a Subsequent Acquisition Transaction.

Compulsory Acquisition

Pursuant to the provisions of Section 197 of the YBCA, Nordgold expects to have the right to acquire the High River Shares not deposited under the Offer on the same terms as the High River Shares acquired under the Offer (a “**Compulsory Acquisition**”) if the following criteria are satisfied: (i) the Offer is an offer made to High River Shareholders to acquire all of the High River Shares not already owned by Nordgold and its affiliates and associates (as such terms are defined in the YBCA); and (ii) prior to the Expiry Time or within 120 days after the date of the Offer, whichever period is shorter, the Offer is accepted by the holders of not less than 90% of the High River Shares (including securities currently convertible into High River Shares and currently exercisable options and rights to acquire High River Shares or securities currently convertible into High River Shares) not already owned by Nordgold and its affiliates and associates (as such terms are defined in the YBCA).

To exercise its statutory right of Compulsory Acquisition, Nordgold would need to give notice (the “**Compulsory Acquisition Notice**”) to each High River Shareholder who did not accept the Offer and each person who subsequently acquires any High River Shares owned by such High River Shareholders (in each case, a “**Dissenting Offeree**”) of such proposed acquisition by registered mail on or before the earlier of 60 days following the termination of the Offer and 180 days following the date of the Offer. Within 20 days after giving the Compulsory Acquisition Notice, Nordgold would need to pay or transfer to High River the consideration Nordgold would have had to pay or transfer to the Dissenting Offerees had the Dissenting Offerees elected to accept the Offer, to be held in trust for the Dissenting Offerees. Within 20 days after receipt of the Compulsory Acquisition Notice, each Dissenting Offeree must send the certificates evidencing the High River Shares held by such Dissenting Offeree to High River and within 60 days after the date of the sending of the Compulsory Acquisition Notice each Dissenting Offeree must elect either to transfer such High River Shares to Nordgold on the terms on which Nordgold acquired High River Shares under the Offer or to demand payment of the fair value of the High River Shares held by notifying Nordgold and applying to the Yukon Supreme Court to set the fair

value of the High River Shares of such Dissenting Offeree. If the Dissenting Offeree fails to notify Nordgold and apply to the Yukon Supreme Court within the applicable time period, the Dissenting Offeree will be deemed to have elected to transfer its High River Shares to Nordgold on the same terms on which Nordgold acquired High River Shares under the Offer. If a Dissenting Offeree elects to demand payment of the fair value of its High River Shares, Nordgold would, within 20 days after it makes the payment or transfers the consideration for Dissenting Offerees to High River discussed above, be able to apply to the Yukon Supreme Court to hear the application to fix the fair value of the High River Shares owned by such Dissenting Offeree.

Any judicial determination of the fair value of the High River Shares could be more or less than the amount of consideration per High River Share paid pursuant to the Offer.

The foregoing is only a summary of the right of Compulsory Acquisition that may become available to Nordgold pursuant to the provisions of the YBCA. The summary is not intended to be complete. See Sections 197 to 207 of the YBCA for the full text of the relevant statutory provisions. Sections 197 to 207 of the YBCA are complex and may require strict adherence to notice and timing provisions, failing which such rights may be lost or altered. High River Shareholders who wish to be better informed about those provisions of the YBCA should consult with their legal advisors.

See Section 18 of this Circular, “*Certain Canadian Federal Income Tax Considerations*” for a discussion of the tax consequences to High River Shareholders in the event of a Compulsory Acquisition.

Subsequent Acquisition Transaction

If the right of Compulsory Acquisition described above is not available for any reason or if Nordgold determines not to exercise its right of Compulsory Acquisition, Nordgold intends to pursue other means of acquiring the remaining High River Shares not deposited and taken up under the Offer, including causing one or more special meetings of the High River Shareholders to be called to consider an amalgamation, statutory arrangement, capital reorganization, amendment to High River’s articles, consolidation or other transaction involving Nordgold and/or an affiliate of Nordgold and High River and/or the High River Shareholders for the purpose of High River becoming, directly or indirectly, a wholly-owned subsidiary or affiliate of Nordgold (a “**Subsequent Acquisition Transaction**”). The consideration to be paid to High River Shareholders pursuant to any such Subsequent Acquisition Transaction would be equal in amount to, and in the same form as, that payable under the Offer.

MI 61-101 may deem a Subsequent Acquisition Transaction to be a “business combination” if such Subsequent Acquisition Transaction would result in the interest of a holder of High River Shares being terminated without the consent of the holder, irrespective of the nature of the consideration provided in substitution therefor. Nordgold expects that any Subsequent Acquisition Transaction relating to High River Shares will be a “business combination” under MI 61-101.

In certain circumstances, the provisions of MI 61-101 may also deem certain types of Subsequent Acquisition Transactions to be “related party transactions”. However, if the Subsequent Acquisition Transaction is a “business combination”, the “related party transaction” provisions in MI 61-101 do not apply to such transaction. Nordgold expects that any Subsequent Acquisition Transaction would be a “business combination” for purposes of MI 61-101 and therefore the “related party transaction” provisions of MI 61-101 would not apply to the Subsequent Acquisition Transaction.

MI 61-101 provides that, unless exempted, an issuer proposing to carry out a business combination is required to prepare a valuation of the affected securities (and, subject to certain exceptions, any non-cash consideration being offered therefor) and to provide the holders of the affected securities with a summary of such valuation. Nordgold currently intends to rely on available exemptions (or, if such exemptions are not available, to seek waivers pursuant to MI 61-101 exempting High River and Nordgold or one or more of its affiliates, as appropriate) from the valuation requirements of MI 61-101. An exemption is available under MI 61-101 for

certain business combinations completed within 120 days after the date of expiry of a formal take-over bid where the consideration per security under the business combination is at least equal in value to and is in the same form as the consideration that depositing security holders were entitled to receive in the take-over bid, provided that certain disclosure is given in the take-over bid disclosure documents (which disclosure has been provided in this Circular). Nordgold expects that this exemption will be available.

Depending on the nature and terms of the Subsequent Acquisition Transaction, the provisions of the YBCA and High River Gold's constating documents may require the approval of 66⅔% of the votes cast by High River Shareholders at a meeting duly called and held for the purpose of approving the Subsequent Acquisition Transaction. MI 61-101 would also require that, in addition to any other required security holder approval, in order to complete a business combination (such as a Subsequent Acquisition Transaction), the approval of a majority of the votes cast by "minority" shareholders of each class of affected securities must be obtained unless an exemption is available or discretionary relief is granted by applicable Securities Regulatory Authorities. If, however, following the Offer, Nordgold and its affiliates are the beneficial holders of 90% or more of the outstanding securities of each class of affected securities of High River at the time the Subsequent Acquisition Transaction is initiated, the requirement for "minority" approval would not apply to the transaction if an enforceable appraisal right or substantially equivalent right is made available to "minority" shareholders.

In relation to the Offer and any subsequent business combination, the "minority" shareholders will be, unless an exemption is available or discretionary relief is granted by applicable Securities Regulatory Authorities, all High River Shareholders other than: (i) High River; (ii) any "interested party" (within the meaning of MI 61-101), including Nordgold (other than in respect of High River Shares acquired pursuant to the Offer as described below); (iii) certain "related parties" of Nordgold or of any other "interested party" (in each case within the meaning of MI 61-101) including any director or senior officer of Nordgold, any affiliate or insider of Nordgold or any of their directors or senior officers; and (iv) any "joint actor" (within the meaning of MI 61-101) with any of the persons listed in (ii) or (iii). MI 61-101 also provides that Nordgold may treat High River Shares acquired under the Offer as part of the "minority" and to vote them, or to consider them voted, in favour of such business combination if, among other things: (i) the business combination is completed no later than 120 days after the Expiry Time; (ii) the consideration per security in the business combination is at least equal in value to and in the same form as the consideration paid under the Offer; and (iii) the High River Shareholder who tendered such High River Shares to the Offer was not: (a) a "joint actor" (within the meaning of MI 61-101) with Nordgold in respect of the Offer; (b) a direct or indirect party to any "connected transaction" (within the meaning of MI 61-101) to the Offer; or (c) entitled to receive, directly or indirectly, in connection with the Offer, a "collateral benefit" (within the meaning of MI 61-101) or consideration per High River Share that is not identical in amount and form to the entitlement of the general body of holders in Canada of High River Shares. Nordgold currently intends that the consideration offered for High River Shares under any Subsequent Acquisition Transaction proposed by it would be equal in value to, and in the same form as, the consideration paid to High River Shareholders under the Offer and that such Subsequent Acquisition Transaction will be completed no later than 120 days after the Expiry Time. Accordingly, Nordgold intends to cause all High River Shares acquired under the Offer to be voted in favour of any such transaction and, where permitted by MI 61-101, to be counted as part of any minority approval required in connection with any such transaction. To the knowledge of Nordgold, after reasonable inquiry, only the votes attached to the 630,627,472 High River Shares currently held by Nordgold would be required to be excluded in determining whether minority approval for a Subsequent Acquisition Transaction has been obtained for the purposes of MI 61-101.

Any such Subsequent Acquisition Transaction may also result in High River Shareholders having the right to dissent in respect thereof and demand payment of the fair value of their High River Shares. The exercise of such right of dissent, if certain procedures are complied with by the holder, could lead to a judicial determination of fair value required to be paid to such Dissenting Offeree for its High River Shares. The fair value so determined could be more or less than the amount paid per High River Share pursuant to such transaction or pursuant to the Offer. The exact terms and procedures of the rights of dissent available to High River Shareholders will depend on the structure of the Subsequent Acquisition Transaction and will be described in the

proxy circular or other disclosure document provided to High River Shareholders in connection with any Subsequent Acquisition Transaction.

If Nordgold is unable or unwilling to effect a Compulsory Acquisition, unable to affect a Subsequent Acquisition Transaction, or proposes a Subsequent Acquisition Transaction but cannot obtain any required approvals or exemptions promptly, Nordgold will evaluate its other alternatives. Such alternatives could include, to the extent permitted by applicable Laws, purchasing additional High River Shares in the open market; in privately negotiated transactions; in another take-over bid or exchange offer or otherwise; or from High River. Subject to applicable Laws, any additional purchases of High River Shares could be at a price greater than, equal to, or less than the price to be paid for High River Shares under the Offer and could be for cash, securities and/or other consideration. Alternatively, Nordgold may take no action to acquire additional High River Shares, or, subject to applicable Laws, may either sell or otherwise dispose of any or all High River Shares acquired under the Offer, on terms and at prices then determined by Nordgold, which may vary from the price paid for High River Shares under the Offer. See Section 12 of the Offer, “*Market Purchases*”.

The tax consequences to a High River Shareholder of a Subsequent Acquisition Transaction may differ from the tax consequences to such High River Shareholder of accepting the Offer. See Section 18 of this Circular, “*Certain Canadian Federal Income Tax Considerations*”.

High River Shareholders should consult their legal advisors for a determination of their legal rights with respect to a Subsequent Acquisition Transaction.

18. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to Nordgold, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a High River Shareholder who sells High River Shares to Nordgold pursuant to the Offer or otherwise disposes of High River Shares pursuant to a Compulsory Acquisition or a Subsequent Acquisition Transaction described in Section 17 of this Circular, “*Acquisition of High River Shares Not Deposited Under the Offer*”. This summary does not, however, apply to a High River Shareholder who acquired High River Shares on the exercise of employee stock options, and such holders should consult their own tax advisors.

The summary is based on the current provisions of the Tax Act, the regulations thereunder, and counsel’s understanding of the administrative policies and assessing practices of the CRA publicly available prior to the date hereof. The summary takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof (“**Proposed Amendments**”), although there is no certainty that the Proposed Amendments will be enacted in the form currently proposed, or at all. The summary does not otherwise take into account or anticipate any other changes in Law, whether by judicial, governmental or legislative decision or action, or other changes in administrative policies or assessing practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may materially differ from federal income tax legislation or considerations. This summary also assumes that the High River Shares have been and will be at all relevant times listed on a designated stock exchange (which includes the TSX).

This summary is not applicable to a High River Shareholder that is (a) a “financial institution” for the purposes of the mark-to-market rules contained in the Tax Act, (b) a “specified financial institution” for the purposes of the Tax Act, (c) an insurer carrying on a business in Canada or elsewhere that is not a resident of Canada for the purposes of the Tax Act, (d) a person an interest in which is, or for whom a High River Share would be, a “tax shelter investment” as defined by the Tax Act, or (e) a person that has elected under the Tax Act to compute its Canadian tax results in a currency other than the Canadian dollar. Such High River Shareholders should consult their own tax advisors.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular High River Shareholder to whom the Offer is made. Accordingly, High River Shareholders should consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other tax Laws of any country, province, territory, state or local tax authority.

High River Shareholders Resident in Canada

This part of the summary is applicable only to High River Shareholders who, for purposes of the Tax Act and at all relevant times, are resident or are deemed to be resident in Canada, hold their High River Shares and will hold any Nordgold GDRs as capital property, deal at Arm's Length with High River and Nordgold and are not affiliated with High River or Nordgold. High River Shares and Nordgold GDRs generally will be considered to be capital property to a High River Shareholder unless the High River Shareholder holds such securities in the course of carrying on a business or acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain High River Shareholders whose High River Shares might not otherwise be considered to be capital property may be entitled to have their High River Shares and all other "Canadian securities" (as defined in the Tax Act) deemed to be capital property by making an irrevocable election provided for by subsection 39(4) of the Tax Act. The Nordgold GDRs are not "Canadian securities" for this purpose.

Disposition of High River Shares pursuant to the Offer

A High River Shareholder whose High River Shares are accepted for payment and paid for under the Offer will be considered to have disposed of such High River Shares for purposes of the Tax Act. On such disposition, the High River Shareholder will realize a capital gain (or a capital loss) in respect of the High River Shares so disposed of to the extent that the proceeds of disposition received or deemed to have been received by the High River Shareholder for such High River Shares exceed (or are less than) the total of the adjusted cost base to the High River Shareholder of such High River Shares immediately before the disposition and any reasonable costs of disposition. For this purpose, the proceeds of disposition will equal the fair market value of any Nordgold GDRs and/or the cash received under the Offer.

Capital Gains and Capital Losses

A High River Shareholder will be required to include one-half of the amount of any capital gain (a "**taxable capital gain**") in income, and must generally deduct one-half of the amount of any capital loss (an "**allowable capital loss**") against taxable capital gains realized in the year of disposition. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may be carried back up to three preceding taxation years or forward indefinitely and deducted against net taxable capital gains realized in such years, to the extent and under the circumstances provided in the Tax Act.

In general, a capital loss otherwise arising on the disposition of High River Shares by a High River Shareholder which is a corporation may in certain circumstances be reduced by the amount of dividends received or deemed to have been received on such High River Shares (or on certain other shares where the High River Shares have been acquired in exchange for such shares). Any such reduction will not occur where the corporate High River Shareholder owned the relevant High River Shares continuously for 365 days or longer immediately before the disposition and such High River Shareholder (together with any persons with whom it did not deal at Arm's Length) did not own more than 5% of the High River Shares of any class or series of High River at the time the relevant dividends were received or deemed to have been received. Similar rules may also apply in other circumstances, including where a corporation, trust or partnership is a member of a partnership or a beneficiary of a trust that owns High River Shares. High River Shareholders to whom these rules may be relevant should consult their own tax advisors.

A High River Shareholder that is throughout the relevant taxation year a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay, in addition to the tax otherwise payable under the Tax Act, a refundable tax of 6⅔% determined by reference to its aggregate investment income for the year,

which is defined to include an amount in respect of taxable capital gains. The non-taxable portion of capital gains realized by an individual or a trust, other than certain specified trusts, will be taken into account in determining such High River Shareholder's liability for alternative minimum tax under the Tax Act.

Compulsory Acquisition of High River Shares

As described under Section 17 of this Circular, "*Acquisition of High River Shares Not Deposited Under the Offer*", High River Shares held by Dissenting Offerees may be acquired, in certain circumstances, pursuant to the compulsory acquisition provisions of the YBCA. The tax consequences to Dissenting Offerees of a disposition of High River Shares in such circumstances generally will be as described above.

A Dissenting Offeree who obtains an order of the court in respect of a Compulsory Acquisition and who receives a cash payment from Nordgold for its High River Shares will be considered to have disposed of the High River Shares for proceeds of disposition equal to the amount received by the Dissenting Offeree less the amount of any interest awarded by the court and will realize a capital gain (or a capital loss) in the manner, and subject to the treatment described above. Any interest awarded to the Dissenting Offeree by the court will be included in the Dissenting Offeree's income for purposes of the Tax Act.

Subsequent Acquisition Transaction

If the compulsory acquisition provisions of the YBCA are not utilized, other means of acquiring the remaining issued and outstanding High River Shares may be proposed. The tax treatment of a Subsequent Acquisition Transaction described in Section 17 of this Circular, "*Acquisition of High River Shares Not Deposited Under the Offer*", to a High River Shareholder may be substantially the same or materially different than would apply if High River Shares are sold to Nordgold under the Offer and will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out. High River Shareholders should consult their own tax advisors for advice with respect to the income tax consequences to them of having their High River Shares acquired pursuant to a Subsequent Acquisition Transaction.

A Subsequent Acquisition Transaction could be implemented by means of a statutory arrangement pursuant to which High River Shareholders who have not tendered their High River Shares under the Offer would have their High River Shares exchanged on the arrangement for cash or Nordgold GDRs. The tax consequences to High River Shareholders of a disposition of High River Shares in such circumstances generally will be as described under "*Disposition of High River Shares pursuant to the Offer*" above.

High River Shareholders who exercise their right of dissent in respect of a statutory arrangement and who receive payment from Nordgold will be considered to have disposed of their High River Shares for proceeds of disposition equal to the amount paid to the dissenting High River Shareholder therefor, other than any interest awarded by the court. Any interest awarded to the High River Shareholder by the court will be included in the High River Shareholder's income for purposes of the Tax Act.

As an alternative to a statutory arrangement discussed above, Nordgold may propose an amalgamation, a share consolidation or other transaction, the tax consequences of which may differ from those described above. No opinion is expressed herein as to the tax consequences of any such transaction to a High River Shareholder.

Qualified Investments

If the High River Shares cease to be listed on a stock exchange designated under the Tax Act, the High River Shares may no longer be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), deferred profit sharing plan ("DPSP"), registered education savings plan ("RESP"), registered disability savings plan ("RDSP") or tax-free savings account ("TFSA"). High River Shareholders that are trusts governed by an RRSP, RRIF, DPSP, RESP,

RDSP or TFSA should consult with their tax advisors with respect to the tax consequences to them (and to the annuitants, beneficiaries or subscribers thereunder) of holding High River Shares if such High River Shares are not qualified investments and of disposing of their High River Shares pursuant to a Compulsory Acquisition or a Subsequent Acquisition Transaction.

Dividends on Nordgold GDRs

A High River Shareholder who receives Nordgold GDRs will be required to include in computing such High River Shareholder's income for a taxation year the amount of any dividends received on the Nordgold GDRs including amounts deducted for Dutch dividend withholding tax. Dividends received on Nordgold GDRs by a High River Shareholder who is an individual will not be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from taxable Canadian corporations. A High River Shareholder that is a corporation will be required to include dividends received on the Nordgold GDRs in computing its income and will not be entitled to deduct the amount of such dividends in computing its taxable income.

A High River Shareholder may be eligible for a foreign tax credit or deduction under the Tax Act in respect of Dutch dividend withholding tax to the extent and under the circumstances described in the Tax Act. High River Shareholders should consult their own tax advisors regarding the availability of a foreign tax credit or deduction in their particular circumstances.

Disposition of Nordgold GDRs

A disposition or deemed disposition of Nordgold GDRs by a High River Shareholder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the High River Shareholder of the Nordgold GDRs immediately before the disposition.

Generally a taxable capital gain realized by a High River Shareholder will be included in the High River Shareholder's income for the year of disposition. An allowable capital loss realized by a High River Shareholder in a taxation year generally must be deducted by the High River Shareholder against taxable capital gains in that year (subject to, and in accordance with, the provisions of the Tax Act). Any excess of allowable capital losses over taxable capital gains of a High River Shareholder realized in the year of disposition may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains realized in such years, to the extent and under the circumstances provided in the Tax Act.

Capital gains realized by an individual or trust other than certain specified trusts, may give rise to a liability for alternative minimum tax under the Tax Act.

Dutch tax, if any, levied on any gain realized on a disposition of Nordgold GDRs may be eligible for a foreign tax credit under the Tax Act to the extent and under the circumstances described in the Tax Act. High River Shareholders should consult their own tax advisors with respect to the availability of a foreign tax credit in their particular circumstances.

Offshore Investment Fund Property Rules

The Tax Act, including certain Proposed Amendments, contains provisions (the "OIF Rules") which, in certain circumstances, may require a High River Shareholder to include an amount in income in each taxation year in respect of the acquisition and holding of Nordgold GDRs if (a) the value of such Nordgold GDRs may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of the capital stock of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian

or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (“**Investment Assets**”); and (b) it may reasonably be concluded that one of the main reasons for the High River Shareholder acquiring, holding or having the Nordgold GDRs was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains had been earned directly by the High River Shareholder.

In making this determination, the OIF Rules provide that regard must be had to all of the circumstances, including (i) the nature, organization and operation of any non-resident entity, including Nordgold, and the form of, and the terms and conditions governing, the High River Shareholder’s interest in, or connection with, any such non-resident entity, (ii) the extent to which any income, profit and gains that may reasonably be considered to be earned or accrued, whether directly or indirectly, for the benefit of any such non-resident entity, including Nordgold, are subject to an income or profits tax that is significantly less than the income tax that would be applicable to such income, profits and gains if they were earned directly by the High River Shareholder, and (iii) the extent to which any income, profits and gains of any such non-resident entity, including Nordgold, for any fiscal period are distributed in that or the immediately following fiscal period.

If applicable, the OIF Rules can result in a High River Shareholder being required to include in its income for each taxation year in which such High River Shareholder owns the Nordgold GDRs the amount, if any, by which (i) the total of all amounts each of which is the product obtained when the High River Shareholder’s “designated cost” (as defined in the Tax Act) of the Nordgold GDRs at the end of a month in the year is multiplied by 1/12 of the aggregate of the prescribed rate of interest for the period including that month plus two percentage points exceeds (ii) any dividends or other amounts included in computing such High River Shareholder’s income for the year (other than a capital gain) in respect of the Nordgold GDRs determined without reference to the OIF Rules. Any amount required to be included in computing a High River Shareholder’s income under these provisions will be added to the adjusted cost base of the Nordgold GDRs to the High River Shareholder.

The CRA has taken the position that the term “portfolio investment” should be given a broad interpretation. While counsel is of the view that the value of the Nordgold GDRs should not be regarded as being derived primarily from portfolio investments in Investment Assets, there is a possibility that the CRA may take a different view. However, as noted above, even if this is the case, the OIF Rules will apply only if it is reasonable to conclude that one of the main reasons for a High River Shareholder acquiring, holding or having Nordgold GDRs was to derive a benefit from portfolio investments in Investment Assets in such manner that the taxes, if any, on the income, profits and gains for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains had been earned directly by the High River Shareholder.

The OIF Rules are complex and their application will potentially depend, in part, on the reasons for a High River Shareholder acquiring, holding or having Nordgold GDRs. High River Shareholders are urged to consult their own tax advisors regarding the application and consequences of the OIF Rules in their own particular circumstances.

Foreign Property Information Reporting

In general, a High River Shareholder that is a “specified Canadian entity” (as defined in the Tax Act) for a taxation year or a fiscal period and whose total cost amount of “specified foreign property” (as defined in the Tax Act), including Nordgold GDRs, at any time in the year or fiscal period exceeds \$100,000 will be required to file an information return with the CRA for the year or fiscal period disclosing certain prescribed information in respect of such property. Subject to certain exceptions, a taxpayer resident in Canada, other than a corporation or trust exempt from tax under Part I of the Tax Act, will be a “specified Canadian entity”, as will certain partnerships. The Nordgold GDRs will be “specified foreign property” to a High River Shareholder. Substantial penalties may apply where a High River Shareholder fails to file the required information return in respect of its

“specified foreign property” as defined in the Tax Act on a timely basis in accordance with the Tax Act. In the March 4, 2010 federal Budget, the Minister of Finance (Canada) proposed that the existing reporting requirements with respect to “specified foreign property” be expanded so that more detailed information be available for audit use by the CRA. Revised legislation reflecting such Proposed Amendments has not yet been released.

The reporting rules in the Tax Act are complex and this summary does not purport to address all circumstances in which reporting may be required by a High River Shareholder. High River Shareholders should consult their own tax advisors regarding the reporting rules contained in the Tax Act.

Additional Refundable Tax

A High River Shareholder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation” (as defined in the Tax Act) and which acquires Nordgold GDRs may be subject to pay a refundable tax of 6⅔% on its “aggregate investment income” (as defined in the Tax Act), including taxable capital gains and certain dividends.

Eligibility for Investment

Provided that the Nordgold GDRs are listed on a designated stock exchange, as defined in the Tax Act, (which currently includes the LSE), the Nordgold GDRs will be qualified investments under the Tax Act and the regulations thereunder for trusts governed by an RRSP, RRIF, DPSP, RESP, RDSP or TFSA.

Notwithstanding that the Nordgold GDRs may be qualified investments for trusts governed by an RRSP, RRIF, or TFSA, the annuitant under the RRSP or RRIF or the holder of the TFSA, as the case may be, will be subject to tax in respect of the Nordgold GDRs if such securities are “prohibited investments” for the RRSP, RRIF or TFSA, as the case may be. The Nordgold GDRs generally will not be a “prohibited investment” provided the annuitant under the RRSP or RRIF or the holder of the TFSA, as the case may be, deals at Arm’s Length with Nordgold for the purposes of the Tax Act and does not have a “significant interest” (within the meaning of the Tax Act) in Nordgold, or in a corporation, partnership or trust with which Nordgold does not deal at Arm’s Length for purposes of the Tax Act. Annuitants under an RRSP or RRIF or holders of a TFSA should consult their own tax advisors as to whether the Nordgold GDRs will be a “prohibited investment” in their particular circumstances.

High River Shareholders Not Resident in Canada

This part of the summary is applicable only to High River Shareholders who, for purposes of the Tax Act and at all relevant times, are not resident nor deemed to be resident in Canada, do not carry on and are not deemed to carry on business in Canada, deal at Arm’s Length with Nordgold and High River, hold their High River Shares as capital property and do not use or hold, and are not deemed to use or hold, their High River Shares in, or in the course of, carrying on a business in Canada (a “**Non-Resident Shareholder**”).

Disposition of High River Shares Pursuant to the Offer

A Non-Resident Shareholder will not be subject to tax under the Tax Act on any capital gain realized on the disposition of High River Shares pursuant to the Offer unless the High River Shares constitute “taxable Canadian property”, as defined in the Tax Act, of the Non-Resident Shareholder.

Generally, provided the High River Shares are listed on a designated stock exchange, High River Shares will not constitute “taxable Canadian property” to a Non-Resident Shareholder at a particular time unless, at any time during the 60-month period that ends at that time, (a) not less than 25% of the issued High River Shares of any class or series of a class of the capital stock of High River were owned by the Non-Resident Shareholder,

persons with whom the Non-Resident Shareholder did not deal at Arm's Length or any combination thereof and (b) at that time more than 50% of the value of such High River Shares was derived, directly or indirectly, from one or any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" as defined in the Tax Act, (iii) "timber resource properties" as defined in the Tax Act, or (iv) options in respect of, interests in or rights in any property listed in (i) to (iii). A Non-Resident Shareholder's High River Shares may be deemed to be "taxable Canadian property" in certain circumstances set out in the Tax Act.

Compulsory Acquisition of High River Shares

As discussed in Section 17 of this Circular, "*Acquisition of High River Shares Not Deposited Under the Offer*", Nordgold may, in certain circumstances, acquire High River Shares not tendered and deposited under the Offer pursuant to the compulsory acquisition provisions of the YBCA. A Non-Resident Shareholder whose High River Shares are not "taxable Canadian property" will generally not be subject to tax under the Tax Act on the disposition of such High River Shares pursuant to the Compulsory Acquisition. Even if the High River Shares are not listed on a stock exchange designated under the Tax Act at the time of disposition, they will not be "taxable Canadian property" to a Non-Resident Shareholder unless at that time more than 50% of the value of such High River Shares was derived, directly or indirectly, from one or any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" as defined in the Tax Act, (iii) "timber resource properties" as defined in the Tax Act, or (iv) options in respect of, interests in or rights in any property listed in (i) to (iii).

Where a Non-Resident Shareholder obtains an order of the court in respect of the Compulsory Acquisition and receives interest pursuant to the order, such interest will not be subject to Canadian withholding tax under the Tax Act.

Subsequent Acquisition Transaction

If the compulsory acquisition provisions of the YBCA are not utilized, other means of acquiring the remaining issued and outstanding High River Shares may be proposed. The tax treatment of a Subsequent Acquisition Transaction described above under Section 17 of this Circular, "*Acquisition of High River Shares Not Deposited Under the Offer*", to a Non-Resident Shareholder may be substantially the same or materially different than would apply if High River Shares are sold to Nordgold under the Offer and will depend upon the exact manner in which a Subsequent Acquisition Transaction is carried out and whether the High River Shares are listed on a stock exchange designated under the Tax Act at the relevant time.

A Subsequent Acquisition Transaction could be implemented by means of a statutory arrangement pursuant to which Non-Resident Shareholders who have not tendered their High River Shares under the Offer would have their High River Shares exchanged on the arrangement for cash or Nordgold GDRs. The tax consequences to a Non-Resident Shareholder of a disposition of High River Shares in such circumstances generally will be as described under "*– Compulsory Acquisition of High River Shares*" above.

Where a Non-Resident Shareholder receives interest in connection with the exercise of the right of dissent in respect of a statutory arrangement, such interest will not be subject to Canadian withholding tax under the Tax Act.

As an alternative to the statutory arrangement discussed above, Nordgold may propose an amalgamation, a share consolidation, statutory arrangement or other transaction, the tax consequences of which may differ from those described above. No opinion is expressed herein as to the tax consequences of any such transaction to a Non-Resident Shareholder.

To the extent that a Subsequent Acquisition Transaction is proposed, Non-Resident Shareholders are urged to consult their own tax advisors to determine the tax consequences to them of the transaction.

Dividends on Nordgold GDRs

A Non-Resident Shareholder who receives Nordgold GDRs will not be subject to Canadian withholding tax or other income tax under the Tax Act in respect of dividends received on the Nordgold GDRs.

Disposition of Nordgold GDRs

A Non-Resident Shareholder who disposes of Nordgold GDRs will not be subject to Canadian income tax in respect of any capital gain realized on the disposition unless the Nordgold GDRs constitute “taxable Canadian property”. Counsel is advised by Nordgold that the Nordgold GDRs do not, and are not expected, to constitute “taxable Canadian property” because less than 50% of the value of the Nordgold GDRs is, and is expected to be, derived, directly or indirectly, from one or any combination of (i) real or movable property situated in Canada, (ii) “Canadian resource property” as defined in the Tax Act, (iii) “timber resource properties” as defined in the Tax Act, or (iv) options in respect of, interests in or rights in any property listed in (i) to (iii).

19. DEPOSITARY

Nordgold has engaged Equity Financial Trust Company to act as the Depositary for the Offer. The Depositary may contact High River Shareholders by mail, telephone and facsimile and may request banks, brokers, investment dealers and other nominees to forward materials relating to the Offer to beneficial owners of High River Shares. The Depositary will facilitate book-entry only transfers of High River Shares deposited under the Offer. The Depositary will receive reasonable and customary compensation from Nordgold for its services in connection with the Offer, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection with the Offer.

Questions and requests for assistance concerning the Offer may be directed to the Depositary. Contact details for the Depositary may be found on the back page of this document. Additional copies of the Offer Documents and related materials may be obtained without charge on request from the Depositary. Copies of the Offer Documents and related materials may also be found under the profile for High River on SEDAR at www.sedar.com.

Except as expressly set forth in this Offer and Circular, no broker, investment dealer, bank or trust company shall be deemed to be an agent of Nordgold or the Depositary for the purposes of the Offer.

20. EXPENSES OF THE OFFER

Nordgold estimates that expenses in the aggregate amount of \$6.8 million will be incurred by Nordgold and/or one or more of its affiliates in connection with the Offer, including legal, financial advising, accounting, filing and printing costs, the Depositary fees, the cost of preparation and mailing of the Offer, the fees in respect of the Valuation, and fees or expenses in connection with the Compulsory Acquisition or Subsequent Acquisition Transaction.

21. BENEFITS FROM THE OFFER

Other than as disclosed elsewhere in this Circular, no person named under “*Beneficial Ownership of and Trading in High River Securities*” in Section 7 of this Circular, will receive any direct or indirect benefit from accepting or refusing to accept the Offer, other than the consideration available to any High River Shareholder who tenders High River Shares to the Offer.

22. LEGAL MATTERS

Nordgold is being advised in respect of Canadian legal matters in connection with the Offer by Blake, Cassels & Graydon LLP.

23. OFFEREES' STATUTORY RIGHTS

Securities legislation in the provinces and territories of Canada provides High River Shareholders with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or a notice that is required to be delivered to such High River Shareholders. However, such rights must be exercised within prescribed time limits. High River Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

24. DIRECTORS' APPROVAL

The contents of the Offer and this Circular have been approved and its sending to the High River Shareholders and holders of Options has been authorized by the Nordgold Board.

GLOSSARY

“**AAS**” means atomic absorption spectrometry;

“**affiliate**” has the meaning ascribed thereto in Section 89(2) of the Securities Act, as in effect at the date hereof unless used in a context relating to one or both of the Deposit Agreements, in which case it shall have the meaning ascribed thereto under the applicable GDR Deposit Agreement;

“**Ag**” means silver, a chemical element with the periodic table of elements symbol “Ag”;

“**Agent’s Message**” means a message, transmitted by DTC to, and received by, the Depositary and forming part of a Book-Entry Confirmation, which states that DTC has received an express acknowledgement from the participant in DTC depositing the High River Shares which are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal as if executed by such participant and that such agreement may be enforced against such participant;

“**ALS**” means Alex Stewart Laboratory;

“**Appointee**” has the meaning ascribed thereto in Section 3 of the Offer, “*Manner of Acceptance — Power of Attorney*”;

“**Aprelkovo Technical Report**” means the technical report entitled “*The Aprelkovo Gold Project, Russia, NI 43 101 Technical Report*” dated September, 2012 by Mark Mounde (B. Eng, C.Eng MIMMM, SAImm, ACSM) of WAI;

“**Arbat**” means Arbat Capital Group Ltd.;

“**Arm’s Length**” has the meaning ascribed thereto under the Tax Act;

“**Articles of Association**” has the meaning ascribed thereto in Annex A, “*Description of Nordgold Shares*”;

“**associate**”, unless otherwise indicated, has the meaning ascribed thereto in the Securities Act as in effect at the date hereof;

“**Au**” means gold, a chemical element with the period table of elements symbol “Au”;

“**Baker Steel**” means Baker Steel Capital Managers LLP, acting on behalf of its discretionary mandates;

“**Berezitovy Technical Report**” means the technical report entitled “*The Berezitovy Project, Russia, NI 43 101 Technical Report*” dated July 2012 by Mark Owen (BSc, MSc, MCSM, CGeol, EurGeol, FGS) of WAI;

“**BIOX**” means bacterial oxidation;

“**Bissa Technical Report**” means the technical report entitled “*The Bissa Asset, Burkina Faso, NI 43 101 Technical Report*” dated July 2012 by Phil Newall (BSc (ARSM), PhD (MCSM), CEng, FIMMM) of WAI;

“**Book-Entry Confirmation**” means confirmation of a book-entry transfer of a High River Shareholder’s High River Shares into the Depositary’s account at CDS or DTC, as applicable;

“**Business Day**” means any day of the week, other than a Saturday or Sunday or a statutory holiday observed in Toronto, Ontario;

“**Canadian Securities Laws**” means the Securities Act and all other applicable securities laws, rules and regulations and published policies thereunder in Canada;

“**Canadian Securities Administrators**” means the provincial and territorial securities regulatory authorities in the provinces and territories of Canada;

“**Canway**” means Canway Holding B.V.;

“**Cash Alternative**” has the meaning ascribed thereto in Section 1 of the Offer, “*The Offer*”;

“**Celtic Resources**” means Celtic Resources Holdings Ltd. (formerly Celtic Resources Holdings plc);

“**CDS**” means CDS Clearing and Depository Services Inc. or its nominee (which is, at the date hereof, CDS & Co.);

“**CDS Participants**” means a direct or indirect participant of CDS;

“**CDSX**” means the computer system by which CDS Participants can deposit book-based shares to the Depository directly in lieu of completing a Letter of Transmittal and depositing it with the Depository;

“**CFA franc**” means Communauté Financière Africaine franc, the currency used in West and Central Africa guaranteed by the French treasury;

“**CIL**” means carbon-in-leach;

“**CIM Standards**” means the Canadian Institute of Mining, Metallurgy and Petroleum definitions standards on Mineral Resources and Mineral Reserves;

“**CIP**” means carbon-in-pulp;

“**Circular**” means the take-over bid circular accompanying the Offer and forming part of the Offer;

“**Clearstream**” means Clearstream Banking S.A. Luxembourg;

“**Code of Conduct**” has the meaning ascribe thereto in Annex A, “*Statement of Corporate Governance Practices — Ethical Business Conduct*”;

“**Compulsory Acquisition**” has the meaning ascribed thereto in Section 17 of the Circular, “*Acquisition of High River Shares Not Deposited Under the Offer*”;

“**Compulsory Acquisition Notice**” has the meaning ascribed thereto in Section 17 of the Circular, “*Acquisition of High River Shares Not Deposited Under the Offer — Compulsory Acquisition*”;

“**CRA**” means the Canada Revenue Agency;

“**Crew Gold**” means Crew Gold Corporation;

“**Custodian**” means Deutsche Bank, AG, Amsterdam Branch;

“**Custody Accounts**” has the meaning ascribed thereto in Section 6 of the Offer, “*Take-Up and Payment for Deposited Shares*”;

“**Designated Professionals**” has the meaning ascribed thereto in Item 16.2 of Form 51-102F2 – *Annual Information Form* of the Canadian Securities Administrators;

“**Depository**” means Equity Financial Trust Company, in its capacity as depository for the Offer;

“**Deposited Shares**” has the meaning ascribed thereto in Section 3 of the Offer, “*Manner of Acceptance – Dividends and Distributions*”;

“Depositing Shareholders” means High River Shareholders whose High River Shares are deposited to the Offer and are not withdrawn;

“Directors’ Circular” means the directors’ circular to be prepared and issued by the High River Board in response to the Offer;

“Dissenting Offeree” has the meaning ascribed thereto Section 17 of the Circular, *“Acquisition of High River Shares Not Deposited Under the Offer — Compulsory Acquisition”*;

“DTC” means The Depository Trust Company or its nominee, which at the date hereof is Cede & Co.;

“Distributions” has the meaning ascribed thereto in Section 3 of the Offer, *“Manner of Acceptance — Dividends and Distributions”*;

“Dutch Public Offer Rules” has the meaning ascribed thereto in Annex A, *“Risk Factors — Risks Relating to the Nordgold GDRs — Any Offer for the Nordgold GDRs will be subject to the shared jurisdiction of the UK Takeover Panel and the Dutch Authority for the financial markets”*;

“EBITDA” means earnings before interest, taxes, depreciation and amortization;

“Eligible Institution” means a Canadian Schedule I chartered bank, a member of the Securities Transfer Association Medallion Program (STAMP) or a member of the Stock Exchange Medallion Program (SEMP). Members of these programs are usually participating organizations in a recognized stock exchange in Canada or members of IIROC;

“Engagement Agreement” has the meaning ascribed thereto in Section 8 of the Circular, *“Valuation”*;

“Euroclear” means Euroclear Banking S.A./N.V., as operator of the Euroclear system;

“Executive Directors” has the meaning ascribed thereto in Annex A, *“Description of Nordgold Shares — Nordgold Board — Management Structure”*;

“Expiry Time” means 12:01 a.m. (Toronto time) on November 27, 2012, subject to Nordgold’s right to extend the period during which the Shares may be tendered to the Offer as described in Section 5 of the Offer, *“Extension and Variation of the Offer”*;

“FAS” means the Federal Antimonopoly Service of the Russian Federation;

“Feasibility Study” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“First Sberbank Loan” has the meaning ascribed thereto in Annex A, *“Material Contracts”*;

“FSA” means the Financial Services Authority of the United Kingdom;

“GBP” means Great Britain Pound, the currency used in Great Britain;

“GDR Certificate” has the meaning ascribed thereto in Annex A, *“Description of Nordgold GDRs”*;

“GDR Deposit Agreements” means the Rule 144A Deposit Agreement and the Regulation S Deposit Agreement;

“GDR Depositary” means Deutsche Bank Trust Company Americas, in its capacity as depositary for the Nordgold GDRs;

“GDR-Entitled High River Shareholders” has the meaning ascribed thereto in Section 6 of the Offer, *“Take-Up and Payment for Deposited Shares”*;

“GDR Offer” has the meaning ascribed thereto in Section 1 of the Offer, *“The Offer”*;

“Governmental Entity” means (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign; (b) any subdivision, agent, commission, commissioner, board, or authority of any of the foregoing; (c) any self-regulatory authority, including the TSX, the LSE and the SEC; or (d) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“g/t” means gram(s) per metric tonne;

“High River” means High River Gold Mines Ltd.;

“High River Board” means the board of directors of High River;

“High River Shareholders” means holders of High River Shares;

“High River Shares” means common shares in the capital of High River;

“High River Special Committee” means the special committee of the High River Board constituted to consider the Offer;

“Holder” means the person in whose name a Nordgold GDR is registered on the books of the GDR Depositary;

“IFRS” means International Financial Reporting Standards, as adopted for use in the European Union;

“IIROC” means the Investment Industry Regulatory Organization of Canada;

“insider” has the meaning ascribed thereto in the Securities Act as in effect at the date hereof;

“Irokinda Technical Report” means the technical report entitled *“NI 43-101 Technical Report and Audit of the Resource and Reserve Estimates for the Irokinda Gold Mine, Republic of Buryatia (Buryatia), Russian Federation”* dated August 30, 2012 by William J. Lewis (B.Sc., P.Geo.), Tania Ilieva (Ph.D., P.Geo) and Barnard Foo (M.Eng., P.Eng. MBA) of Micon;

“Jefferies” means Jefferies International Limited;

“JORC Code” means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves produced by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia;

“Kazakh Subsoil Law” has the meaning ascribed thereto in Annex A, *Risk Factors — Risks Relating to Kazakhstan — The Kazakh State may be entitled to exercise property rights over Kazakh assets acquired by Nordgold and transfers of Shares in Nordgold’s subsidiaries completed prior to listing on the LSE”*;

“kg” means kilogram;

“km” means kilometre(s);

“**Indicated Mineral Resources**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**Inferred Mineral Resources**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**km²**” means square kilometre(s);

“**Koz**” means one thousand ounces;

“**kt**” means one thousand tonnes;

“**ktpy**” means one thousand tonnes per year;

“**kV**” means one thousand volts;

“**kWh**” means kilowatt hour;

“**KZT**” or “**tenge**” means Kazakhstan Tenge, the currency of Kazakhstan;

“**Laws**” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law, orders, ordinances, decisions, declarations, rulings, directives, judgments, decrees, guidelines, policies or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity and the term “applicable” with respect to such Laws and in a context that refers to one or more persons, means such Laws as are applicable to such person(s) or its or their business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the person(s) or its or their business, undertaking, property or securities;

“**Lefa Technical Report**” means the technical report entitled “*The Lefa Gold Project, Guinea, NI 43 101 Technical Report*” dated September, 2012 by Bruce Pilcher (BE(Mining) Syd, FAusIMM(CP), MIMMM, CEng, Eur Ing) of WAI and Marc-André Boudreau (BSc, OGQ) of Nordgold;

“**Letter of Transmittal**” means the letter of transmittal (printed on GREEN paper) in the form accompanying the Offer and the Circular;

“**Licenses**” has the meaning ascribed thereto in Annex A, “*Risk Factors — Risks Relating to the Russian Federation — There is uncertainty as to whether the Russian Strategic Investments Law and the Russian Competition Law apply to certain transfers of assets and shares to, and within, Nordgold*”;

“**Lock-Up Agreements**” means the lock-up agreements entered into between Nordgold and the Locked-Up Shareholders whereby the Locked-Up Shareholders agreed to deposit the High River Shares beneficially owned by them under the Offer and elect to receive Nordgold GDRs as consideration therefor;

“**Locked-Up Shareholders**” means Arbat, Adams Advisors Corp., Baker Steel, Faendo Limited, Gavin Investment Corporation, Hinton Resources Limited, Lancrenan Investments Limited, Medvezhonok Holdings Limited, David Mosher, Linda Mosher, Mosher Enterprises Ltd., Anne Whalen, Donald A. Whalen, and Yellowstone Import Ltd.;

“**LOM**” means life of mine;

“**London PM Price**” has the meaning ascribed thereto in Annex A, “*Business of Nordgold — Market and Distribution — Production, transportation and sales by Nordgold*”;

“**LSE**” means the London Stock Exchange;

“**LTIFR**” has the meaning ascribed thereto in Annex A, “*Business of Nordgold — Environment, Health and Safety — Health and Safety*”;

“**Master Regulation S GDR Certificate**” means a single master Regulation S GDR certificate issued by the GDR Depositary evidencing all Regulation S GDRs issued from time to time under the terms of the Regulation S Deposit Agreement and currently registered in the name of a common depositary or other nominee for Euroclear and Clearstream, but prior to the Expiry Time to be reregistered in the name of a nominee of DTC;

“**Master Rule 144A GDR Certificate**” means a single master Rule 144A GDR certificate issued by the GDR Depositary evidencing all Rule 144A GDRs issued from time to time under the terms of the Rule 144A Deposit Agreement and registered in the name of a nominee of DTC;

“**Measured Mineral Resources**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**Material Adverse Effect**” means, when used in connection with any person, any one or more change, circumstance, event, occurrence, development or effect (or condition, circumstance, event, occurrence or development involving a prospective change or effect) which, when considered either individually or in the aggregate, would be or would reasonably be expected to be materially adverse to the business, assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), condition (financial or otherwise), capitalization, operations, prospects, licenses, franchises, revenues or results of operation of such person;

“**Metalor**” means Metalor Technologies S.A.;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* of the Ontario Securities Commission and the Autorité des marchés financier;

“**Micon**” means Micon International Limited;

“**mineral reserve**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**mineral resource**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**Mining Factors**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**Mining Recovery**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**Mm³**” means cubic millimetre;

“**Mosprime**” means the Moscow Prime Offered Rate;

“**Moz**” means one million ounces;

“**Mtpa**” means million tonnes per annum;

“**New Mining Code**” has the meaning ascribed thereto in Annex A, “*Regulation — Republic of Guinea — The Guinean Mining Code*”;

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators;

“**NI 41-101**” means National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;

“**NOK**” means Norwegian Krona, the currency used in Norway;

“**nominee**” means a registered broker or investment dealer, financial institution or other intermediary that holds High River Shares on behalf of a person who is not the registered holder of the High River Shares;

“**Nomos Bank**” means OJSC NOMOS BANK;

“**Non-Executive Directors**” has the meaning ascribed thereto in Annex A, “*Description of Nordgold Shares — Nordgold Board — Management Structure*”;

“**Nordgold**” means Nord Gold N.V. and, unless the context otherwise suggests, its subsidiaries;

“**Nordgold Board**” means the board of directors of Nordgold;

“**Nordgold Board Mandate**” has the meaning ascribed thereto in Annex A, “*Statement of Corporate governance Practices — Nordgold Board — Mandate*”;

“**Nordgold GDRs**” means the global depositary receipts of Nordgold issued pursuant to the GDR Deposit Agreements;

“**Nordgold Securities**” means the Nordgold GDRs and the Nordgold Shares represented thereby;

“**Nordgold Shareholders**” means the holders of Nordgold Shares;

“**Nordgold Shares**” means the ordinary shares in the capital of Nordgold;

“**Notice of Guaranteed Delivery**” means the notice of guaranteed delivery (printed on YELLOW paper) in the form accompanying the Offer and the Circular;

“**Offer**” means the offer to purchase all of the outstanding High River Shares made hereby to eligible High River Shareholders (as it may be amended);

“**Offer Documents**” means the Offer and Circular, Letter of Transmittal and Notice of Guaranteed Delivery;

“**Offer Consideration**” has the meaning ascribed thereto in Section 1 of the Offer, “*The Offer*”;

“**Offer Consideration GDRs**” has the meaning ascribed thereto in Section 6 of the Offer, “*Take-Up and Payment for Deposited Shares*”;

“**Official List**” means the Official List of the FSA;

“**Old Mining Code**” has the meaning ascribed thereto in Annex A, “*Regulation — Republic of Guinea — The Guinean Mining Code*”;

“**Option Plan**” means the stock option plan of High River implemented November 30, 1995, as it may be amended from time to time;

“**Options**” means options to purchase High River Shares pursuant to the Option Plan;

“**Ore Reserve**” has the meaning ascribed thereto in the JORC Code, as applicable;

“**Owner**” or “**owner**” means a beneficial owner of a Nordgold GDR, unless the context indicates otherwise;

“**oz**” means ounces;

“**Pamp**” means Produits Artistiques Métaux Précieux S.A.;

“**Paradigm Capital**” means Paradigm Capital Inc.;

“**person**” includes an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

“**pp**” means percentage points;

“**ppb**” means parts per billion;

“**ppm**” means parts per million;

“**Probable Mineral Resources**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**Proposed Amendments**” has the meaning ascribed thereto in Section 18 of the Circular, “*Certain Canadian Federal Income Tax Considerations*”;

“**Proven Mineral Resources**” has the meaning ascribed thereto in the CIM Standards or JORC Code, as applicable;

“**Purchased Securities**” has the meaning ascribed thereto in Section 3 of the Offer, “*Manner of Acceptance — Power of Attorney*”;

“**QA/QC**” means quality assurance and quality control;

“**QIB**” means a qualified institutional buyer, as defined in Rule 144A;

“**Raiffeisenbank**” means ZAO Raiffeisenbank;

“**RC Drilling**” means reverse circulation drilling;

“**Regulation S**” means Regulation S under the US Securities Act;

“**Regulation S Deposit Agreement**” has the meaning ascribed thereto in Annex A, “*Description of Nordgold GDRs*”;

“**Regulation S GDRs**” means Nordgold GDRs issued pursuant to the Regulation S Deposit Agreement;

“**Regulatory Approvals**” means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities required or, in the sole opinion of Nordgold, acting reasonably, desirable in connection with the consummation of the Offer, a Compulsory Acquisition or any Subsequent Acquisition;

“**Restricted Security**” has the meaning ascribed thereto in the Regulation S Deposit Agreement;

“**Rocklabs**” means Rocklabs Ltd.;

“**ROM**” means run of mine;

“**Rosneft**” means OAO Rosneft;

“**Rule 144A**” means Rule 144A under the US Securities Act;

“**Rule 144A Deposit Agreement**” has the meaning ascribed thereto in Annex A, “*Description of Nordgold GDRs*”;

“**Rule 144A GDRs**” means Nordgold GDRs issued pursuant to the Rule 144A Deposit Agreement;

“**Russian Competition Law**” has the meaning ascribed thereto in Annex A, “*Risk Factors — Risks Relating to the Russian Federation — There is uncertainty as to whether the Russian Strategic Investments Law and the Russian Competition Law applies to certain transfers of assets and shares to, and within, Nordgold*”;

“**Russian Strategic Investments Law**” has the meaning ascribed thereto in Annex A, “*Risk Factors — Risks Relating to the Russian Federation — There is uncertainty as to whether the Russian Strategic Investments Law of the Russian Competition Law applies to certain transfers of assets and shares to, and within, Nordgold*”;

“**SAG**” means semi-autogenous grinding;

“**Sberbank**” means Sberbank of Russia;

“**Sberbank CIB**” means Sberbank CIB, formerly Troika Dialog Group;

“**SEC**” means the U.S. Securities and Exchange Commission;

“**Second Sberbank Loan**” has the meaning ascribed thereto in Annex A, “*Material Contracts*”;

“**Securities Act**” means the *Securities Act* (Ontario) as amended, and the rules, regulations and published policies made thereunder, as now in effect and as they may be amended from time to time;

“**Securities Regulatory Authorities**” means all applicable securities regulatory authorities, including (i) the provincial and territorial securities regulatory authority in the provinces and territories of Canada in which High River is a reporting issuer (or the equivalent), (ii) the UKLA, (iii) all applicable federal and state securities regulatory authorities in the United States including, without limitation, the SEC, in each case having or claiming jurisdiction over High River, (iv) the TSX and (v) the LSE;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval maintained on behalf of the Canadian Securities Administrators;

“**Service Agreements**” has the meaning ascribed thereto in Annex A, “*Risk Factors — Risks Relating to Nordgold’s Operations — Nordgold does not have a history of Operating Independently*”;

“**Severstal**” means OJSC Severstal;

“**Severstal Group**” means Severstal and its subsidiaries;

“**Share Dealing Code**” has the meaning ascribed thereto in Annex A, “*Statement of Corporate Governance practices — Effectiveness and Evaluation — Share Dealing Code*”;

“**Shareholder Register**” means the list of active owners of Nordgold Shares, updated on an on-going basis in accordance with the Dutch law;

“**Shell**” means Royal Dutch Shell plc;

“**SMD**” means Société Minière de Dinguiraye;

“**Snowden**” means Snowden Mining Industry Consultants Pty Ltd.;

“**SSD Committee**” has the meaning ascribed thereto in Annex A, “*Statement of Corporate Governance Practices — Nordgold Board Committees — Safety and Sustainable Development Committee*”;

“**Spin-Off Transaction**” has the meaning ascribed thereto in Annex A, “*Business of Nordgold — Three Year History*”

“**Subsequent Acquisition Transaction**” has the meaning ascribed thereto in Section 17 of the Circular, “*Acquisition of High River Shares Not Deposited Under the Offer — Subsequent Acquisition Transaction*”;

“**subsidiary**” has the meaning ascribed thereto in Section 89(1) of the Securities Act as in effect at the date hereof;

“**Suzdal Technical Report**” means the technical report entitled “*The Suzdal Gold Project, Kazakhstan, NI 43 101 Technical Report*” dated September, 2012 by Julian Spears (BSc(Geol) MSc(Min Geol) CEng CEnv CSci MCIWM MIMMM ACSM) of WAI;

“**Tabornoe and Gross Technical Report**” means the technical report entitled “*The Tabornoe and Gross Gold Project, Russia, NI 43 101 Technical Report*” dated September, 2012 by Julian Spears (BSc(Geol) MSc(Min Geol) CEng CEnv CSci MCIWM MIMMM ACSM) of WAI and Jeremy Peters (BEng(Mining Engineering) BSc(Geology) FAusIMM) and Richard Sulway (BAppSc(Hons)(Geology) MAppSc MAusIMM(CP)) of Snowden;

“**Taparko-Bouroum Technical Report**” means the technical report entitled “*The Taparko-Bouroum Assets, Burkina Faso, NI 43 101 Technical Report*” dated July 2012 by Phil Newall (BSc (ARSM), PhD (MCSM), CEng, FIMMM) of WAI;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time and the regulations promulgated thereunder, and any successor legislation thereto;

“**TCC**” means total cash cost;

“**Technical Reports**” means the Aprelkovo Technical Report, the Berezitovy Technical Report, the Bissa Technical Report, the Irokinda Technical Report, the Lefa Technical Report, the Suzdal Technical Report, the Tabornoe and Gross Technical Report, the Taparko-Bouroum Technical Report and the Zun-Holba Technical Report;

“**t/m³**” means tonnes per cubic meter;

“**tn/tn**” means tonne(s) per tonne;

“**TSX**” means the Toronto Stock Exchange;

“**UKLA**” means the United Kingdom Listing Authority;

“**UK Takeover Code**” has the meaning ascribed thereto in Annex A, “*Risk Factors — Risks Relating to the Nordgold GDRs — Any offer for the Nordgold GDRs will be subject to the shared jurisdiction of the UK Takeover Panel and the Dutch Authority for the financial Markets*”;

“**US Person**” has the meaning ascribed thereto in Regulation S under the US Securities Act;

“**US Securities Act**” means the United States Securities Act of 1933, as amended;

“**Valuation**” means the independent formal valuation prepared by Paradigm Capital for the High River Special Committee in accordance with MI 61-101, a copy of which is attached as Annex C to this Circular;

“**VAT**” means value added tax;

“**WAI**” means Wardell Armstrong International;

“**YBCA**” means the *Business Corporations Act* (Yukon), as amended from time to time; and

“**Zn**” means zinc, a chemical element with the periodic table of elements symbol “Zn”;

“**Zun-Holba Technical Report**” means the technical report entitled *NI 43-101 Technical Report and Audit of the Resource and Reserve Estimates for the Zun-Holba Gold Mine, Republic of Buryatia (Buryatia), Russian Federation* dated September 10, 2012 by William J. Lewis (B.Sc., P.Geo.), Tania Ilieva (Ph.D., P.Geo) and Barnard Foo (M.Eng., P.Eng. MBA) of Micon.

CONSENT OF BLAKE, CASSELS & GRAYDON LLP

TO: The Board of Directors of Nord Gold N.V. (“**Nordgold**”)

We hereby consent to the inclusion of our opinion under the heading “*Certain Canadian Federal Income Tax Considerations*” in the information circular accompanying the offer dated October 19, 2012 made by Nordgold to the eligible holders of common shares of High River Gold Mines Ltd., other than Nordgold.

(signed) BLAKE, CASSELS & GRAYDON LLP

Toronto, Ontario
October 19, 2012

CONSENT OF PARADIGM CAPITAL INC.

TO: The Board of Directors of Nord Gold N.V. (“**Nordgold**”)

We refer to the formal valuation (the “**Valuation**”) dated October 16, 2012, which we prepared for the Special Committee of the Board of Directors of High River Gold Mines Ltd. (“**High River**”) in connection with the offer dated October 19, 2012 made by Nordgold to the eligible holders of common shares of High River, other than Nordgold. We consent to the filing of the Valuation with the applicable Canadian Securities Administrators and the inclusion of the Valuation and a summary thereof in this Offer and Take-Over Bid Circular.

(signed) PARADIGM CAPITAL INC.

Toronto, Ontario
October 19, 2012

CONSENT OF AUDITORS

TO: The Board of Directors of Nord Gold N.V. (“**Nordgold**”)

We have read the Offer and Take-Over Bid Circular dated October 19, 2012 of Nordgold containing the offer to purchase all of the outstanding common shares of High River Gold Mines Ltd. held by eligible shareholders, other than Nordgold (the “**Circular**”). We have complied with Dutch generally accepted auditing standards for an auditor’s involvement with offering documents.

We consent to the inclusion in the Circular of our independent auditor’s report to the board of directors of Nordgold on the special purpose consolidated financial statements of Nordgold for the years ended December 31, 2011, 2010 and 2009. Our independent auditor’s report is dated October 18, 2012.

We consent to the references to our name in the form and context in which they are included, as shown on pages A-134, A-197 and A-199 in the Circular.

KPMG Accountants N.V.
(signed) *E. Michels RA*

Amstelveen, The Netherlands
October 19, 2012

CERTIFICATE OF NORDGOLD

Dated: October 19, 2012

The foregoing, together with the annexes hereto, contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it is made.

(signed) *Nikolai Zelenski*

Chief Executive Officer

(signed) *Sergey Zinkovich*

Chief Financial Officer

On behalf of the Board of Directors of Nordgold

(signed) *Philip Baum*

Director

(signed) *David Morgan*

Director

ANNEX A

INFORMATION CONCERNING NORDGOLD

The following information is presented on a pre-Offer basis and reflects the current business, financial and share capital position of Nordgold. The following information should be read in conjunction with the information concerning Nordgold appearing elsewhere in the Offer and Circular. Capitalized terms not otherwise defined in this Annex A are defined in the Glossary.

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NORDGOLD

Nordgold was incorporated on July 6, 2005 by notarial deed of incorporation as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands with the name “Sakha Gold B.V.”. On July 30, 2009, Nordgold was converted from a private limited liability company into a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands and its name was changed into “Severstal Gold N.V.”. On September 29, 2010, Nordgold changed its name to “Nord Gold N.V.”. Nordgold’s statutory seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and its registered office and principal place of business is at Herikerbergweg 238, Luna Arena, 1101 CM Amsterdam Zuidoost, the Netherlands. Nordgold’s articles of association were most recently partially amended on October 15, 2012.

Authorized and Outstanding Share Capital

The authorized share capital of Nordgold amounts to €4,484,927,250, divided into 1,793,970,900 Nordgold Shares, with a nominal value of €2.50 each. As of October 17, 2012, the issued share capital of Nordgold amounts to €896,985,450, divided into 358,794,180 Nordgold Shares, with a nominal value of €2.50 each.

As of October 17, 2012, 37,896,313 Nordgold GDRs, each representing one of the issued Nordgold Shares, were issued and outstanding.

CORPORATE STRUCTURE

The following chart illustrates the principal subsidiaries of Nordgold, together with the percentage of votes attaching to all voting securities of the subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by Nordgold and the jurisdiction of incorporation, formation or organization of each such subsidiary.

^a this chart includes only those companies in which Nord Gold N.V. holds, directly or indirectly, 50% or more of the share capital



BUSINESS OF NORDGOLD

Summary

Nordgold is an established pure-play gold producer focused on emerging markets with eight producing mines, two development projects, five advanced exploration projects and a broad portfolio of early exploration projects and licences located across West Africa in Guinea and Burkina Faso, Kazakhstan and the Russian Federation. Since undertaking its operations in 2007, Nordgold has grown both by acquisitions and organically, increasing its production (including gold equivalent ounces of silver) from approximately 21 Koz in 2007 to 754 Koz in 2011. Nordgold's mineral resource base consists of 16.3 Moz of gold resources on a fully consolidated basis and 65.5 Moz of silver resources (represented by a 50.0% interest in the Prognoz silver deposit and silver resources from the Gross gold deposit) classified as measured and indicated and 11.6 Moz of gold resources and 69.4 Moz of silver resources classified as inferred, in each case according to the CIM Standards or the JORC Code (see “– *Mineral Resource Summary*”) and 12.8 Moz of proven and probable gold reserves according to the CIM Standards or the JORC Code (see “— *Mineral Reserve Summary*”). In 2011 and the six months ended June 30, 2012, Nordgold's average total cash cost of gold production per ounce sold was approximately US\$688/oz and US\$832/oz, respectively. Varying cut-off grades have been used depending on the property, mining methods and type of mineral.

Nordgold currently operates eight producing mines in Burkina Faso, Guinea, Kazakhstan and the Russian Federation. The Taparko mine in Burkina Faso, as well as the Irokinda, Zun-Holba and Berezitovy mines in the Russian Federation, are owned through High River, in which Nordgold holds a 75.1% controlling interest, and the Lefa mine in Guinea is owned through Crew Gold, in which Nordgold holds a 100% interest. Nordgold maintains a 100% interest in each of the Neryungri, Aprelkovo and Suzdal mines. Production and mineral resource and mineral reserve reporting herein has not been adjusted to give effect to minority interests.

In 2011 and the six months ended June 30, 2012, Nordgold generated revenue of US\$1,182.1 million and US\$528.5 million, respectively, and EBITDA of US\$574.3 million and US\$217.7 million, respectively, reflecting margins of 48.6% and 41.2%, respectively.

Nordgold organises its business into eight reporting segments across three core regions:

West Africa:

- *Taparko (Somita)*: This segment comprises the Taparko mine in Burkina Faso, an open pit gold mine consisting of three open pit deposits. In 2011 and 2010, this segment generated revenue from the sale of gold to customers of US\$205.3 million and US\$157.3 million, respectively, and production of approximately 132.5 Koz and 127.2 Koz of gold, respectively. As of January 1, 2012, Somita's JORC Code-compliant mineral resources amount to measured and indicated mineral resources of approximately 0.8 Moz of gold and inferred mineral resources of approximately 0.5 Moz of gold.
- *Lefa (Crew Gold)*: This segment comprises the Lefa mine in Guinea, an open pit gold mine consisting of two material open pit deposits. Nordgold acquired a 50.17% controlling stake in Crew Gold on July 26, 2010, which increased to a 93.4% interest in September 2010 and 100% in January 2011. Results are consolidated from the date of acquisition of the controlling interest. In 2011 and 2010, this segment generated revenue from the sale of gold to customers of US\$304.0 million and US\$98.6 million, respectively, and production of approximately 195.7 Koz and 73.3 Koz of gold, respectively. As of January 1, 2012, Lefa's JORC Code-compliant mineral resources amount to measured and indicated mineral resources of approximately 5.5 Moz of gold and inferred mineral resources of approximately 2.3 Moz of gold.
- *Development West Africa*: This segment comprises a number of mines in the development and exploration stage located in West Africa. The key development project in West Africa is at Bissa, which is expected to

begin production in 2013. Nordgold also has over 30 exploration permits in Burkina Faso, where exploration works are being carried out, and assessment of exploration potential at licence areas that belong to Crew Gold in Guinea is currently underway.

Kazakhstan:

- *Celtic and Semgeo:* This segment comprises the Suzdal underground gold mine in Kazakhstan and gold deposits in the auxiliary open pit gold mines of Zherek and Balazhal in the vicinity of Suzdal, which are currently under technological review. In 2011 and 2010, this segment generated revenue from the sale of gold to customers of US\$129.5 million and US\$106.7 million, respectively, and production of approximately 81.6 Koz of gold in both 2011 and 2010. As of January 1, 2012, Suzdal's JORC Code-compliant mineral resources amount to measured and indicated mineral resources of approximately 0.9 Moz of gold and inferred mineral resources of approximately 0.5 Moz of gold, with Zherek and Balazhal adding approximately 0.3 Moz of measured and indicated resources and 0.4 Moz of inferred resources.

Russia:

- *Berezitovy:* This segment comprises an open pit gold mine located in the Amur region of the Russian Federation. In 2011 and 2010, this segment generated revenue from the sale of gold to customers of US\$166.2 million and US\$90.1 million, respectively, and production of approximately 107.1 Koz and 71.4 Koz of gold, respectively. As of January 1, 2012, Berezitovy's JORC Code-compliant mineral resources amount to measured and indicated mineral resources of approximately 1.1 Moz of gold and inferred mineral resources of approximately 0.3 Moz of gold.
- *Buryatzoloto:* This segment comprises the operations of Zun-Holba and Irokinda, two underground gold mines, located in the Buryatia Republic of the Russian Federation. In 2011 and 2010, this segment generated revenue from the sale of gold to customers of US\$210.0 million and US\$177.6 million, respectively, and production of approximately 134.3 Koz and 136.1 Koz of gold, respectively. As of April 1, 2012, Buryatzoloto's JORC Code-compliant mineral resources amount to measured and indicated mineral resources of approximately 0.5 Moz of gold and inferred mineral resources of approximately 0.1 Moz of gold.
- *Neryungri-Metallik and Aprelkovo:* This segment comprises open pit gold mines in the Republic of Yakutia and Transbaikial region of the Russian Federation, including the Tabornoe deposit. In 2011 and 2010, this segment generated revenue from the sale of gold to customers of US\$167.1 million and US\$123.8 million, respectively, and production of approximately 103.3 Koz and 93.9 Koz of gold, respectively. As of January 1, 2012, their combined JORC Code-compliant mineral resources amount to measured and indicated mineral resources of approximately 1.2 Moz of gold and inferred mineral resources of approximately 1.3 Moz of gold.
- *Development Russia:* This segment comprises mines in the exploration and evaluation stage located in the Russian Federation. The primary focus of this segment is the Gross project.

Nordgold has two development projects and a large number of exploration projects and licences. The key development projects are Gross and Bissa:

- *Bissa:* Located in Burkina Faso, Bissa is an actionable late-stage development project which is expected to contribute 80-110 Koz of gold production in 2013. As of January 1, 2012, Bissa's JORC Code-compliant resources amount to measured and indicated mineral resources of approximately 3.0 Moz of gold and inferred mineral resources of approximately 1.9 Moz of gold.
- *Gross:* Located four kilometres from the Neryungri mine in the Republic of Yakutia in the Russian Federation, Gross is a development project expected to begin the pilot stage of operation in 2013 with expected gold production of approximately 15-30 Koz in 2013. As of March 19, 2012, Gross's JORC

Code-compliant mineral resources amount to measured and indicated mineral resources of approximately 3.2 Moz of gold and inferred mineral resources of approximately 3.5 Moz of gold.

Key exploration projects include the Lefa and Banora corridors in Guinea, Bouly, Zinigma, Gougre and Labola in Burkina Faso and Prognoz, Nerchinsk, Uryakh and Vitimkan in Russia. Prognoz is located in the Republic of Yakutia in the Russian Federation, 444 kilometres north of Yakutsk. Nordgold holds its interest in Prognoz through its interest in High River, which in turn indirectly holds a 50.0% interest in Prognoz.

Brief Financial and Operational Performance Overview

In 2011 and the six months ended June 30, 2012, Nordgold generated revenue of US\$1,182.1 million and US\$528.5 million, respectively, and EBITDA of US\$574.3 million and US\$217.7 million, respectively, reflecting margins of 48.6% and 41.2%, respectively. In 2011 and the six months ended June 30, 2012, Nordgold's total cash costs of gold production per ounce sold were US\$688/oz and US\$832/oz, respectively.

The table below sets out Nordgold's gold production output and revenue for the years ended 2009, 2010 and 2011 and the six month periods ended June 30, 2011 and 2012. The table below also sets out Nordgold's Normalised EBITDA and cash costs for the years ended December 31, 2009, 2010 and 2011 and the six month periods ended June 30, 2011 and 2012.

Summary of production, revenue, costs and EBITDA

	Six months ended June 30		Year ended December 31		
	2012	2011	2011	2010	2009
Gold production (Koz) ⁽¹⁾	321.0	372.3	754.5	589.1	534.0
Revenue (US\$m)	528.5	543.4	1,182.1	754.2	517.6
Total cash costs (US\$m) ⁽²⁾	265.2	247.5	514.0	331.9	252.0
Cash costs/ounce produced (US\$/oz) ⁽²⁾	832.0	672.0	687.8	567.6	477.4
EBITDA (US\$m) ⁽²⁾	217.7	268.3	574.3	369.7	236.3

Notes:

(1) Includes gold equivalent ounces of silver.

(2) Unaudited.

Mineral Reserve Summary

The following table presents the mineral reserve estimates of Nordgold.^{(1) (2)}

Area	Deposit	Category	Tonnes (Kt)	Au (g/t)	Gold	
					(kg)	(Koz)
Burkina-Faso	Bissa	Proven	1,480	2.92	4,324	139
		Probable	29,132	1.78	51,748	1,664
		Proven+Probable	30,611	1.83	56,072	1,803
	Taparko	Proven	—	—	—	—
		Probable	5,103	2.84	14,523	467
		Proven+Probable	5,103	2.84	14,523	467
	Bouroum F12	Proven	—	—	—	—
		Probable	2,087	2.42	5,049	162
		Proven+Probable	2,087	2.42	5,049	162
	Area Total	Proven+Probable	37,801	2.00	75,643	2,432
Guinea	All Assets	Proven	52,592	1.43	75,067	2,413
		Probable	43,335	1.52	65,918	2,118
		Proven+Probable	95,928	1.47	140,985	4,534
Kazakhstan	Suzdal	Proven	385	9.12	3,514	113
		Probable	1,575	7.24	11,396	366
		Proven+Probable	1,960	7.61	14,910	479
Russia	Berezitovy	Proven	9,102	1.71	15,531	499
		Probable	9,249	1.56	14,435	464
		Proven+Probable	18,351	1.63	29,966	963
	Aprelkovo	Proven	2,531	1.18	2,988	96
		Probable	11,616	0.97	11,246	362
		Proven+Probable	14,147	1.01	14,234	458
	Tabornoe	Proven	4,126	0.93	3,849	124
		Probable	11,962	0.73	8,681	279
		Proven+Probable	16,088	0.78	12,530	403
	Gross	Proven	—	—	—	—
		Probable	156,200	0.64	100	3,214
		Proven+Probable	156,200	0.64	100	3,214
	Buryatzoloto	Proven	730	9.77	7,160	230
		Probable	385	7.85	3,010	97
		Proven+Probable	1,115	9.11	10,170	327
	Area Total	Proven+Probable	205,901	0.81	166,869	5,365
Total (all areas)			341,590	1.17	398,407	12,810

Notes:

- (1) All mineral reserves have been calculated in accordance with the CIM Standards or the JORC Code. There are no material differences between the JORC Code and the CIM Standards. Numbers may not add up due to rounding.
- (2) Mineral reserves estimated as at January 1, 2012, other than for Burytzoloto, for which mineral reserves are estimated as at April 1, 2012 and Gross, for which mineral reserves are estimated as at April 2012.

Mineral Resource Summary

Nordgold's measured and indicated mineral resources totalled 16.3 Moz of gold, while inferred mineral resources totalled 11.6 Moz of gold. Nordgold also has 65.5 Moz of measured and indicated silver mineral resources and 69.4 Moz of inferred silver mineral resources through its ownership of the Gross deposit and indirect interest in the Prognoz project. Of this total, resources in West Africa accounted for 46.4% while resources in the Russian Federation and Kazakhstan accounted for 46.7% and 6.9%, respectively. The following table presents the measured and indicated mineral resources of Nordgold.

Area	Deposit	Ore Type	Cut-off (g/t)	Measured			Indicated			Measured + Indicated		
				Tonnage (Kt)	Au (g/t)	Au Metal (Koz)	Tonnage (Kt)	Au (g/t)	Au Metal (Koz)	Tonnage (Kt)	Au (g/t)	Au Metal (Koz)
Burkina Faso	Zone 3/5 ⁽²⁾	All types	0.50	—	—	—	3,048	2.83	277	3,048	2.83	277
	Zone 3/5											
	South ⁽²⁾	All types	0.50	—	—	—	58	2.64	5	58	2.64	5
	Zone 2N2K ⁽²⁾	All types	0.50	—	—	—	1,245	1.72	69	1,245	1.72	69
	Zone GT ⁽²⁾	All types	0.50	—	—	—	1,232	3.99	158	1,232	3.99	158
	F12 ⁽²⁾	All types	0.50	—	—	—	2,364	2.52	191	2,364	2.52	191
	Nairy ⁽²⁾	All types	0.50	—	—	—	989	1.31	42	989	1.31	42
	Baola ⁽²⁾	All types	0.50	—	—	—	532	0.79	14	532	0.79	14
	All Zones			—	—	—	9,468	2.48	756	9,468	2.48	756
	Bissa Gold ⁽²⁾	All types	0.50	1,964	2.47	156	61,789	1.21	2,404	63,753	1.25	2,560
	Gougre ⁽²⁾	All types	0.50	—	—	—	3,044	1.90	186	3,044	1.90	186
	Bouly ⁽²⁾	All types	0.60	—	—	—	9,037	0.84	245	9,037	0.84	245
	All Zones			1,964	2.47	156	73,870	1.19	2,835	75,834	1.23	2,991
	Area Total			1,964	2.47	156	83,338	1.34	3,590	85,302	1.37	3,746
Guinea	Lefa											
	Corridor ⁽²⁾	All types	0.50	59,849	1.33	2,557	69,588	1.26	2,815	129,437	1.29	5,373
	Regional (Banora)	All types	0.70	2,196	1.70	119	598	1.50	902	2,794	1.66	148
	Area Total			62,045	1.34	2,676	70,186	1.26	2,844	132,231	1.30	5,521
Kazakhstan . .	Balazhal	Sulphide	1.00	—	—	—	182	1.54	9	182	1.54	9
	Suzdal ⁽²⁾	Sulphide	1.50	759	10.23	250	2,859	7.19	661	3,619	7.83	911
	Zherek	All types	0.50	—	—	—	3,644	2.02	237	3,644	2.02	237
	Area Total			759	10.23	250	6,685	4.22	907	7,444	4.83	1,157
Russia	Aprelkovo ⁽²⁾	All types	0.50	2,606	1.27	106	13,824	1.05	465	16,430	1.08	571
	Berezitovy ⁽²⁾	Sulphide	0.50	9,669	1.74	540	11,479	1.45	536	21,148	1.58	1,076
	Gross ⁽³⁾	Sulphide	0.50	10,800	0.73	253	126,800	0.73	2,976	137,600	0.73	3,229
	Tabornoe ⁽²⁾	Sulphide	0.50	3,742	1.06	127	16,284	0.86	448	20,026	0.90	575
	Buryatzoloto ⁽⁴⁾	Sulphide	3.00	771	11.90	294	635	8.49	172	1,406	10.36	466
	Area Total .			27,588	1.49	1,321	169,022	0.85	4,597	196,610	0.94	5,918
Total	All Areas			92,356	1.48	4,403	329,231	1.13	11,938	421,587	1.21	16,341

Notes:

- (1) All mineral resources have been calculated in accordance with the CIM Standards or the JORC Code. There are no material differences between the JORC Code and the CIM Standards. Mineral resources include mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Numbers may not add up due to rounding.
- (2) Mineral resources estimated as at January 1, 2012.
- (3) Mineral resources estimated as at March 20, 2012.
- (4) Mineral resources estimated as at April 1, 2012.

The table below presents the inferred mineral resources of Nordgold.

Area	Deposit	Ore Type	Cut-off (g/t)	Inferred		
				Tonnage (Kt)	Au (g/t)	Au Metal (Koz)
Burkina Faso	Zone 3/5 ⁽²⁾	All types	0.50	1,112	2.50	89
	Zone 3/5 South ⁽²⁾	All types	0.50	2	1.41	0
	Zone 2N2K ⁽²⁾	All types	0.50	526	1.95	33
	Zone GT ⁽²⁾	All types	0.50	373	4.21	50
	F12 ⁽²⁾	All types	0.50	646	2.74	57
	Welcome Stranger ⁽²⁾	All types	0.50	210	5.03	34
	Nairy ⁽²⁾	All types	0.50	2,086	1.07	72
	Baola ⁽²⁾	All types	0.50	817	1.12	29
	Yeou ⁽²⁾	All types	0.40	1,066	2.39	82
	Ankouma ⁽²⁾	All types	0.50	1,816	1.26	74
	All Zones			8,654	1.87	521
	Bissa Gold ⁽²⁾	All types	0.50	19,651	1.05	663
	Gougou ⁽²⁾	All types	0.50	3,121	1.39	140
	Liliga ⁽²⁾	All types	0.50	4,155	1.52	203
	Bouly ⁽²⁾	All types	0.60	32,150	0.75	776
	Bissa Sud ⁽²⁾	All types	0.50	568	0.94	17
	Zinigma ⁽²⁾	All types	0.50	3,687	1.17	139
	All Zones			63,332	0.95	1,938
	Labola ⁽⁴⁾	All types	0.40	1,231	1.22	48
	Area Total			73,217	1.07	2,507
Guinea	Lefa Corridor ⁽²⁾	All types	0.50	55,167	1.15	2,046
	Regional (Banora)	All types	0.70	330	1.60	17
	Other	All types	0.80	4,475	1.39	197
	Area Total			59,972	1.17	2,260
Kazakhstan	Balazhal	Sulphide	1.00	926	3.53	105
	Suzdal ⁽²⁾	Sulphide	1.50	2,534	6.01	490
	Zherek	All types	0.50	6,116	1.66	326
	Area Total			9,576	2.99	921
Russia	Aprelkovo ⁽²⁾	All types	0.50	7,687	0.88	218
	Berezitovy ⁽²⁾	Sulphide	0.50	6,208	1.24	247
	Gross ⁽²⁾	Sulphide	0.50	147,700	0.74	3,514
	Tabornoe ⁽²⁾	Sulphide	0.50	38,850	0.83	1,033
	Visokiy	Sulphide	0.50	1,048	0.96	32
	Uryakh	All zones	1.00	14,098	1.74	787
	Nerchinsk					
	Pereovzny	All types	0.50	814	0.91	24
	Buryatzoloto ⁽³⁾	Sulphide	3.00	296	10.39	100
	Area Total			216,701	0.86	5,955
Total	All Areas			359,466	1.01	11,643

Notes:

- (1) All mineral resources have been calculated in accordance with the CIM Standards or the JORC Code. There are no material differences between the JORC Code and the CIM Standards. Mineral resources include mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Numbers may not add up due to rounding.
- (2) Mineral resources estimated as at January 1, 2012.
- (3) Mineral resources estimated as at April 1, 2012.
- (4) Mineral resources estimated as at January 2012.

Competitive Conditions

The precious metal mineral exploration and mining business is a competitive business. Nordgold competes with numerous other companies and individuals in the search for and the acquisition of attractive precious metal mineral properties. The ability of Nordgold to acquire precious metal mineral properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for precious metal development or mineral exploration.

In addition, Nordgold also competes with its competitors over sourcing raw materials and supplies used in connection with its mining operations, as well as for skilled experienced workers.

Nordgold believes that its competitive strengths include:

Established international gold producer.

Nordgold is an established pure-play gold producer operating a diverse portfolio of eight producing assets located in Burkina Faso, Guinea, Russia and Kazakhstan. In 2011, Nordgold produced 754.5 Koz of gold (including gold equivalent ounces of silver) with the three largest assets accounting for over half of total 2011 production. Nordgold has approximately 16.3 Moz of measured and indicated gold resources and 11.6 Moz of inferred gold resources on a fully consolidated basis (see “— *Mineral Resource Summary*”), according to the JORC Code definitions. The measured and indicated resources are split between West Africa (56.7%) and Russia (36.2%), with the remaining 7.1% located in Kazakhstan. The inferred resources are distributed among West Africa (40.9%), Russia (51.1%) and Kazakhstan (7.9%). Nordgold also has 65.5 Moz of measured and indicated silver mineral resources and 69.4 Moz of inferred silver mineral resources through its ownership of the Gross deposit and 50.0% participation in the Prognoz project.

Nordgold believes that its geographic diversity and diversification of production across eight producing mines reduce single country risk and give Nordgold security of production when compared to competitors who are reliant on a single large deposit. Nordgold also believes that its presence and experience in these countries enable it to identify and participate in more attractive growth opportunities than Nordgold’s competitors focused on a single country, and create synergies between existing and newly acquired assets through regional clustering as well as transfer of technology and human capital.

Track record of growth and value creation.

Over the last four years, Nordgold’s annual production (including gold equivalent ounces of silver) has increased from approximately 21 Koz in 2007 to 754 Koz in 2011. Nordgold has achieved this growth through the following three-pillar strategy:

- *Value accretive M&A and integration.* Since 2007, Nordgold has completed five acquisitions including Celtic Resources and Crew Gold and a controlling stake in High River, as well as a number of other mines and licences. Nordgold’s approach has been to identify and acquire assets at attractive valuations, in particular in situations where the assets are being operated below their potential or the target is in financial distress, and implement a rapid operational improvement programme.
- *Organic expansion and development.* Nordgold has been focused on organic growth and mineral reserve and mineral resource expansion having invested approximately US\$278.3 million in exploration from 2009 to June 30, 2012. As a result, Nordgold has successfully increased measured and indicated mineral resources at its mines to approximately 16.3 Moz and inferred resources of 11.6 Moz. In addition, Nordgold has identified the Gross deposit with 3.2 Moz of measured and indicated gold resources and 3.5 Moz of inferred resources and more than doubled the measured and indicated resources at Bissa to 3.0 Moz. Nordgold has also built a portfolio of opportunities with further upside potential to significantly increase Nordgold’s resource base. Gross and Bissa, both actionable

development projects located in Russia and Burkina Faso, respectively, are expected to start operations as soon as 2013 and contribute to Nordgold's growing production profile.

- *Operational optimisation.* The Nordgold management team works intensively with assets post-acquisition to improve operational efficiency, cut costs and enhance the culture and strategic focus. For example, following the acquisition of Celtic Resources, Nordgold reduced the number of expatriate employees and rationalised the supplier base to improve its cost position and initiated plant capacity expansions and technology improvements to increase throughput and recovery. After the acquisition of a controlling stake in High River, the Nordgold management team resolved supplier disputes, optimised headcount, upgraded mining equipment, conducted necessary processing plant refurbishments and increased processing capacities at the acquired mines. As a result, Nordgold has significantly increased production rates at a number of its assets since acquiring them.

Attractive, achievable growth profile

Nordgold plans to leverage its proven strategy to continue growing its production across all of its core regions and assets. In addition to the current production plan, Nordgold has a large portfolio of exploration assets which, combined with future mergers and acquisitions, provide further upside to the production growth profile based on existing mineral reserves and mineral resources.

Strong financial profile

From 2009 to 2011, Nordgold's EBITDA increased from US\$236.3 million to US\$574.3 million while the EBITDA margin increased from 45.7% to 48.6% Nordgold believes anticipated future operating cash flows will provide the required financial capacity for Nordgold to execute its three-pillar strategy of growing its business both organically and through acquisitions.

Proven management team

Nordgold benefits from the diverse background and experience of its senior management team, which combines highly qualified professionals with gold mining, general mining, operational, consulting and financial backgrounds. Nordgold's management team is supported by in-house technical teams both in Moscow and on the ground at the mine sites and is able to leverage when appropriate the technical resources of Severstal. Nordgold's management team has led the formation of Nordgold since the first acquisitions in 2007 and has a proven track record in executing acquisitions successfully and increasing efficiency at acquired operations. The formation of Nordgold as well as the management team's previous experience provides in-depth knowledge and expertise across the full cycle of project development from exploration to construction, operation and optimisation. The management team also has broad experience across the full range of gold mining operations, with Nordgold's asset base including both underground and open pit mines, and processing facilities ranging from customary heap leach operations at Aprelkovo and Neryungri to highly complex bacterial oxidation (BIOX) facilities at Suzdal.

Commitment to corporate transparency

Nordgold has a strong commitment to corporate transparency. The Nordgold Board is led by Philip Baum, the independent chairman, who has more than 33 years of experience in the mining industry. The other three independent Non-Executive Directors all have extensive mining or financial background and are well-respected in the international mining community. Nordgold is fully committed to achieving and maintaining strict corporate transparency and disclosure standards.

Production

Process

Ore is mined either from underground mines or from open pits. The ore is then crushed and ground into a finer consistency (or stored until it is able to be), to be processed to obtain gold through one of the methods noted

below. Most methods used by Nordgold and the industry as a whole involve the use of cyanide to draw out the gold and other chemical processes that separate the gold from other elements in the ore. Gold is then extracted from the solution onto metal cathode bars, which are melted down and poured into doré bars, which primarily contain gold but which can also contain a small amount of silver or copper.

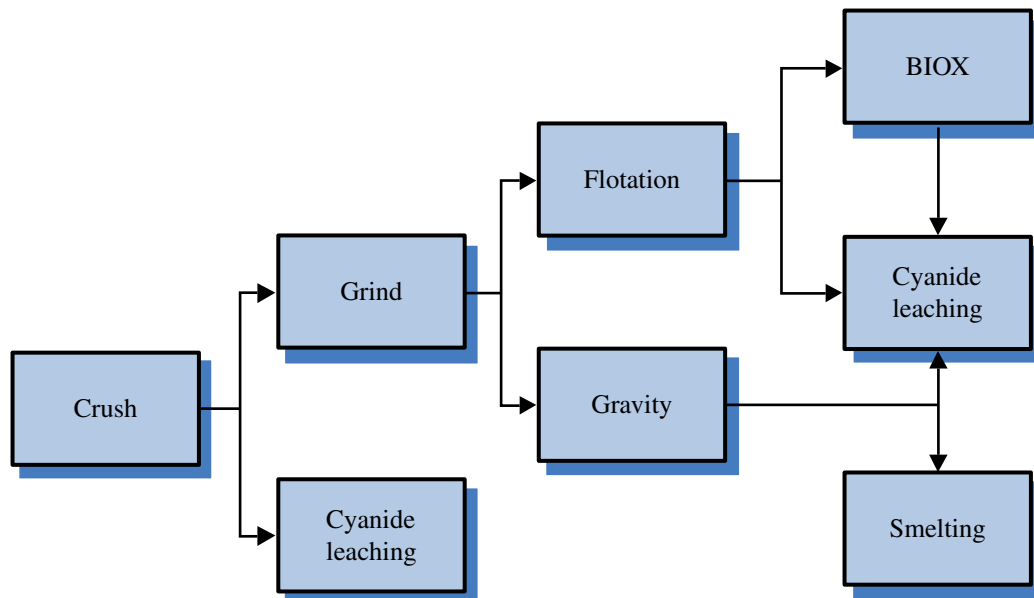
Once the gold is poured into doré bars, the doré is collected and stored securely at the mines until an appropriate amount of doré has accumulated, when it is boxed and transported, via secure truck, helicopter or aircraft, to the refinery, where the doré is refined into gold bullion bars. The gold bullion is transferred to safe storage at a bank, which holds the gold until Nordgold makes the decision to sell on the spot market.

Technology

Each of Nordgold's mines is either an underground or open pit mine, and each mine employs one or more of a number of processing technologies. These processes, roughly presented from the simplest to most complex, are as follows:

- *Heap leach.* Crushed material is laid on a slightly sloping, impervious pad where it is irrigated with a cyanide leach solution to dissolve gold. The leaching solution, once impregnated with the gold particles, is gathered in pools from which the gold is extracted.
- *Carbon-in-pulp (CIP).* This is a technique in which granular activated carbon particles much larger than the ground ore particles are added to a cyanide pulp which is already impregnated with the gold particles. The activated carbon and pulp are agitated together to enable the solubilised precious metals to become adsorbed onto the activated carbon. The loaded activated carbon is mechanically screened to separate it from the barren ore pulp and processed to remove the gold and prepare it for reuse.
- *Carbon-in-leach (CIL).* A method of recovering gold in which a slurry of gold-bearing ore, carbon, and cyanide are mixed together simultaneously, rather than after the cyanide solution has been impregnated with the gold particles, as in CIP processing. The cyanide dissolves the gold from the surrounding material, and the activated carbon subsequently absorbs the dissolved gold.
- *Flotation.* This process involves the use of a milling process to create a foamy layer several inches thick in a liquid medium. This results in gold particles being induced to become attached to bubbles in the froth and float while other particles sink. The flotation concentrate is further treated at a cyanidation plant.
- *Bacterial oxidation (BIOX).* The BIOX process uses a combination of three bacteria to break down the sulphide mineral matrix in the flotation concentrate being treated, thus freeing the occluded gold for subsequent cyanidation. The bacteria attach themselves to the metal sulphide surfaces in the ore, resulting in the accelerated oxidation of the sulphides. During the bacterial oxidation process, elements like iron, sulphur and arsenic are dissolved. The washed BIOX product is treated in a conventional cyanidation plant from which the gold is finally recovered.

These processes are summarised in the diagram below.



The table below summarises the primary operating characteristics of each mine.

	Mine type	Technologies
Taparko	Open pit	CIL
Lefa	Open pit	CIP
Suzdal	Underground	Flotation, BIOX, CIL
Irokinda	Underground	Gravity, flotation
Zun-Holba	Underground	Gravity, flotation, CIP
Berezitovy	Open pit	CIP
Aprilkovo	Open pit	Heap leach
Neryungri (Tabornoe)	Open pit	Heap leach

Market and Distribution

Market for gold

Benchmark prices for gold are generally based on the London gold market quotations. Due to the size of the international bullion market and stockpiles of gold reserves, individual gold producers or other market participants generally do not significantly influence pricing or total quantities offered and sold. Since there has historically been a large number of available gold purchasers, Nordgold is not dependent upon the sale of gold to any one customer.

Production, transportation and sales by Nordgold

Nordgold sells its gold in the form of bullion, which is kept for sale in gold accounts at Nomos Bank for Nordgold's Russian operations, at Metalor for the Kazakh and Burkina Faso operations, and MKS Finance S.A. for its Guinean operation. Russian gold is refined from doré at the Prioksky refinery in the Ryazan Region of the Russian Federation before being transported to Nomos Bank in Russia. Gold doré from Nordgold's mines in Kazakhstan and Burkina Faso is refined at Metalor in Switzerland, and gold doré from Nordgold's mine in Guinea is refined at Pamp, Switzerland. Kazakh gold is stored at Metalor, while gold from Burkina Faso is transported to and held for sale at Standard Bank in Switzerland. Gold from Guinea is all sold directly to MKS Finance S.A., Geneva.

Gold doré is transported from the mines to the refinery by a mixture of armoured car, secured helicopters and planes. The refiner or carrier agent, as applicable, assumes the risk of loss on the gold following the release of the gold from Nordgold's premises and is required to provide insurance for all risks while the gold doré is in transit from Nordgold's premises or the specified location to the refinery. Nordgold maintains legal title to the gold, which does not pass from Nordgold until the gold is sold.

Most sales are currently made at the spot price. The decision whether to sell is made depending on the current market environment and sales are typically made at least every quarter. The exception is gold from Guinea refined at Pamp. An advance of approximately 90% of the estimated value of each shipment is obtained from MKS Finance S.A. at the London Gold Market p.m. gold fixing (the "**London PM Price**") on the day the shipment arrives at Zurich airport. The balance is sold, again at the London PM Price, once the final outturn is known, approximately six working days later.

In 2009 and 2010, Nordgold's average realised price was higher than the average market price. In 2011, Nordgold's average realised price was US\$1,567, while the average market price was US\$1,572. In the six months ended June 30, 2012, Nordgold's average realised price of US\$1,645 while the average market price was US\$1,651.

Supplies

The principal supplies purchased by Nordgold in its operations are electricity and consumables such as explosives, drilling bits, fuels and lubricants. Nordgold has a centralised procurement department based in Moscow for bulk purchases of mining and other equipment and in certain circumstances aggregates its purchases with members of the Severstal Group in order to obtain volume discounts. Any purchases in excess of US\$500,000 must be approved in consultation with the central procurement team in Moscow. Supplies subject to central procurement policies are agreed upon in accordance with Nordgold policy and include grinding balls, ammonium nitrate, explosives and mining equipment. Historically, the prices paid for certain supplies have been determined based on the aggregate volumes required by Nordgold as well as other Severstal entities in order to obtain a higher volume discount. Nordgold intends to continue to obtain certain supplies in this manner in the future when it is advantageous to do so.

Fuel and electricity

The extraction and processing of gold requires significant amounts of electricity. The majority of Nordgold's energy costs comprise electricity expenses. In the Russian Federation, energy at the Neryungri mine is supplied by fuel oil, but at all other mines electricity is provided from the national electric grid at tariffs of 1.95—2.41 RUB/kWh (approximately US\$.06-.08). In Kazakhstan, electricity is provided from the national electric grid at a tariff of 6.8 tenge/kWh (approximately US\$.05). In Burkina Faso and Guinea, electricity is generated on-site by diesel and heavy fuel oil. Fuel oil is supplied by Rosneft in the Russian Federation and Shell in Burkina Faso. For a description of risks related to the price of energy and its effects on Nordgold's operations, see *"Risk Factors — Risks Relating to Nordgold's Operation — The cost of electricity, particularly self-generated electricity, can be unstable. An increase in power costs will make production more costly and alternative power sources may not be available"*.

Environmental Protection

The jurisdictions in which Nordgold operates have adopted environmental regulations requiring industrial companies to undertake programs to reduce, control or eliminate various types of pollution and to protect natural resources. Nordgold must actively monitor specific air emission levels, ambient air quality, quality of nearby surface water, level of contaminants in soil and creation of solid waste. Nordgold must also submit quarterly reports on emission levels and annual reports on water monitoring to environmental authorities. In addition, the environmental authorities conduct additional testing to validate Nordgold's results. If Nordgold exceeds certain emissions levels, Nordgold is required to make additional payments to the regulatory authorities.

In addition, failure to comply with environmental regulations and the terms of Nordgold's subsoil use contracts may subject Nordgold to significant civil and criminal penalties, including the loss of mining, land-use and other contracts, permits and licences as well as subject Nordgold's management to criminal sanctions.

As the risk of environmental pollution is greater when using heap leaching and cyanidation, compared with gravity concentration and flotation enrichment, Nordgold's use of these technologies requires greater efforts to comply with its environmental obligations.

Upon the cessation of mining operations, gold mining companies are obliged to close their operations and rehabilitate the lands that they mined. Estimates of the total ultimate closure and rehabilitation costs for gold mining operations are significant and are based principally on current legal and regulatory requirements that could change materially. Nordgold makes regular contributions into liquidation funds to be used upon the cessation of mining operations for environmental clean-ups of the territories covered by its subsoil use contracts.

In the event that these funds are insufficient to meet the cost of Nordgold's clean-up obligations however, Nordgold is obliged to fund any such shortfall.

Environmental laws and regulations in the jurisdictions in which Nordgold operates are continually changing and are generally becoming more restrictive. Nordgold believes that it currently complies with all national standards and environmental regulatory requirements at each of its mines, but it does not currently comply with internationally recognised codes and guidelines at each of its mines. While Nordgold aims to adhere to international best practices across its asset base, there can be no assurance that it will be able to meet international best practices at all of its mines. If Nordgold's environmental compliance obligations were to change as a result of changes in the laws and regulations or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions were to arise in its operations, Nordgold's expenses and provisions would increase to reflect these changes. If material, these expenses and provisions could adversely affect its business, operating results and financial position and the price of the Nordgold GDRs.

Research and Development

Following on the successful track record of resource expansion at existing mines and identification of a broad portfolio of exploration projects, Nordgold believes that it will be in a position, due to its increased financial resources and flexibility, to expand its exploration activities, from a geographic and scale perspective, as well as further progress its development targets.

Nordgold believes that it has now achieved a critical mass which enables it to share expertise from across its network of mines in the establishment of brownfield and greenfield projects and to rely on its own team of centralised specialists rather than use external consultants, across the exploration, construction and production phases. Nordgold's exploration team in the head office in Moscow consists of 12 employees who are specialists in the exploration and mining areas with experience from 15 to 37 years, and the team supervises a significant number of local exploration specialists at mine and exploration sites, as well as independent contractors engaged on a regular basis. Each specialist has a solid knowledge of and qualification in the mining sector and geographically focuses on various projects in Nordgold. The exploration team is currently in the process of restructuring and expansion, including intensive development of projects and implementation of new technologies (for example, an integrated mine planning and grade control system based on SQL Gems digital technology).

Information Technology, Management Systems and Intellectual Property

Nordgold has implemented a system of reporting procedures which collect financial and operational information from each mine on a daily, weekly and monthly basis. Each mine is electronically connected to the central office in Moscow and sends reports and spreadsheets for review centrally in order to ensure conformity with Nordgold's budget and ensure spending discipline across the mines. Nordgold does not use any specialised software for central management currently but is considering options for implementation.

Nordgold does not currently own any registered intellectual property rights material to its business.

Employees

The table below sets out the number of people employed⁽¹⁾ by Nordgold (full and part time), as at December 31, 2011, 2010 and 2009:

	As at 31 December		
	2011	2010	2009
Moscow office	66	55	47
Foreign offices (Toronto, London)	6	6	6
Aprelkovo	665	658	603
Neryungri	861	918	895
Kazakhstan	1,083	987	869
Buryatzoloto	3,239	3,574	3,778
Berezitovy	1,066	986	941
Somita	628	545	535
Crew Gold	2,122	2,000	—
High River exploration, Burkina Faso	257	45	69
Total	9,993	8,636	7,743

Notes:

- (1) Employees at mines in Russia and Kazakhstan work in long-term shifts, not year-round, and at any given point approximately half of the workers will be working while the others will not be.

Three Year History

In July 2009, Severstal began a reorganisation of its gold mining operations which resulted in Nordgold, a wholly-owned subsidiary of Severstal dormant since its incorporation in 2005, acquiring all of Severstal's gold mining assets.

In February 2010, Severstal acquired a 26.6% stake in Crew Gold, which operates the Lefa gold mine in Guinea and which was listed on the TSX as well as the Oslo Stock Exchange. Severstal subsequently transferred its interest in Crew Gold to Nordgold, and through a series of transactions in July 2010, Nordgold brought its interest in Crew Gold to 50.2%. In August 2010, Nordgold exercised warrants to increase its interest in High River to 70.4%. In September 2010, Nordgold increased its interest in Crew Gold to 93.4%. In October 2010, Nordgold increased its interest in High River to 72.6%.

In January 2011, Nordgold increased its interest in Crew Gold to 100%. In July 2011, Nordgold's indirect subsidiary in Burkina Faso, Bissa Gold S.A., was granted a mining licence for the Bissa project by the Burkina Faso government, and in August Bissa was awarded a project licence. In August 2011, Nordgold increased its interest in High River to 75.1%. In November 2011, Severstal announced the separation of Nordgold from Severstal through a share exchange offer, which was completed in January 2012, with the exchange of 100% of the shares of Nordgold for Severstal shares and global depositary receipts, based on their respective fair values (the "Spin-Off Transaction").

As part of the Spin-Off Transaction, in January 2012 Nordgold announced admission to the Official List and trading on the main market of the LSE of Nordgold GDRs representing 10.6% of the issued and outstanding Nordgold Shares. In March 2012, Nordgold signed a loan agreement worth RUB 11 billion (US\$374 million) with Sberbank. In April, Nordgold signed cross-currency swap agreements with various banks to convert the Russian roubles loan to United States dollars.

Material Mineral Projects

For the purposes of this Offer and Circular, Nordgold has identified the Aprelkovo, Berezitovy, Bissa, Irokinda, Gross, Lefa, Suzdal, Tabornoe, Taparko-Bouroum and Zun-Holba projects as material projects to

Nordgold. Disclosure regarding such material projects can be found in Schedule 1 to Annex A, “*Disclosure Regarding Material Mineral Projects*” and is based on the Technical Reports with respect to such material properties.

Environment, Health and Safety

The Nordgold Board believes that the health and safety of Nordgold’s employees, respect for the environment and active engagement with local communities are fundamental to the success of Nordgold’s business. As a result, Nordgold is continually examining ways to improve its results and performance in this regard.

Nordgold’s health, safety and environmental policy is based on the principles that: (i) employee safety is a primary value, (ii) incidents and professional injuries can be avoided, (iii) preventing incidents and injuries positively impacts operations, (iv) health, safety and environmental targets should be made clear to all employees, (v) it is the responsibility of every worker to observe safety rules and (vi) management is directly responsible for prevention of incidents and injuries.

Commitment to International Best Practices

Presently, Nordgold believes all assets are in compliance with national standards and environmental regulatory requirements. Nordgold aims to adhere to international best practices across its asset base. Nordgold is already engaged in various projects to raise its operating standards and is working to achieve the highest of either internationally recognised codes and guidelines such as the International Finance Corporation Environmental, Health and Safety Guidelines, International Cyanide Management Code and World Bank Performance Standards or national standards, laws and practices.

In an effort to achieve international best practices, such as the aforementioned standards, Nordgold has, for example at Lefa in Guinea, developed a social and environmental management system action plan which outlines actions across a range of areas including: environmental impact assessment closure plans, environmental monitoring, waste management and community planning.

Similarly, in Burkina Faso, Nordgold has developed a follow-up plan for environmental management at the Taparko mine site. This plan is an official document to guide all company actions with regards to environmental actions and minimise any potential negative project impacts. Further, Nordgold is currently implementing a formal social and community relations programme which better aligns with international best practices in this area.

Overall, Nordgold will seek to meet the requirements of international best practices standards for health, safety and environment. This will be achieved through the maintenance and improvement of existing health, safety and environmental systems and programmes and the alignment of these systems and programmes with such international standards.

Environmental

In common with other natural resources and mineral processing companies, Nordgold’s operations generate hazardous and non-hazardous waste, effluents and emissions into the atmosphere, water and soil. Nordgold is subject to national environmental laws and regulations that apply to Nordgold’s operations and development projects in each of the jurisdictions in which it operates. These laws and regulations address such matters as protection of the natural environment, air and water quality and emissions standards and disposal of waste.

Nordgold’s environmental objective is to prevent pollution, to reduce greenhouse gas emissions, to use energy and natural resources rationally and to manage waste efficiently. Nordgold is committed to complying with all applicable environmental legislation as well as improving technical processes and equipment.

Health and Safety

Nordgold has established a significant health and safety risk management system for its mining operations in order to understand the risks, learn from incidents that have occurred, implement risk mitigation processes and technologies and encourage appropriate behaviour patterns. Each mine has environmental and health and safety specialists to focus on compliance with applicable health and safety regulations and Nordgold's own health and safety principles and policies. Three health and safety specialists also operate at the Nordgold level in order to track safety performance, oversee all Nordgold health and safety principles and policies and undertake regular health and safety audits.

Nordgold views the health and safety of its workforce as a first priority and a critical component to its operations. Nordgold believes that injuries can be prevented and that employees of Nordgold are responsible for preventing such occurrences in order to make the workplace injury free. Nordgold is also committed to preventing people from being exposed to occupational risks in the workplace.

Nordgold's target lost time injury frequency rate (number of incidents per million hours worked) ("**LTIFR**") in 2012 is 1.80, a 5% reduction over the actual 2011 LTIFR of 1.90. In 2010, Nordgold had an LTIFR of 2.89.

The total number of incidents decreased to 36 in 2011 from 53 in 2010 and the number of fatal incidents decreased from 5 to 4. Through the first six months of 2012, Nordgold had 4 fatalities and an LTIFR of 1.38.

Nordgold seeks to prevent fatal incidents. While progress has been made in this regard, the safety of Nordgold's employees will remain a core focus until a zero incident rate is achieved. Every incident is subject to an in-depth incident investigation and analysis process in order to understand the causes of what happened and identify and act upon the preventative actions in order to avoid new incidents.

Various health and safety training initiatives have been implemented to promote improved safety performance among workers. Through these initiatives, Nordgold continues its efforts to lower incidents rates on an annual basis.

Insurance

Nordgold's operations are subject to numerous operating risks, including environmental hazards, industrial incidents, unusual or unexpected geological conditions, labour force disruptions, unavailability of materials and equipment, weather conditions, pit wall failures, rock bursts, cave-ins, flooding, seismic activity, interruptions to power supplies and industrial and other accidents at mines, processing plants or related facilities. In addition, civil disturbances and criminal activities, such as trespass, illegal mining, theft and vandalism have caused disruptions to Nordgold's operations in the past and may do so in the future. While Nordgold has set up internal controls to try to prevent and mitigate these events, these risks and hazards could result in damage to or destruction of, mineral properties or processing facilities, personal injury or death, environmental damage, delays in mining and monetary losses and possible legal liability.

Nordgold has insured its property and equipment to compensate for losses arising from accidents. Nordgold also has insurance in respect of environmental damages; however, Nordgold does not have full insurance coverage for its mining, processing and transportation facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on Nordgold's property or relating to Nordgold's operations. Nordgold maintains the minimum level of insurance required by each of the jurisdictions in which it operates and some voluntary property insurance policies purchased on mine levels.

Corporate social responsibility

Nordgold believes that operating its business in a socially responsible way and earning trust with the local governments and communities are fundamental to its successful operations and to delivering long-term value to investors. Nordgold appreciates that only through development of more prosperous and empowered communities it can gain and maintain the social and legal rights to operate and that contribution to the well-being and prosperity of the host communities will support Nordgold's activities, in particular given Nordgold's focus on developing countries.

Nordgold is committed to improving the community development outcomes of its activities and has made investments in social initiatives across its operations including schools in the Taparko, Suzdal and Buryatzoloto mine areas, road repairs and infrastructure construction in the Suzdal mine area, clean water supply to villages in the Lefa mine area and local community and workforce support programmes at Berezitovy, Neryungri and Aprelkovo mines. These investments and initiatives were originated by local teams at each mine rather than by Nordgold's management, who focused their efforts on integration and driving operational improvements at acquired assets. Going forward Nordgold is planning to develop a comprehensive entity-wide framework for managing social performance in order to establish the credentials of a responsible corporate citizen and a welcome partner for the host governments and communities of the regions where it operates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sets forth management's discussion and analysis ("**Management's Discussion and Analysis**") of the audited consolidated financial statements of Nordgold for the years ended December 31, 2011, 2010 and 2009 and unaudited consolidated interim financial statements as at and for the six months ended June 30, 2012 and 2011 (collectively the "**Financial Statements**") and is intended to supplement and complement the Financial Statements. Certain notes to the Financial Statements are specifically referred to in this Management's Discussion and Analysis and such notes are incorporated by reference herein. You are encouraged to review the Financial Statements in conjunction with your review of this Management's Discussion and Analysis.

The Financial Statements have been prepared in accordance with IFRS. All dollar amounts in the Management's Discussion and Analysis are in US dollars, unless otherwise specified. The functional currency of Nordgold effective from April 1, 2012 was changed from EUR into the US dollar. The functional currency for all Russian entities of Nordgold is the Russian rouble. The functional currency of the Nordgold entities located in Kazakhstan is the Tenge. The functional currency of all Nordgold entities in Burkina Faso is the CFA franc. The functional currency of all Nordgold entities in Guinea is the US dollar. The presentation currency for Nordgold is the US dollar.

CORE BUSINESS

Nordgold is an established pure-play gold producer focused on emerging markets with eight producing mines, two development projects, five advanced exploration projects and a broad portfolio of early exploration projects and licences located across West Africa in Guinea and Burkina Faso, Kazakhstan and the Russian Federation.

Since undertaking its operations in 2007, Nordgold has grown by both acquisitions and organically, increasing its production (including gold equivalent ounces of silver) from approximately 21 Koz in 2007 to approximately 754 Koz in 2011. In 2011, the production levels rose by 28% from 589 Koz in 2010 despite a 10 % drop in grades.

As of January 1, 2012, Nordgold's resource base consisted of 16.3 Moz of gold resources on a fully consolidated basis and 65.5 Moz of silver resources (represented by Nordgold's 50.0% interest in the Prognoz

deposit and silver resources from the Gross gold deposit) classified as measured and indicated and 11.6 Moz of gold resources and 69.4 Moz of silver resources classified as inferred, in each case according to the JORC Code and 12.8 Moz of proven and probable gold reserves according to the JORC Code.

STRATEGY AND MARKET REVIEW

Obtain Gold Reserves

Obtaining mineable gold reserves is the first stage in Nordgold's business model. Nordgold does this through acquiring assets (including working mines and development projects) or through its own exploration efforts, which allows it to identify gold resources and turn them into reserves.

Nordgold's geological expertise and knowledge of its regions allows it to identify gold deposits that are financially attractive to mine. Successful exploration and development requires skilled and experienced people and uses techniques such as 3D modelling of underground structures, drilling for samples and laboratory analysis to assess the scale and quality of the gold resources.

Invest in Plant and Operate Mine Efficiently

Operational optimisation is a fundamental part of Nordgold's strategy. This includes:

- focusing on health and safety;
- ensuring Nordgold has an optimal headcount;
- achieving the right balance between local employees and expatriates;
- maintaining good employee relations;
- training and development;
- making sure assets are properly configured;
- investing in mining and processing technology; and
- ensuring Nordgold has the right suppliers and developing strong relations with them.

The scale and quality of the processing facilities at a mine can significantly influence the amount of gold Nordgold produces each year. Nordgold invests in new facilities and improves the quality of existing facilities to increase efficiency, recover more gold from the ore it mines, and expand capacity when it is required.

Process Ore to Extract Gold

The ore Nordgold mines is crushed and ground to a finer consistency so that Nordgold can process it to extract the gold. Nordgold uses a range of methods to do this, which vary in complexity. In common with the rest of the industry, most of these methods use cyanide to draw gold out of grinded ore, and then use further chemical processes to separate the gold from other elements. Gold is extracted from this solution onto metal cathode bars. Nordgold then melts these down and pours them into doré bars, which predominantly contain gold but can also contain a small amount of silver or copper.

Refine Extracted Gold into Bullion and Store It

Nordgold securely stores the doré bars at mines until it has collected a sufficient amount. The doré bars are then boxed and transported, via secure trucks, helicopters, or aircraft to a third-party refinery, where they are refined into gold bullion bars. The refiner provides insurance against all risks while the gold doré bars are in transit to the refinery. The gold bullion is then transferred to safe storage at a bank, which holds it on Nordgold's behalf until it decides to sell it on the spot market.

Sell Bullion on the Spot Market

Most of Nordgold's gold sales are currently at the spot price and are typically made at least every quarter. Its decision to sell depends on the market environment.

Return Profits to Nordgold Shareholders

After retaining sufficient profit to reinvest in the business, Nordgold returns profits to the Nordgold Shareholders in accordance with its dividend policy. Under the dividend policy, Nordgold intends to declare dividends subject to Nordgold's financial state, need for investment and availability of funds. The aim, going forward, is to maintain a long-term average dividend ratio of approximately 25% of the average net profit calculated in accordance with IFRS, for the relevant period. Nordgold's ability to pay dividends and to receive dividends from subsidiaries may, however, be restricted by applicable law.

FINANCIAL HIGHLIGHTS

2011 Full Year Financial Highlights

- Production of 754.5 Koz, an increase of 28% over 2010
- Average realised gold price of US\$1,567, an increase of 25% over 2010
- Revenue of US\$1,182.1 million, an increase of 57% over 2010
- EBITDA of US\$574.3 million, an increase of 55% over 2010
- 2011 EBITDA margin of 48.6%, as compared to 49.0% in 2010
- Profit for the period of US\$252.0 million, an increase of 89% over 2010
- Cash flows from operating activity of US\$397.6 million, an increase of 60% over 2010

2010 Full Year Financial Highlights

- Production of 589.1 Koz, an increase of 10% over 2009
- Average realised gold price of US\$1,251, an increase of 26% over 2009
- Revenue of US\$754.2 million, an increase of 46% over 2009
- EBITDA of US\$369.7 million, an increase of 56% over 2009
- 2010 EBITDA margin of 49.0%, as compared to 45.7% in 2009
- Profit for the period of US\$133.4 million, as compared to a loss of US\$21.5 million in 2009
- Cash flows from operating activity of US\$249.1 million, an increase of 46% over 2009

Financial Highlights for the Six Month Period Ended June 30, 2012

- Production of 321.0 Koz, a decrease of 14% over the same six month period of 2011
- Average realised gold price of US\$1,645, an increase of 13% over the same six month period of 2011
- Revenue of US\$528.5 million, a decrease of 3% over the same six month period of 2011
- EBITDA of US\$217.7 million, a decrease of 19% over the same six month period of 2011
- H1 2012 EBITDA margin of 41.2% as compared to 49.4% in the same six month period of 2011
- Profit for the period of US\$65.3 million, a decrease of 50% over the same six month period of 2011

- Cash flows from operating activity of US\$2.4 million. This included a one-off payment of the accumulated interest on debt financing from the Severstal loan, amounting to US\$42.0 million. Excluding this one-off payment, operating cash flow for H1 2012 was US\$44.4 million

Financial Highlights for the Three Month Period Ended June 30, 2012

- Production of 165.3 Koz, a decrease of 17% over the same three month period of 2011
- Average realised gold price of US\$1,602, an increase of 6% over the same three month period of 2011
- Revenue of US\$264.7 million, a decrease of 12% over the same three month period of 2011
- EBITDA of US\$103.5 million, a decrease of 22% over the same three month period of 2011
- Q2 2012 EBITDA margin of 39.1%, as compared to 44.5% in the same three month period of 2011
- Profit for the period of US\$5.6 million, a decrease of 88% over the same three month period of 2011
- Cash flows from operating activity of US\$21.6 million, a decrease of 77% over the same three month period of 2011

OVERALL PERFORMANCE

Selected Annual Financial Information

(US\$m)	2011	2010	2009
Sales	1,182.1	754.2	517.6
Cost of sales	(672.6)	(420.3)	(309.4)
Gross profit	509.5	333.9	208.2
General and administrative expenses	(37.6)	(47.3)	(26.5)
Taxes other than income tax	(76.5)	(45.8)	(36.4)
Other operating (expenses) / income, net	(13.6)	21.6	(6.7)
Profit from operations	381.9	262.4	138.6
Finance income	5.4	6.6	4.9
Finance costs	(63.2)	(77.3)	(144.1)
Profit / (loss) before income tax	324.2	191.7	(0.6)
Income tax expense	(72.2)	(58.3)	(20.9)
Profit / (loss) for the period	252.0	133.4	(21.5)
Attributable to:			
Shareholders of the Company	168.9	94.9	(30.0)
Non-controlling interest	83.1	38.5	8.4
Earnings / (loss) per share (US\$)			
Basic and diluted earnings / (loss) per share (US\$)	0.47	0.38	(0.29)
EBITDA	574.3	369.7	236.3
EBITDA margin	48.6%	49.0%	45.7%
Total assets	2,647.9	2,476.9	1,387.8
Total non-current financial liabilities	84.1	115.9	56.5
Dividends distributed per share	Nil	Nil	Nil

Reconciliation of Consolidated Profit / (Loss) to EBITDA

US\$000	2011	2010	2009
Sales	1,182,129	754,151	517,572
Profit / (loss) for the period	252,046	133,415	(21,543)
Income tax expense	72,158	58,317	20,910
Finance income	(5,439)	(6,591)	(4,894)
Finance costs	63,150	77,269	144,143
Depreciation and amortisation	184,169	118,958	86,403
Impairment of non-current assets	6,413	992	8,543
Other expenses	610	847	480
Negative goodwill	—	(1,418)	—
Equity remeasurement gain	—	(16,084)	—
Loss from disposal of property, plant and equipment	1,148	4,016	2,298
EBITDA	574,255	369,721	236,340
EBITDA margin	48.6%	49.0%	45.7%

Reconciliation of Cost of Sales to Total Cash Costs

US\$000	2011	2010	2009
Cost of sales	672,630	420,261	309,404
(Less)/plus items in income statement:			
Depreciation and amortisation	(183,334)	(118,387)	(85,911)
Provision for asset retirement obligations	(4,561)	(4,832)	(3,234)
Allowance for slow-moving and obsolete inventories	(7,498)	(1,974)	(24)
Work-in-progress and finished goods fair value adjustment	(519)	(4,212)	(2,389)
Unused vacation	(10,782)	(9,711)	(8,331)
Employees' bonuses	(4,612)	(6,767)	(3,401)
Exceptional items	(32,612)	(1,557)	(1,006)
Change in finished goods (less items above capitalised in finished goods)	(121)	(3,058)	3,625
Revenue of by-products	(11,287)	(5,328)	(5,237)
Cost of production	417,304	264,435	203,497
General and administrative expenses	37,550	47,250	26,515
(Less)/plus items in income statement:			
Depreciation and amortisation	(836)	(515)	(458)
Corporate overheads	(26,360)	(19,886)	(10,403)
Change in bad debt allowance	15,707	(1,058)	60
Unused vacation	(901)	(1,707)	(1,645)
Employees' bonuses	(506)	(2,071)	(1,218)
Exceptional items	(712)	—	(316)
Mining administrative expenses	23,942	22,013	12,534
Taxes other than income tax	76,473	45,780	36,361
(Less):			
Corporate overheads	(1,266)	(137)	(32)
Exceptional items	(2,459)	(149)	—
Taxes other than income tax	72,748	45,494	36,329
Total cash cost	513,994	331,943	252,361
Total gold produced, oz (not including gold equivalent of silver)	747,315	584,846	528,613
Total cash cost produced, \$/oz	688	568	477

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenue increased to US\$1,182.1 million in 2011, from US\$754.2 million in 2010. This increase was primarily due to growth in the quantity of gold sold from 602.7 Koz in 2010 to 754.5 Koz in 2011, and an increase in the average realised gold sales price, resulting from increases in the gold spot price and the timing of the sales. The average realised gold sales price was US\$1,251/oz for 2010 and US\$1,567/oz for 2011.

Cost of sales increased to US\$672.6 million in 2011 from US\$420.3 million in 2010 and is principally comprised of direct mining costs (personnel costs, materials, energy, fuel, oil and electricity), spare parts, doré gold transportation costs from mines to refineries, third-party refining costs, change in inventories, depreciation and amortisation.

The increase in cost of sales was primarily due to the increased amount of gold produced and was mainly attributable to increased cost of sales at Berezhitovy, Neryungri and Taparko mines and full-year consolidation of Lefa mine compared to 2010 when Nordgold consolidated only five months' results of Lefa as the control over the subsidiary was obtained at the end of July 2010 (refer to "*—Operating Segments—Lefa*"). The production levels at Berezhitovy increased as a result of management efforts on increasing productivity and production initiatives.

Personnel costs increased by US\$51.3 million, from US\$99.8 million in 2010 to US\$151.2 million in 2011. The increase was principally due to an increase in the average number of employees in order to utilise expanding production capacities as well as growth in average salaries. The cost of materials increased by US\$52.4 million, from US\$73.1 million in 2010 to US\$125.5 million in 2011. The increase was chiefly due to inflation and an increase in mining volumes. Fuel and energy costs increased by US\$59.4 million, from US\$63.0 million in 2010 to US\$122.4 million in 2011. The cost of spare parts increased by US\$23.3 million, from US\$39.0 million in 2010 to US\$62.3 million in 2011. These increases were mainly due to the effect of inflation, foreign exchange differences and an increase in consumption caused by an expansion of production capacities. The cost of external services increased by US\$25.2 million, from US\$33.8 million in 2010 to US\$59.0 million in 2011. This was also mainly due to increased production volumes and full-year consolidation of Crew Gold. Other expenses increased by US\$9.3 million, from US\$21.8 million in 2010 to US\$31.1 million in 2011, largely due to production growth and a change in cost of other expenses.

General and administrative expenses decreased in 2011 to US\$37.6 million from US\$47.3 million in 2010 while taxes other than income taxes increased to US\$76.5 million in 2011 from US\$45.8 million in 2010. The increase in taxes, other than income taxes, was attributed to the consolidation of Crew Gold from July 2010 and an increase in volumes of gold sold and produced. Mining tax accrued was in line with the quantity of gold produced or sold (depending on the tax jurisdiction where the operating segment is located) and the average realised prices used as a basis for mining tax calculation.

Nordgold recorded other operating expenses of US\$13.6 million in 2011. Such operating expenses included negative goodwill, impairment of non-current assets, net gains and losses on disposal of property, plant and equipment, intangible assets, inventories and subsidiaries (primarily ancillary copper and molybdenum exploration projects). In 2010, Nordgold recorded other operating income of US\$21.6 million. This difference in other operating income/expenses between 2011 and 2010 was largely the result of a gain from the remeasurement to fair value of the previously held equity interest of Crew Gold prior to the acquisition of controlling interest of US\$16.1 million, and a net gain from the reversal of a bad debt allowance of US\$10.4 million in 2010. There were no such items in 2011.

Finance income decreased in 2011 to US\$5.4 million from US\$6.6 million in 2010. This change was primarily due to decreased interest income from bank deposits, which resulted from a deviation in deposit balances during 2011 and 2010, and a variation in interest rates and foreign currency exchange rates.

Finance costs decreased to US\$63.2 million in 2011 from US\$77.3 million in 2010. Interest expenses decreased to US\$30.0 million in 2011 from US\$35.9 million in 2010, due to more favourable interest rates on

loans from related parties in 2011. Foreign exchange loss decreased to US\$11.6 million in 2011 from US\$47.2 million in 2010, as a result of more favourable exchange rates in 2011. Finance costs for 2011 included equity transaction costs of US\$15.7 million, related to the postponed IPO in January 2011.

Gross profit for 2011 increased to US\$509.5 million from US\$333.9 million in 2010. Profit from operations increased to US\$381.9 million in 2011 from US\$262.4 million in 2010, and profit before income tax in 2011 increased to US\$324.2 million from US\$191.7 million in 2010.

The increase in gross profit, profit from operations and profit before income tax in 2011 was largely the result of increased revenues, mainly due to higher volume of sales and increases in the gold price, offset by higher cost of sales.

Profit attributed to Nordgold shareholders for 2011 increased to US\$168.9 million from US\$94.9 million in 2010 which resulted in a 24% increase in profit per share from 2010.

In 2011, Nordgold generated EBITDA of US\$574.3 million, up from US\$369.7 million in 2010, reflecting a margin of 48.6% and 49.0% respectively. The EBITDA increase of 55% in 2011 was driven by significant progress in removing production bottlenecks at open-pit mines Berezitovy and Neryungri. In 2010, Nordgold's total cash costs of gold production per ounce sold were US\$567.6 and US\$687.8 in 2011. In 2011 cash flows from operating activity increased by 60% to a record US\$397.6 million.

Total assets increased to US\$2,647.9 million in 2011 from US\$2,476.9 million in 2010. The increase in total assets was the result of the increase in inventories and property, plant and equipment, offset by the decrease in the long-term financial investments and deferred tax assets.

Total non-current financial liabilities decreased to US\$84.1 million in 2011 from US\$115.9 million in 2010 as a result of the reclassification of US\$58.9 million of Crew Gold bonds from long-term to short-term debt, an additional long term loan from OJSC Olkon in the amount of US\$18.5 million, and interest accrued on new and existing long-term loans of US\$5.7 million.

In October 2011, Nordgold acquired an additional 0.68% stake in Berezitovy upon additional contribution into its share capital resulting in an increase of Nordgold's ownership in Berezitovy to 74.99%.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenue increased to US\$754.2 million in 2010, from US\$517.6 million in 2009. This increase was primarily due to an increase in the volume of gold sold, rising gold prices and the timing of its sales. Nordgold also benefited from its consolidation of Crew Gold from August 2010.

Cost of sales increased to US\$420.3 million in 2010 from US\$309.4 million in 2009. Cost of sales in 2010 and 2009 principally comprised of personnel costs, materials, fuel and energy, spare parts, external services, other expenses, change in inventories and depreciation, and the increase was due primarily to an increase in gold production at Taparko, which had mill repair works during 2009, as well as growth in ore mined at Suzdal, Aprelkovo, Berezitovy and Lefa due to greater mine productivity, and further initiatives to increase production.

Personnel costs increased to US\$99.8 million in 2010. This was principally due to a greater average number of employees, to utilize its expanded production capacity, as well as growth in average salaries. The cost of materials increased to US\$73.1 million in 2010. This was mainly due to inflation, higher mining volumes and greater use of blasting supplies. Fuel and energy costs rose to US\$63.0 million, while spare parts were US\$39.0 million. These increases were driven by higher inflation and production. The cost of external services increased by US\$8.7 million, from US\$25.1 million in 2009 to US\$33.8 million in 2010. The increase was lower than the

increase in production, as Nordgold substituted external service providers with its own employees. Other expenses rose to US\$21.8 million in 2010. This was largely due to growth of production and inflation.

General and administrative expenses increased in 2010 to US\$47.3 million from US\$26.5 million in 2009. The increase was primarily due to the acquisition of Crew Gold in July 2010, and new employees from October 2009 for managerial services previously provided by the Severstal Group.

Taxes other than income taxes also increased to US\$45.8 million from US\$36.4 million. The increase resulted from the consolidation of Crew Gold from August 2010.

Nordgold recorded other operating income of US\$21.6 million in 2010. Such operating income includes gain from remeasurement to fair value of previously held equity interest before acquisition of a controlling interest in amount of US\$16.1 million, net gain from reversal of bad debt allowance in amount of US\$10.4 million, net loss on disposal of property, plant and equipment in amount of US\$4.0 million, negative goodwill in amount of US\$1.4 million, and other items. In 2009, Nordgold recorded other operating expenses of US\$6.7 million. This change in operating income/expenses between 2010 and 2009 was largely the result of the above US\$16.1 million remeasurement gain.

Financial income increased to US\$6.6 million in 2010 from US\$4.9 million in 2009. This was due to higher interest income from bank deposits, which rose in 2010 due to optimal management policies.

Financial expenses decreased to US\$77.3 million in 2010 from US\$144.1 million in 2009. This reflected a decrease in interest expense, which in turn was due to lower overall debt financing and reduced foreign-exchange loss, as a result of the revaluation of Taparko's US dollar borrowings, caused by the CFA franc's depreciation against the US dollar; the revaluation of High River's US-dollar loans, caused by the strengthening of the Canadian dollar; and the repayment of significant parts of its US dollar bank loans in 2010.

Gross profit for 2010 increased to US\$333.9 million from US\$208.2 million in 2009. Profit from operations increased to US\$262.4 million in 2010 from US\$138.6 million in 2009. Profit before income tax in 2010 was US\$191.7 million. In 2009, Nordgold recorded a loss of US\$0.6 million before income tax.

The increase in gross profit and profit from operations and changes to the profit/loss before income tax was largely the result of increased revenues, mainly due to higher volume of gold sales and increases in the gold price, offset by higher cost of sales.

Profit attributed to Nordgold shareholders for 2010 was US\$94.9 million, as compared with a loss of US\$30.0 million in 2009.

In 2010, Nordgold generated EBITDA of US\$369.7 million, up from US\$236.3 million in 2009, reflecting a margin of 49.0% and 45.7% respectively. The EBITDA increase of 56% in 2010 was the result of higher gold prices, increased production and cost-reduction initiatives.

Total assets increased to US\$2,476.9 million in 2010 from US\$1,387.8 million in 2009. The increase in total assets was the result of higher cash and cash equivalents, accounts receivable, property, plant and equipment, intangible assets, restricted cash and other non-current assets, offset by a decrease in short-term financial investments and deferred tax assets.

Total non-current financial liabilities increased to US\$115.9 million in 2010 from US\$56.5 million in 2009 as the result of an additional US\$59.5 million Crew Gold bonds, and the reclassification of US\$11.1 million of High River bonds to short-term debt. US\$11.1 million of debt was also repaid to third parties, there was an increase in related party loans, in the amount of US\$24.4 million, and interest accrued on new and existing long-term loans of US\$0.3 million.

Selected Half Year and Quarterly Financial Information

(US\$000)	H1 2012	H1 2011	Q2 2012	Q2 2011
Sales	528,539	543,433	264,664	299,402
Cost of sales	(342,105)	(314,527)	(177,116)	(176,126)
Gross profit	186,434	228,906	87,548	123,276
General and administrative expenses	(31,910)	(6,209)	(16,949)	(13,470)
Taxes other than income tax	(33,753)	(35,344)	(17,348)	(16,845)
Other operating (expenses) / income, net	1,360	(7,672)	4,055	(9,040)
Profit from operations	122,131	179,681	57,306	83,921
Finance income	2,315	20,838	370	1,598
Finance cost	(31,295)	(31,690)	(41,594)	(18,154)
Profit / (loss) before income tax	93,151	168,829	16,082	67,365
Income tax expense	(27,899)	(38,806)	(10,524)	(22,000)
Profit / (loss) for the period	65,252	130,023	5,558	45,365
Attributable to:				
Shareholders of the Company	35,923	82,606	(3,449)	25,957
Non-controlling interest	29,329	47,417	9,007	19,408
Earnings / (loss) per share (US\$)				
Basic and diluted earnings / (loss) per share (US\$)	0.10	0.23	(0.01)	0.07
EBITDA	217,651	268,310	103,504	133,333
EBITDA margin	41.2%	49.4%	39.1%	44.5%

Six Month Period Ended June 30, 2012 Compared to Six Month Period Ended June 30, 2011

Revenue decreased from US\$543.4 million in the first six months of 2011 to US\$528.5 million in the same period of 2012. This was the result of a decrease in the quantity of gold sold by 50.5 Koz from 371.9 Koz to 321.4 Koz, partly offset by an increase in the average realised gold sales price from US\$1,461/oz to US\$1,645/oz.

Cost of sales increased from US\$314.5 million in the first six months of 2011 to US\$342.1 million in the first six months of 2012. The increase was mainly due to inflation and the growth in prices for the main consumables as well as salary indexation and lower average ore grade and recovery levels.

General and administrative expenses increased by US\$25.7 million from US\$6.2 million in the first six months of 2011 to US\$31.9 million in the same period of 2012. The increase was primarily due to income from a reversal of a bad debt allowance in the first half of 2011.

Taxes other than income tax decreased by US\$1.5 million from US\$35.3 million in the first half of 2011 to US\$33.8 million in the same period of 2012. The decrease related to lower production and sales levels.

Other net operating income/expenses increased by US\$9.1 million from expenses of US\$7.7 million in the first half of 2011 to income in the amount of US\$1.4 million in the first half of 2012. This change was primarily due to an impairment of available for sale financial assets, loss from inventory write-offs in the first half of 2011, partly compensated by a reversal of provisions and contingencies.

During the first half of 2012, Nordgold continued to invest in the business, to improve performance, increase capacity and to grow its reserves and resources. Total capital expenditures in the first six months of 2012 amounted to US\$224.3 million, US\$117.5 million higher than US\$106.8 million in the same period of 2011. Of this, Nordgold spent around US\$65.2 million on exploration and evaluation, a significant increase in comparison to US\$42.6 million of exploration and evaluation expenses in the same period of 2011.

Profit for the first six months of 2012 was US\$65.3 million compared to a profit of US\$130.0 million in the same period of 2011. Earnings per share in the first six months of 2012 amounted to US\$0.10 per share compared to US\$0.23 per share in the same period of 2011.

Gross profit for H1 2012 decreased to US\$186.4 million from US\$228.9 million in H1 2011. Profit from operations decreased to US\$122.1 million in the first six months of 2012 from US\$179.7 million in the same period of 2011. Profit before income tax in H1 2012 was US\$93.1 million, compared with US\$168.8 million in H1 2011.

The decrease in gross profit, profit from operations and profit before income tax was largely the result of decreased revenues, mainly due to lower volume of gold sales and higher cost of sales, offset by increases in the gold price.

Profit attributed to Nordgold shareholders for H1 2012 was US\$35.9 million, as compared with US\$82.6 million in H1 2011.

Total assets increased to US\$2,698.1 million as at June 30, 2012 from US\$2,647.9 million as at December 31, 2011. The change in total assets was the result of higher inventories, short-term financial investments and property, plant and equipment, partially offset by lower cash and cash equivalents and long-term financial investments.

Nordgold generated EBITDA of US\$217.7 million in H1 2012, a decrease of US\$50.6 million compared with H1 2011. EBITDA was impacted by both lower production volumes at Lefa, Taparko, Berezitovy and Neryungri, and by increased production costs at Lefa, Taparko, and Suzdal. EBITDA margin for H1 2012 was 41.2%.

Total non-current financial liabilities increased to US\$371.2 million as at June 30, 2012 from US\$84.1 million at December 31, 2011 as the result of a repayment of debt to related parties and obtaining a credit facility from Sberbank.

Three Month Period Ended June 30, 2012 Compared to Three Month Period Ended June 30, 2011

Revenue decreased in the second quarter of 2012 to US\$264.7 million from US\$299.4 million in the same period in 2011 due to lower sales volumes (165.2 Koz, to 197.9 Koz) partly offset by an increase in the average realised gold sales price from US\$1,513 per ounce to US\$1,602 per ounce.

Cost of sales increased by US\$1.0 million from US\$176.1 million in the second quarter of 2011 to US\$177.1 million in the second quarter of 2012. The increase was mainly due to a higher consumables price and lower recovery levels.

General and administrative expenses increased by US\$3.5 million from US\$13.5 million in the second quarter of 2011 to US\$17.0 million in the same period of 2012. The increase was primarily due to an increase in expenses for external services in 2012.

Taxes other than income tax, mostly relating to mining tax, increased by US\$0.5 million from US\$16.8 million in the second quarter of 2011 to US\$17.3 million in the same period of 2012. The increase relates to higher sales prices, compensated by lower production and sales levels. Income tax expense decreased from US\$22.0 million in the second quarter of 2011 to US\$10.5 million during the same period of 2012, due to the lower tax base.

Other net operating income/expenses increased from an expense of US\$9.0 million in the second quarter of 2011 to income of US\$4.1 million in the second quarter ended June 30, 2012. This was primarily due to a reversal of impairment of property, plant and equipment in the amount of US\$1.9 million in the second quarter of 2012, and the absence of expenses such as loss from inventory write-off and net loss from contractual compensations and fines as compared to the previous period.

Profit for the second quarter ended June 30, 2012 was US\$5.6 million compared with the same period ended June 30, 2011 of US\$45.4 million. Earnings per share for the second quarter of 2012 amounted to a loss of US\$0.01 per share compared to a profit of US\$0.07 per share in the same period in 2011.

Gross profit for the second quarter of 2012 decreased to US\$87.5 million from US\$123.3 million in the same period of 2011. Profit from operations decreased to US\$57.3 million in the second quarter of 2012 from US\$83.9 million in the same period of 2011. Profit before income tax in the second quarter of 2012 was US\$16.1 million, compared with US\$67.4 million in the same period of 2011.

The decrease in gross profit, profit from operations and profit before income tax was largely the result of decreased revenues, mainly due to lower volume of gold sales and higher cost of sales, offset by increases in the gold price.

Profit/loss attributable to Nordgold shareholders for the second quarter of 2012 was at a loss of US\$3.4 million, as compared with a profit of US\$26.0 million in the same period of 2011.

Total assets of Nordgold increased to US\$2,698.1 million at the end of the second quarter of 2012 from US\$2,647.9 million as at December 31, 2011. Please refer to the discussion in the previous section, “*Six Month Period Ended June 30, 2012 Compared to Six Month Period Ended June 30, 2011*”.

Nordgold generated EBITDA of US\$103.5 million in the second quarter of 2012, a decrease from US\$133.3 million from the second quarter of 2011. EBITDA was impacted by both lower revenue and higher cash costs.

Total non-current liabilities increased to US\$637.6 million during the first six months of 2012 from US\$359.9 million at December 31, 2011 as the result of the repayment of debt to related parties and obtaining a credit facility from Sberbank.

DISCUSSION OF OPERATIONS

Operational Highlights for the Three and Six Month-Period Ended June 30, 2012

- Total volume of ore processed during H1 2012 was 6.6 million tonnes, a 12% decrease over the same period of the previous year
- Head grade of 1.83 g/t in Q2 2012, and 1.97 g/t in H1 2012, an increase of 1% over the same respective periods of the previous year
- Total production in H1 2012 reached 321.0 Koz, a decrease of 14% over the same period the previous year, largely as a result of lower head grades and lower recovery levels at certain mines
- Gold production in Q2 2012 increased at Lefa, Berezitovy, Neryungri and Aprelkovo compared to Q1 2012, while production fell at Taparko, Suzdal and Buryatzoloto over the same period
- Record production at Berezitovy in the first six months of 2012, as a result of operational improvements made, which is expected to continue going forward
- The LTIFR for Q2 2012 fell by 51% from 2.11 in Q2 2011 to 1.03
- Continued progress resolving operational issues across the asset portfolio and expectation that production growth will continue in the second half of the year
- The work at Bissa is now in the most active phase of its development, and is on time and on budget
- The capital expenditure programme for 2012 is on budget and on schedule with US\$224.3 million (including US\$65.2 million for exploration) spent during the first six months of the year

Operational Highlights for the Year Ended 2011

- Total volume of ore processed during 2011 was 15.6 million tonnes, a 61% increase over the previous year, driven by capacity improvements and operational optimisation at the Lefa mine in Guinea and the Berezitovy, Neryungri and Aprelkovo mines in Russia

- Head grade down 20% in 2011 to 1.84 g/t mainly driven by increased lower grade ore throughput at the Lefa, Neryungri and Aprelkovo mines
- Total annual production reached 754.5 Koz, an increase of 28% on the previous year, as a result of higher productivity in key business units, with results at Berezitovy and Neryungri up 50% and 24% respectively against 2010
- The growth was also affected by the acquisition of Crew Gold in July 2010
- In 2011, Nordgold acquired a 6.6% stake in Crew Gold for \$32.9 million and obtained 100% ownership of Crew Gold's issued outstanding common shares
- Nordgold increased its holding in High River to 75.1%
- Nordgold was granted a mining license for the Bissa project by the Burkina Faso government; project construction is progressing rapidly with engineering works mostly complete
- Gross project in Russia in pre-feasibility phase
- Extensive drilling programme launched to expand reserves and resource base and improve efficiency of existing operations
- Exploration activity continues, with US\$124 million spent for the year

Operational Highlights for the Year Ended 2010

- Total volume of ore processed during 2010 was 9.7 million tonnes, a 31% increase over the previous year, driven by the inclusion of Crew Gold from August 2010 and higher throughput at Taparko, partially offset by small declines at a number of other mines
- Head grade down 17% in 2010 to 2.31 g/t, partly due to the inclusion of Crew Gold with lower average head grade, and Nordgold also saw lower head grades at its underground mines
- Total annual production reached 589.1 Koz, an increase of 10% on the previous year, as a result of its acquisition of Crew Gold, which added 73.3 Koz to production, partially offset by lower production from existing mines
- The LTIFR increased from 2.36 to 2.89 during 2010, due to the inclusion of Crew Gold and an increase in incidents at some of its Russian mines
- Acquired 93.4% of Crew Gold during 2010
- Increased holding in High River from 53% to 72.6%
- Taparko mine achieved three million working hours without a lost time injury
- Prepared key development projects: Bissa for construction, and Gross for pre-feasibility study
- Initiated company-wide "work safety" project

Overview of Operating Results

US\$000	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010	2009
Run of mine, kt	39,121	34,677	18,901	16,996	70,332	53,054	35,354
Waste mined, kt	31,191	27,390	14,570	13,340	55,082	42,543	28,625
Ore mined, kt	7,930	7,944	4,331	4,054	15,250	10,511	7,191
Stripping ratio, tn/tn	3.9	3.5	3.4	3.3	3.6	4.0	4.3
Ore milled, kt	6,581	7,483	3,979	4,514	15,562	9,671	7,409
Grade, g/t	1.97	1.95	1.83	1.81	1.84	2.31	2.78
Recovery, %	78.7	82.6	76.2	82.6	80.8	80.6	80.7
Gold production, Koz	321.0	372.3	165.3	198.1	754.5	589.1	534.0
Gold sold, Koz	321.4	371.9	165.2	197.9	754.5	602.7	521.6
Average realised gold price per ounce sold, US\$/oz	1,645	1,461	1,602	1,513	1,567	1,251	992
LTIFR ratio	1.38	1.83	1.03	2.11	1.90	2.89	2.36
TCC, US\$m	265	248	142	141	514	332	252
TCC, US\$/oz	832	672	863	721	688	568	477
Capital expenditure, US\$m	224	107	128	70	319	168	99
incl. exploration, US\$m	65	43	36	23	115	65	33
EBITDA, US\$m	218	268	104	133	574	370	236
Revenue, US\$m	529	543	265	299	1,182	754	518
Cash flows from operating activity, US\$m	2	174	22	94	398	249	171

See “— *Financial Highlights*” and “— *Discussion of Operations*” for a more detailed discussion of operating results.

Operating Segments

Nordgold has eight reporting operating segments (Irokinda and Zun-Holba are reported as a single segment referred to as a Buryatzoloto; Neryungri and Aprelkovo are also reported as a single segment), described below:

These segments are Nordgold’s strategic business units. The following is a brief summary of each segment. See Annex A, “*Business of Nordgold — Mineral Reserves Summary*” and “*Business of Nordgold — Mineral Resources Summary*”.

Mine	Location	Nordgold Ownership	Mine Type	Reserves, Koz ⁽¹⁾	Resources, Koz ⁽²⁾	Production in 2011, Koz	Production in H1 2012, Koz
Lefa	Guinea	100.0%	Open pit	4,534	5,521	196	83
Taparko	Burkina Faso	75.1%	Open pit	629	756	133	62
Irokinda	Russia	75.1%	Underground	83	215	64	30
Zun-Holba	Russia	75.1%	Underground	244	251	68	31
Berezitovy	Russia	75.1%	Open pit	963	1,076	107	46
Celtic & Semgeo	Kazakhstan	100.0%	Underground	479	1,157	82	40
Bissa	Burkina Faso	100.0%	Open pit	1,803	2,991	—	—
Gross	Russia	100.0%	Open pit	3,214	3,229	—	—
Neryungri	Russia	100.0%	Open pit	403	575	73	20
Aprelkovo	Russia	100.0%	Open pit	458	571	30	10

Notes:

- (1) Proven and probable reserves, as of January 1, 2012 for all segments apart from Gross, Irokinda and Zun-Holba. Gross proven and probable reserves shown as of April 2012. Irokinda and Zun-Holba proven and probable reserves shown are as of April 1, 2012.
- (2) Measured and indicated resources, as of January 1, 2012 for all segments apart from Gross, Irokinda and Zun-Holba. Gross measured and indicated resources shown as of March 20, 2012. Irokinda and Zun-Holba measured and indicated resources shown are as of April 1, 2012.

Lefa

This segment comprises Nordgold's mining assets in Guinea, including the open pit Lefa mine.

Lefa	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010 ⁽¹⁾
Run of mine, kt	13,548	11,228	6,405	5,047	20,904	5,829
Ore mined, kt	3,690	3,835	1,829	1,672	6,660	2,327
Waste mined, kt	9,859	7,393	4,576	3,375	14,243	3,430
Stripping ratio, tn/tn	2.7	1.9	2.5	2.0	2.1	1.7
Ore milled, kt	2,842	3,024	1,466	1,448	6,128	2,186
Grade, g/t	1.13	1.23	1.13	1.20	1.13	1.19
Recovery, %	83.4	86.9	83.6	86.7	85.5	88.6
Gold production, Koz	83.4	109.5	43.6	52.7	195.7	73.3
Gold sold, Koz	83.4	109.5	43.6	52.7	195.7	73.3
Average realised gold price per ounce sold, US\$/oz	1,652	1,452	1,616	1,515	1,554	1,346
Revenue, US\$m	137.8	159.0	70.4	79.9	304.1	98.6
EBITDA, US\$m	31.4	66.6	14.7	26.7	108.0	25.7
Total Cash Cost, US\$/oz	1,137	774	1,202	940	871	860

Notes:

- (1) Nordgold obtained a controlling interest in Lefa mine at the end of July 2010.

Overview

The Lefa gold mine is located in Guinea, approximately 700 km northeast of the capital (and largest city) Conakry, and is connected to an all-season road that has close access to an air strip.

Commercial production began at the Lefa mine in 2008. The mine was acquired by Nordgold at the end of July 2010, as part of the Crew Gold acquisition, with financial results consolidated from August 2010.

Lefa consists of two main open pits and several smaller satellite pits, an eight-kilometre conveyer belt from Lero-Karta pits to the processing plant, a processing plant with a crushing circuit, two SAG mills, two ball mills and a CIP circuit, waste rock dumps, a specially constructed tailing storage facility, and a water management system. At the end of 2011, Lefa employed 2,048 people.

Since 2009, there has been reduced production at the Lefa site due to issues with the processing plant; in particular, frequent breakdowns at ball or SAG mills. However, major upgrade and refurbishment works have been undertaken since late 2009 and have now been completed. Major repair operations (involving the replacement of obsolete units) have been performed at the plant, aimed at increasing plant availability.

In 2011 Nordgold management, together with the assistance of Boston Consulting Group, implemented a project aimed at improving key production, maintenance and logistics processes at Lefa. Nordgold believes that this will also contribute to improved availability and productivity of equipment.

In 2011, a new geological model was created for the largest pit at Lefa, Fayalala. Similar models will be created for all the remaining pits of the mine during 2012. These models have a much better predictive capability than the original geological model and therefore will help to develop a more optimal mine plan, with a higher

grade and lower dilution of mined ore. Combined with the latest discoveries of higher-grade ore at the flanks, this should result in a higher overall head grade starting from H2 2012.

Results of operations in H1 2012 as compared to H1 2011

Ore mined decreased by 145 kt (4%) from 3,835 kt in H1 2011 to 3,690 kt in H1 2012. In H1 2012, ore milled was 2,842 kt, which is 6% lower compared with H1 2011 (3,024 kt), mainly due to shut-downs for major repairs.

Head grade decreased by 0.10 g/t from 1.23 g/t to 1.13 g/t as a result of the mining model not being fully reliable, resulting in lower grade of ore mined. Mill recovery decreased by 3.5pp from 86.9% in H1 2011 to 83.4% in H1 2012, due to operational issues with the leaching area.

Gold ounces produced decreased by 24% from 109.5 Koz in H1 2011 to 83.4 Koz in H1 2012.

Revenue decreased by US\$21.2 million to US\$137.8 million in H1 2012, from US\$159.0 million in H1 2011, as a result of lower production volumes. EBITDA decreased by US\$35.2 million to US\$31.4 million, from US\$66.6 million in H1 2011, due to lower production volumes and higher costs.

Total cash costs per ounce increased by US\$363 per ounce to US\$1,137 in H1 2012, mainly due to major repairs, the use of hired mining equipment and lower production levels.

Capital expenditure in H1 2012 was US\$33.6 million. Major expenditure projects included an expansion of the mining fleet (4 drill rigs, 5 dump trucks, and 2 excavators) and the upgrade from CIP to CIL.

Results of operations in Q2 2012 as compared to Q2 2011

Ore mined increased by 157 kt, up 9% from 1,672 kt in Q2 2011 to 1,829 kt in Q2 2012. In Q2 2012 ore milled was 1,466 kt, which is 1% higher than Q2 2011 (1,448 kt).

Head grade decreased by 0.07 g/t from 1.20 g/t in Q2 2011 to 1.13 g/t in Q2 2012. Mill recovery decreased by 3.1pp, from 86.7% in Q2 2011 to 83.6% in Q2 2012.

Revenue decreased by US\$9.5 million from US\$79.9 million in Q2 2011 to US\$70.4 million in Q2 2012 as a result of lower production volumes. EBITDA decreased by US\$12.0 million from US\$26.7 million in Q2 2011 to US\$14.7 million in Q2 2012.

Total cash costs per ounce increased by US\$262 per ounce, from US\$940 per ounce to US\$1,202 in Q2 2012.

Capital expenditure in Q2 2012 was US\$18.7 million. The major expenditure project was an expansion of the mining fleet.

Results of operations in FY 2011 as compared to FY 2010

Figures for 2010 represent only the period when Crew Gold was consolidated into Nordgold, i.e. August to December 2010, while the 2011 column represents full 2011 year. All the changes in 2011 in comparison to 2010 are explained by the different period of consolidation in 2010 and 2011.

Q4 2011 production at Lefa was over 30% higher than in Q3 2011, when the impact of wet season is the most severe. Lefa's overall gold production totalled 195.7 Koz in 2011, which was lower than management

expected, due to a severe wet season that disrupted mine production and logistics in the second half of 2011, lower grade, and lower-than-expected mill and mining fleet availability.

In 2011, a series of measures were undertaken to reduce the negative impact of the wet season. Nordgold increased pumping capacity, upgraded the fleet of graders and bulldozers, and provided rain protection to certain key parts of the conveyor system. Nordgold also worked on a detailed geological model to improve head grade.

The capital expenditure programme implemented in 2011 was aimed at increasing availability and productivity of the mining and processing equipment.

Results of operations in FY 2010 as compared to FY 2009

Nordgold only acquired its interest in the Lefa mine through its acquisition of a controlling interest in Crew Gold in July 2010 and therefore no comparison of results of operations to FY 2009 is performed.

Taparko (Somita)

Taparko	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010	2009
Run of mine, kt	5,689	5,374	2,715	2,844	11,344	10,770	6,503
Ore mined, kt	764	677	401	270	1,457	1,349	814
Waste mined, kt	4,926	4,696	2,314	2,574	9,887	9,421	5,689
Stripping ratio, tn/tn	6.5	6.9	5.8	9.5	6.8	7.0	7.0
Ore milled, kt	765	732	361	352	1,421	1,274	815
Grade, g/t	3.11	3.55	3.19	3.64	3.27	3.47	4.00
Recovery, %	81.9	85.6	79.0	85.1	84.4	90.2	94.9
Gold production, Koz	61.8	71.3	29.3	34.0	132.5	127.2	97.7
Gold sold, Koz	61.8	71.3	29.3	34.0	132.5	127.2	97.7
Average realised gold price per ounce sold, US\$/oz	1,636	1,448	1,597	1,500	1,549	1,236	1,014
Revenue, US\$m	101.1	103.2	46.8	51.0	205.3	157.3	99.1
EBITDA, US\$m	62.8	69.5	28.1	34.1	135.2	105.7	50.0
Total Cash Cost, US\$/oz	588	440	599	415	477	393	484

Overview

The Taparko gold mine is an open pit mine utilising CIL extraction located in the Namantenga province of Burkina Faso in West Africa. Burkina Faso is a politically stable country with an established mining code and a history of government support for foreign direct investments in mining.

Production began at the Taparko mine in late 2007. The mine is operated by SOMITA SA, a company owned 90% by High River; a 10% remaining interest belongs to the Burkina Faso government.

The mine consists of three open pits. The processing plant operates crushing, ball milling and CIL circuits. An additional cyclone unit was recently added to the CIL circuit to increase processing capacity, and management expanded the fleet of trucks used for transporting ore to the processing plant. The site also has waste rock dumps, tailing containment areas, and a water management system, as well as a modern camp accommodating more than 600 workers.

Results of operations in H1 2012 as compared to H1 2011

Ore mined increased by 87 kt to 764 kt in H1 2012, from 677 kt in H1 2011. Ore milled increased by 33 kt to 765 kt, from 732 kt in H1 2011, due to higher ball mill productivity.

Head grade decreased by 0.44 g/t from 3.55 g/t in H1 2011 to 3.11 g/t in H1 2012. Mill recovery decreased by 3.7pp from 85.6% in H1 2011 to 81.9% in H1 2012. Installation of a regrinding mill and additional CIL tanks aimed to improve the recovery of the gold, took place after the end of H1, in July 2012.

Both gold ounces produced and sold decreased by 9.5 Koz from 71.3 Koz in H1 2011 to 61.8 Koz in H1 2012, due to lower grade and recovery.

Revenue decreased by 2% to US\$101.1 million in H1 2012, from US\$103.2 million in H1 2011, as a result of lower production volumes, partially compensated by higher gold prices. EBITDA decreased to US\$62.8 million in H1 2012 from US\$69.5 million in H1 2011, due to higher cash costs per ounce, which increased as a result of several factors, including lower gold grade and recovery, and local currency inflation.

Capital expenditure in H1 2012 amounted to US\$14.3 million including US\$4.3 million on exploration. The major projects included the regrinding mill installation, and the replacement of selected mining equipment.

Results of operations in Q2 2012 as compared to Q2 2011

Ore mined increased by 131 kt to 401 kt in Q2 2012, from 270 kt in Q2 2011. Ore milled increased by 9 kt from 352 kt in Q2 2011 to 361 kt in Q2 2012, due to higher ball mill productivity.

Head grade decreased by 0.45 g/t from 3.64 g/t in Q2 2011 to 3.19 g/t in Q2 2012. Mill recovery decreased by 6.1pp from 85.1% in Q2 2011 to 79.0% in Q2 2012. As mentioned above, installation of a regrinding mill and additional CIL tanks aimed to improve the recovery of the gold, took place in July 2012.

Both gold ounces produced and sold decreased by 4.7 Koz from 34.0 Koz in Q2 2011 to 29.3 Koz in Q2 2012, due to lower grade and recovery.

Revenue decreased to US\$46.8 million in Q2 2012, from US\$51.0 million in Q2 2011, as a result of lower production volumes, partially compensated by higher gold prices. EBITDA decreased to US\$28.1 million in Q2 2012 from US\$34.1 million in Q2 2011, due to higher unit cash costs, which increased as a result of several factors, including lower gold grade and recovery, and local currency inflation.

Total cash costs per ounce increased by US\$184 per ounce, to US\$599 in Q2 2012, mainly due to inflation, higher consumables prices, and lower head grade and recovery.

Capital expenditure in Q2 2012 amounted to US\$7.9 million including US\$2.8 million on exploration. The major projects were regrinding mill installation as well as the installation of additional leach tanks.

Results of operations in FY 2011 as compared to FY 2010

The decrease in ore processing in Q4 2011 was related to the shutdown of the ball mill in December 2011 for minor repairs.

In 2011 ore mined increased by 108 kt from 1,349 kt in 2010 to 1,457 kt in 2011, due to increased ball mill capacity following pump and cyclone upgrades at the end of 2010, which also led to a 147 kt increase of ore milled, from 1,274 kt in 2010 to 1,421 kt in 2011.

Head grade decreased by 0.2 g/t from 3.5 g/t in 2010 to 3.3 g/t in 2011. Mill recovery decreased by 6%, from 90% in 2010 to 84% in 2011, due to an increase of the processing rate to 200 tonnes per hour. The recovery rate improvement programme will include the installation of a regrinding mill in 2012 in order to use finer material in the leaching process.

Gold ounces produced increased by 5.3 Koz, from 127.2 Koz in 2010 to 132.5 Koz in 2011, due to higher ore milled volumes partially offset by lower head grade.

Revenue increased by US\$48.0 million, from US\$157.3 million in 2010 to US\$205.3 million in 2011 as a result of higher production volumes and higher gold prices. EBITDA increased by US\$29.5 million from US\$105.7 million in 2010 to US\$135.2 million in 2011, due to higher revenue and production volumes.

Due to the increase in production levels at Taparko in 2011, the total cash cost amounted to US\$62.7 million, an increase of US\$12.9 million from US\$49.8 million in 2010. Total cash costs per ounce produced increased by US\$83 per ounce to US\$477 in 2011 due to the decrease in ore grade and recovery levels.

In 2011, Taparko incurred exceptional expenses amounting to US\$2.3 million relating to one-off events. Management's view is that such expenses are not in line with general business activity and do not represent regular production expenses and, as such, they are deducted from the cost of sales. General and administrative expenses increased primarily because of increased salaries of administrative personnel. In 2011, Nordgold focused on fine-tuning operations, increasing recovery rates, reducing costs, and raising efficiency levels. Nordgold successfully eliminated mill vibration, upgraded pump and cyclone systems and optimised mill feed. Nordgold also resumed an exploration programme aimed at increasing mineable reserves.

Investment in facilities balancing and replacement of depreciated capital funds at the Taparko mine remained at broadly the same level in 2011, at US\$6.4 million.

Results of operations in FY 2010 as compared to FY 2009

In 2010 ore mined increased by 535 kt from 814 kt in 2009 to 1,349 kt in 2010, due to increased ball mill capacity. Ore milled increased by 459 Kt from 815 kt in 2009 to 1,274 Kt in 2010, due to increased ball mill productivity from approximately 80-100 tonnes per hour to the maximum capacity of 210 tonnes per hour.

Head grade decreased by 0.5 g/t from 4.0 g/t in 2009 to 3.5 g/t in 2010. Mill recovery decreased by 4.7pp from 94.9% in 2009 to 90.2% in 2010, due to coarser grinding.

Both gold ounces produced and sold increased by 29.5 Koz from 97.7 Koz in 2009 to 127.2 Koz in 2010, due to higher ore milled volumes.

Revenue increased to US\$157.3 million in 2010, from US\$99.1 million in 2009, as a result of higher production volumes and higher gold prices. EBITDA increased to US\$105.7 million from US\$50.0 million in 2009, due to economies of scale, decreasing gasoil and heavy fuel oil prices and the devaluation of the CFA franc.

The increase in production at Taparko caused the total cash cost to rise to US\$49.8 million from US\$47.2 million in 2009. However, total cash costs per ounce decreased sharply, due to economies of scale and increased production at the gold-extracting mill.

Investments in expansion projects and maintenance at the Taparko mine in 2010 were US\$7.8 million, including purchasing new equipment. In 2009, expansion projects amounted to US\$3.2 million and were directed to the modernisation of field property.

Buryatzoloto (Irokinda and Zun-Holba)

Buryatzoloto	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010	2009
Run of mine, kt	447	444	229	234	874	775	786
Ore mined, kt	347	324	178	170	660	630	626
Ore milled, kt	344	329	173	176	680	661	632
Grade, g/t	5.71	6.63	5.58	6.44	6.48	6.87	7.91
Recovery, %	93.0	92.3	92.2	93.8	92.9	91.7	92.7
Gold production, Koz	61.9	64.6	30.2	33.9	134.3	136.1	154.6
Gold sold, Koz	61.8	64.2	30.2	33.9	134.4	143.8	147.1
Average realised gold price per ounce sold, US\$/oz							
oz	1,648	1,471	1,623	1,513	1,563	1,236	977
Revenue, US\$m	101.9	94.5	49.1	51.2	210.0	177.6	143.7
EBITDA, US\$m	51.8	61.1	23.7	22.7	126.5	90.7	69.6
Total Cash Cost, US\$/oz	740	721	724	801	672	522	412

Overview

Buryatzoloto comprises the underground gold mines of Irokinda and Zun-Holba in the Republic of Buryatia in the Russian Federation.

Irokinda is located in the Buryatia Republic, approximately 75 km from the town of Taksimo, where the Baikal-Amur railway station and airport are located. The mine is accessible from an all-season road. Production began in 1985.

Zun-Holba is also located in the Buryatia Republic, approximately 315 km from the village of Kultuk, which is on the Trans-Siberian railway, and 80 km from the city of Irkutsk. It is also accessible by an all-season road. Production began in 1986.

These assets were acquired in late 2008 as part of the controlling interest in High River. Nordgold holds a 75.1% interest in High River, which in turn holds an 84.9% interest in Buryatzoloto. The Buryatzoloto assets are located in the Russian Federation.

The Irokinda and Zun-Holba mines are both relatively mature underground operations. Both contain a processing plant with crushing, grinding, gravity and flotation circuits, and the processing plant at Zun-Holba also contains a CIP circuit and related facilities. For processing, there are two crushing stages and two grinding stages using ball mills, followed by gravity separation, which produces concentrates for both the gravity and flotation circuits. The gravity circuit is used to recover free gold, after which smelting produces doré bars. Flotation is used to recover finer gold particles into a flotation concentrate.

Since 2009, Nordgold has launched a drilling programme aimed at substantial resource expansion, increased plant capacity at Zun-Holba by 25% by constructing an additional processing line, reduced the workforce by approximately 25%, and spun-off non-core units. Due to poor performance in safety – one of Nordgold's priority key performance indicators – it took the decision to completely replace the management team in 2011.

Results of operations in H1 2012 as compared to H1 2011

Ore mined increased by 23 kt to 347 kt in H1 2012, which partly compensated for decrease in head grade. Ore milled increased by 15 kt from 329 Kt in H1 2011 to 344 kt in H1 2012.

Head grade decreased by 0.9 g/t from 6.6 g/t in H1 2011 to 5.7 g/t in H1 2012, due to geological factors. Mill recovery increased by 0.7pp, from 92.3% in H1 2011 to 93.0% in H1 2012.

Gold ounces produced decreased by 2.7 Koz, from 64.6 Koz in H1 2011 to 61.9 Koz in H1 2012 due to a decrease in the head grade. This decrease was partly offset by recovery growth and an increase in volumes of mined and milled ore.

Revenue increased by US\$7.4 million, from US\$94.5 million in H1 2011 to US\$101.9 million in H1 2012 as a result of the increase in the average gold price. EBITDA decreased by US\$9.3 million, from US\$61.1 million in H1 2011 to US\$51.8 million in H1 2012, due to an increase in cash cost.

Cash costs per ounce produced increased by US\$19 per ounce, from US\$721 in H1 2011 to US\$740 in H1 2012, primarily due to decrease of head grade in H1 2012.

Buryatzoloto continues to operate close to its full capacity. Nordgold's goal is to maintain historic production levels. An exploration program to extend the life of the mines continues at Zun-Holba and Irokinda mines.

The capital expenditure projects focused on prospective areas of the Irokinda and Zun-Holba fields, in which Nordgold invested US\$8.3 million of the total US\$16.6 million capital expenditure in H1 2012.

Results of operations in Q2 2012 as compared to Q2 2011

Ore mined increased by 8 kt to 178 kt in Q2 2012. Ore milled decreased by 3 kt, from 176 kt in Q2 2011 to 173 kt in Q2 2012.

Head grade decreased by 0.86 g/t from 6.44 g/t in Q2 2011 to 5.58 g/t in Q2 2012, due to geological factors. Mill recovery decreased by 1.6pp, from 93.8% in Q2 2011 to 92.2% in Q2 2012.

Gold ounces produced decreased by 3.7 Koz, from 33.9 Koz in Q2 2011 to 30.2 Koz in Q2 2012 due to a decrease in the head grade and lower than planned gold recovery. This decrease was partly offset by an increase in volumes of mined and milled ore.

Revenue decreased by US\$2.1 million, from US\$51.2 million in Q2 2011 to US\$49.1 million in Q2 2012 as a result of the decrease in gold ounces produced. EBITDA increased by US\$1.0 million from US\$22.7 million in Q2 2011 to US\$23.7 million in Q2 2012.

Cash costs per ounce produced increased in Q2 2012 by US\$77 per ounce, from US\$801 in Q2 2011 to US\$724 in Q2 2012, primarily due to lower grade and recovery, and local currency inflation. Inflation rate is on average around 10% per annum in Russia but could be higher for some inputs used in the mining industry. In particular Buryatzoloto was affected by salary inflation in 2012 as well.

The total capital expenditure amounted to US\$8.9 million in Q2 2012, as a reflection of continued investment in prospective areas of Irokinda and Zun-Holba.

Results of operations in FY 2011 as compared to FY 2010

Ore mined increased by 30 kt to 660 kt in 2011, to match increased processing capacity. Ore milled increased by 19 kt, from 661 Kt in 2010 to 680 kt in 2011, due to the launch of a new fourth production line (including a milling stage) in 2010.

Head grade decreased by 0.4 g/t from 6.9 g/t in 2010 to 6.5 g/t in 2011, due to geological factors that affected the quality of the ore. Mill recovery increased by 1.2pp from 91.7% in 2010 to 92.9% in 2011, due to new gravitation equipment installed at the beginning of 2011.

Gold ounces produced decreased by 1.8 Koz, from 136.1 Koz in 2010 to 134.3 Koz in 2011 due to a decrease in the head grade. This decrease was partly offset by recovery growth and an increase in volumes of mined and milled ore.

Revenue increased by US\$32.4 million, from US\$177.6 million in 2010 to US\$210.0 million in 2011 as a result of the increase in the average gold price. The increase in revenue was subsequently reflected in EBITDA, which increased by US\$35.8 million from US\$90.7 million in 2010 to US\$126.5 million in 2011.

Cash costs per ounce produced increased by US\$150 per ounce, from US\$522 in 2010 to US\$672 in 2011, primarily due to the decrease in head grade combined with inflation and foreign currency exchange rate changes.

Both plants operated at close to their design capacity for a total capacity of 700 ktpy. Nordgold management believes that Buryatzoloto could achieve similar grades over the life of the mine, as the reserve base at similar grades is being replenished as a result of an ongoing drilling programme.

Increase in processing in 2011 was connected with the Zun-Holba plant reaching full capacity after the commissioning of the 4th processing line in the beginning of 2010. Nordgold also upgraded gravity circuits at both Buryatzoloto mines which led to a slight increase in overall gold recovery.

Nordgold's capital expenditure projects in West Siberia focused on prospective areas of the Irokinda and Zun-Holba fields, in which Nordgold invested US\$21.8 million on drilling works for the exploration of new gold fields in 2011.

Results of operations in FY 2010 as compared to FY 2009

In 2010, Buryatzoloto continued to achieve its mining objectives, with 630 kt ore mined. Ore milled increased by 29 kt from 632 kt in 2009 to 661 kt in 2010 due to the launch of a new fourth production line including milling stage at the end of 2009.

Head grade decreased by 1.0 g/t from 7.9 g/t in 2009 to 6.9 g/t in 2010 due to geological factors that affected the quality of the ore. This factor, combined with installation of new gravitation equipment at the beginning of 2010 as a part of one of production lines, led to temporary inefficiencies during the installation period and slightly impacted the mill recovery rate, which decreased by 1.0pp from 92.7% in 2009 to 91.7% in 2010.

The head grade reduction subsequently caused a decrease in gold ounces produced, which was offset by the increase in ore milled and resulted in a slight decrease in gold ounces produced of 18.5 Koz from 154.6 Koz in 2009 to 136.1 Koz in 2010. Corresponding to this decrease, gold ounces sold also fell by 3.3 Koz from 147.1 Koz in 2009 to 143.8 Koz in 2010.

Revenue increased by US\$33.9 million to US\$177.6 million in 2010, as a result of the increase in gold ounces sold and the higher average gold price. This revenue growth was reflected in EBITDA, which increased by US\$21.1 million to US\$90.7 million.

The strengthening of the Russian rouble against the US dollar contributed to an overall rise in costs at Buryatzoloto. Total cash costs per ounce produced increased by US\$110 to US\$522 in 2010, primarily because of the decrease in head grade, combined with the Russian rouble's strengthening against the US dollar.

US\$13.4 million was invested at Irokinda and Zun-Holba in 2010, on drilling works for exploring new gold fields, with the primary aim of growing its reserves.

Berezitovy

Berezitovy	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010	2009
Run of mine, kt	8,591	8,925	4,233	4,660	18,355	15,532	9,046
Ore mined, kt	904	903	462	480	1,758	1,839	1,342
Waste mined, kt	7,686	8,022	3,771	4,180	16,597	13,693	7,704
Stripping ratio, tn/tn	8.5	8.9	8.2	8.7	9.4	7.4	5.7
Ore milled, kt	576	692	333	367	1,391	1,050	1,092
Grade, g/t	2.73	2.61	2.67	2.71	2.62	2.22	2.78
Recovery, %	90.3	89.7	89.9	92.4	89.8	89.2	87.3
Gold production, Koz	45.8	52.2	25.5	29.8	107.1	71.4	87.3
Gold sold, Koz	45.8	52.2	25.5	29.8	107.0	73.0	86.7
Average realised gold price per ounce sold, US\$/oz	1,632	1,471	1,588	1,523	1,553	1,235	970
Revenue, US\$m	74.8	76.8	40.5	45.3	166.2	90.1	84.1
EBITDA, US\$m	41.2	40.7	22.1	25.4	90.9	32.4	36.8
Total Cash Cost, US\$/oz	675	588	675	550	591	713	544

Overview

The Berezitovy gold mine is located in the Amur region of the Russian Federation, approximately 50 km north of Urusha (a town of 5,000 people) and is accessible via an all-season road, most of which is paved. The mine is located 50 km from the Trans-Siberian railway and 100 km from Skovorodino railway station.

Production began at the Berezitovy mine in 2007. Berezitovy was acquired in late 2008 as part of the controlling interest in High River. Nordgold holds a 75.1% interest in High River, which in turn holds a 99.91% interest in Berezitovy. The Berezitovy mine has one open pit. The Berezitovy processing plant contains crushing, SAG and ball milling and CIP circuits, a tailings water filter plant and a dry tailings storage facility, a water reservoir and potable water wells located on the Khaikta River, sanitary landfills, a sewage treatment plant, mine water settling ponds, and a modern camp that accommodates 1,066 workers.

In 2011, Nordgold expanded the crushing circuit and filter plant, installed a second ball mill, and upgraded the mining fleet and SAG mill to increase availability. In 2012, a secondary crusher and a new pinion were successfully installed, increasing throughput levels.

Results of operations in H1 2012 as compared to H1 2011

Ore mined in H1 2012 increased by 1 kt, to 904 kt from 903 kt in H1 2011. The amount of ore milled decreased by 116 kt, from 692 kt in H1 2011 to 576 kt in H1 2012, due to unplanned ball mill repairs caused by electricity outages.

To partly compensate for decreased volumes of ore milled, head grade processed increased by 0.12 g/t from 2.61 in H1 2011 to 2.73 in H1 2012. Gold production subsequently decreased by 6.4 Koz, from 52.2 Koz in H1 2011 to 45.8 Koz in H1 2012. The recovery rate at the processing plant increased by 0.3%, from 89.7% in H1 2011 to 90.3% in H1 2012.

Revenue decreased from US\$76.8 million in H1 2011 to US\$74.8 million in H1 2012 as a result of decreased volumes of gold sold. EBITDA increased slightly to US\$41.2 million, from US\$40.7 million in H1 2011.

An increase in cash costs per ounce produced by US\$87 per ounce, from US\$588 in H1 2011 to US\$675 in H1 2012, was caused by extensive repairs of SAG and ball mills, as well as mining equipment.

In H1 2012, Nordgold invested US\$6.3 million at Berezitovy on modernising production equipment.

Results of operations in Q2 2012 as compared to Q2 2011

In Q2 2012 ore mined decreased by 18 kt, from 480 kt in Q2 2011 to 462 kt in Q2 2012 due to geological factors. The amount of ore milled decreased by 34 kt, from 367 kt in Q2 2011 to 333 kt in Q2 2012, mainly due to unplanned ball mill repairs caused by electricity outages.

The head grade processed decreased by 0.04 g/t from 2.71 in Q2 2011 to 2.67 in Q2 2012. Gold production subsequently decreased by 4.3 Koz, from 29.8 Koz in Q2 2011 to 25.5 Koz in Q2 2012.

The recovery rate at the processing plant decreased by 2.5pp, from 92.4% in Q2 2011 to 89.9% in Q2 2012.

Lower than planned processing rate of the ball mills was partially balanced by higher gold recovery, which made it possible to reduce the decline in gold production against the plan to 6%.

The reason for a lower than planned processing rate was lower availability of the SAG mill due to technical difficulties with the pinion since the end of Q4 2011. The pinion was replaced in late May 2012, resulting in improving throughput levels in June 2012.

In Q2 2012 a heap leaching operation was put in place at Berezitovy to increase gold production.

Revenue decreased from US\$45.3 million in Q2 2011 to US\$40.5 million in Q2 2012 as a result of decreased volumes of gold sold. EBITDA decreased to US\$22.1 million, from US\$25.4 million in Q2 2011, due to the same factors.

An increase in cash costs per ounce produced by US\$125 per ounce, from US\$550 in Q2 2011 to US\$675 in Q2 2012, was caused by extensive repairs of SAG and ball mills, as well as mining equipment.

In Q2 2012, Nordgold invested US\$4.1 million at Berezitovy on modernising production equipment.

Results of operations in FY 2011 as compared to FY 2010

Ore mining in 2011 amounted to 1,758 kt.

In 2011, the decrease in ore mined by 81 kt to 1,758 kt was in line with the mining plan for 2011 and with processing capacities for the year. The amount of ore milled increased by 341 kt, from 1,050 kt in 2010 to 1,391 kt in 2011, due to further steps made in an asset transformation programme and the installation of a second ball mill.

As a result of geological factors, the head grade increased by 0.4 g/t from 2.2 g/t in 2010 to 2.6 g/t in 2011. Gold production subsequently increased by 35.7 Koz, from 71.4 Koz in 2010 to 107.1 Koz in 2011.

The recovery rate at the processing plant stands at 90%, which is above design, mainly due to management efforts to increase the efficiency of the production process.

Revenue increased from US\$90.1 million in 2010 to US\$166.2 million in 2011 as a result of an increase in the average gold price and an increase in volumes of gold sold. EBITDA increased to US\$90.9 million, from US\$32.4 million in 2010, due to the same factors.

A decrease in cash costs per ounce produced by US\$122 per ounce, from US\$713 in 2010 to US\$591 in 2011, was caused by an increase in the production level. Changes in the amounts of non-cash items did not significantly impact cash costs, as it was mainly dependent on changes in the cost of sales and the level of gold production.

Processing volumes in Q4 2011 was lower than in the previous quarter due to SAG mill maintenance conducted in December. However gold production due processing of higher grade material was higher in Q4 2011.

In 2011, Nordgold invested US\$16.9 million at Berezitovy on expanding and modernising production equipment.

Results of operations in FY 2010 as compared to FY 2009

In 2009 ore mined increased at Berezitovy, and development programmes were undertaken at the mine to increase production going forward, including the installation of a second ball mill and the expansion of the tailings water filter system to keep the mine operating reliably.

In 2010 ore mined increased by 497 kt from 1,342 kt in 2009 to 1,839 kt as part of an initiative to increase the projected level of ore milled to 1,500 kt.

The amount of ore milled decreased by 42 kt from 1,092 kt in 2009 to 1,050 kt in 2010. This decrease was due several issues during the planned shutdown of Berezitovy. Notably, several breakdowns were prolonged by long delivery times for spare parts. As a result, the main crusher was idle for most of February 2010, while in March 2010, production was limited by the lack of mill availability.

Head grade decreased by 0.6 g/t from 2.8 g/t in 2009 to 2.2 g/t in 2010 due to geological factors. Gold production was subsequently reduced by 15.9 Koz from 87.3 Koz in 2009 to 71.4 Koz in 2010 but was offset by the high levels of work-in-progress at the end of 2009. Gold ounces sold decreased by 13.7 Koz from 86.7 Koz in 2009 to 73.0 Koz in 2010 as a result of the reduced production.

Mill recovery increased by 1.9pp from 87.3% in 2009 to 89.2% in 2010, mainly as a result of investments at the end of 2009 to increase the efficiency of the production process.

Revenue increased to US\$90.1 million in 2010 from US\$84.1 million in 2009, as a result of an increase in the average gold price, partially offset by a decrease in gold ounces sold. EBITDA declined to US\$32.4 million from US\$36.8 million in 2009, primarily due to a reduction in head grade.

In 2010, total cash cost increased to US\$50.0 million from US\$46.9 million in 2009. Total cash cost per ounce in 2010 was US\$713, compared with US\$544 in 2009. This increase in cash costs per ounce was primarily due to a reduction in head grade and the strengthening of the Russian rouble against the US dollar.

In 2010, Nordgold invested US\$20.7 million at Berezitovy, including US\$11.9 million on modernising production equipment and developing additional processing capacity in the gold extraction facilities.

Celtic and Semgeo (Suzdal, Zherek, Balazhal)

Celtic and Semgeo	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010	2009
Run of mine, kt ⁽¹⁾	389	288	185	135	704	667	494
Ore mined, kt ⁽¹⁾	238	211	103	108	400	348	340
Ore milled, kt ⁽¹⁾	232	258	108	137	509	334	317
Grade, g/t ⁽¹⁾	7.40	7.03	7.52	6.98	6.79	9.38	13.36
Recovery, % ⁽¹⁾	62.5	63.9	65.0	65.3	60.9	70.8	74.8
Gold production, Koz ⁽²⁾	39.5	41.3	20.3	23.7	81.6	81.6	110.6
Gold sold, Koz ⁽²⁾	37.8	41.2	18.7	26.8	81.5	87.3	115.3
Average realised gold price per ounce sold, US\$/oz ⁽²⁾	1,666	1,460	1,593	1,500	1,589	1,223	990
Revenue, US\$m ⁽²⁾	62.9	60.2	29.8	40.2	129.5	106.7	115.1
EBITDA, US\$m ⁽²⁾	21.2	24.3	9.0	17.3	53.5	68.0	60.5
Total Cash Cost, US\$/oz ⁽²⁾	842	743	884	728	780	511	398

Notes:

(1) Only Suzdal, does not include Zherek or Balazhal.

(2) Represents gold produced in doré alloy on Suzdal, Zherek and Balazhal mines.

Overview

The Suzdal gold mine is an underground mine located in eastern Kazakhstan, approximately 55 km southwest of the city of Semipalatinsk (which has a railway station and an airport), and served by an all-season road. In addition to Suzdal, Nordgold's other assets in Kazakhstan include Zherek and Balazhal, two auxiliary open-pit mines south of Suzdal, which are currently under technological review.

The mine facility contains a processing plant with crushing, grinding, flotation, BIOX and CIL circuits. The operations at Suzdal are among the most technologically advanced within Nordgold, as the plant possesses the technology necessary to process refractory sulphide ore. The BIOX processing circuit at the mine was the first in Eurasia. The assets came from the acquisition of Celtic Resources in 2007-2008 (the Suzdal and Zherek mines) and the acquisition of Semgeo (the Balazhal deposit) in August 2008.

In 2011, Nordgold upgraded its underground mining fleet, expanded both underground mine and metallurgical plant capacity by 60-80%, and established long-term access to medium-grade ores.

Results of operations in H1 2012 as compared to H1 2011

Ore mined increased by 27 kt to 238 kt in H1 2012. Ore milled decreased by 26 kt, from 258 kt in H1 2011 to 232 kt in H1 2012, due to geological qualities of the processed ore.

Head grade increased by 0.4 g/t from 7.0 g/t in H1 2011 to 7.4 g/t in H1 2012, due to geological qualities of the ore used. Mill recovery decreased by 1.4pp from 63.9% in H1 2011 to 62.5% in H1 2012, due to the quality of ore milled.

Gold ounces produced decreased by 1.8 Koz, from 41.3 Koz in H1 2011 to 39.5 Koz in H1 2012, due to higher grade and mill recovery.

Revenue increased by 4% in H1 2012 from US\$60.2 million in H1 2011, to US\$62.9 million. The increase was the result of higher gold prices, partially offset by lower sales volumes. EBITDA decreased by 13% in H1 2012, from US\$24.3 million to US\$21.2 million, mainly due to higher costs and lower sales volumes, partially offset by higher gold prices.

A 13% increase in cash costs per ounce produced from US\$743 in H1 2011 to US\$842 in H1 2012, was caused by a number of factors, including higher processing costs, staff costs, impact of higher work in progress and inflation.

Capital expenditure was US\$5.9 million in H1 2012 compared to US\$11.9 million in H1 2011. The reduction in capital expenditure is attributable to lower spending on exploration drilling in 2012, the development of tailings storage in 2011, and acquisition of different equipment.

Results of operations in Q2 2012 as compared to Q2 2011

Ore mined decreased by 5 kt to 103 kt in Q2 2012. Ore milled decreased by 29 kt, from 137 kt in Q2 2011 to 108 kt in Q2 2012, due to geological qualities of the processed ore.

Head grade increased by 0.5 g/t from 7.0 g/t in Q2 2011 to 7.5 g/t in Q2 2012, due to geological qualities of the ore used. Mill recovery decreased by 0.3pp from 65.3% in Q2 2011 to 65.0% in Q2 2012, due to the same factors.

Gold ounces produced decreased by 3.4 Koz, from 23.7 Koz in Q2 2011 to 20.3 Koz in Q2 2012, due to lower mill recovery, together with lower ore milled volume.

Revenue decreased by 26% in Q2 2012 from US\$40.2 million in Q2 2011, to US\$29.8 million. The decrease was the result of lower sales volumes, partially offset by higher gold prices.

EBITDA decreased by 49% in H1 2012 from US\$17.3 million to US\$9.0 million, mainly due to lower volume of sales (18.7 Koz compared to 26.8 Koz) as a result of technical difficulties at the BIOX stage of processing.

Cash costs per ounce produced increased by 21% from US\$728 per ounce in Q2 2011 to US\$884 in Q2 2012, due to higher processing costs.

Capital expenditure in Q2 2012 was broadly in-line with Q2 2011; US\$5.5 million compared to US\$6.3 million the previous year.

Results of operations in FY 2011 as compared to FY 2010

After its construction, Suzdal produced very high-grade ore of around 15 grams of gold per tonne. This figure has since declined each year and in 2011 stands at 6.8 g/t. To maintain its gold output, Nordgold has invested in expanding the processing facilities at Suzdal.

Ore mined increased by 52 kt to 400 kt in 2011, due to the completion of a significant three-year expansion program, which resulted in a near doubling of mining and processing capacity and establishing long-term access to medium-grade ores. This, together with the processing of ore stockpiles and purchased concentrate, resulted in the ore milled figure increasing by 175 kt, from 334 kt in 2010 to 509 kt in 2011.

Head grade decreased by 2.6 g/t from 9.4 g/t in 2010 to 6.8 g/t in 2011, due to a change in geological conditions. Consequentially, the reduction in head grade led to a 9.9pp fall in the mill recovery rate, to 60.9% in 2011. Gold ounces produced remained unchanged in 2011.

In 2011, revenue increased from US\$106.7 million in 2010 to US\$129.5 million in 2011, as a result of broadly the same volumes of sales combined with favourable gold prices. EBITDA decreased by US\$14.5 million, from US\$68.0 million in 2010 to US\$53.5 million in 2011, due to higher production costs.

Cash costs per ounce produced increased by US\$269 per ounce, from US\$511 in 2010 to US\$780 in 2011, due to lower head grade and recovery levels, inflation, increased consumption of materials, and an increase in volumes and prices of purchased electricity and fuel. Non-cash charges and exceptional expenses are excluded from cost of sales in order to arrive at total cash cost. For Celtic and Semgeo for the periods under review, the major deduction was the depreciation charge, which is not a cash expense. Management excluded certain exceptional expenses that it believes do not represent ordinary course cash outflows, including amounts spent on water for production purposes due to poor weather conditions and an amount incurred for pollution tax. Other deductions remained stable and did not change significantly.

The main reason for stronger Q4 production of finished products has been the shift into Q4 of the refining of doré gold produced by the mine in Q3, as well as peaked ore processing volumes.

In 2011, Nordgold invested US\$32.6 million in Celtic and Semgeo, including US\$10.9 million on an expansion project that included the development of crushing and milling facilities, the acquisition of underground machinery, and the development of BIOX assets. Nordgold also invested US\$6.7 million in exploration works at Celtic and Semgeo. Exploration and evaluation projects at Celtic and Semgeo were aimed at extending the production life of the mine and increasing the level of extraction. During 2010, US\$4.5 million in investment created a growth in reserves.

Results of operations in FY 2010 as compared to FY 2009

Ore mined increased by 8 kt from 340 kt in 2009 to 348 kt in 2010, due to a significant expansion programme at Suzdal which began in 2008. The same factor influenced the increase in ore milled in 2010 and 2009.

Head grade decreased by 4.0 g/t from 13.4 g/t in 2009 to 9.4 g/t in 2010, due to a change in the geological conditions of the ore. Mill recovery decreased by 4.0pp from 74.8% in 2009 to 70.8% in 2010 due to lower head grade in ore processed. However, due to management efforts, the decrease in recovery was less than the fall in head grade.

In 2010 gold ounces produced decreased by 29.0 Koz from 110.6 Koz in 2009 to 81.6 Koz, which was attributable to the lower head grade combined with the reduction in mill recovery. Gold ounces sold decreased by 28.0 Koz from 115.3 Koz in 2009 to 87.3 Koz in 2010 due to the decrease in production volumes.

Total cash costs at Celtic and Semgeo fell to US\$37.7 million in 2010 from US\$41.1 million in 2009. However, the reduction in total gold produced and lower head grade resulted in a sizeable increase in the total cash cost per ounce, from US\$398 in 2009 to US\$511 in 2010.

In 2010, Nordgold invested US\$34 million in Celtic and Semgeo, including US\$31.7 million in expansion, which included developing the crushing and milling facilities, acquiring underground machinery, and developing the BIOX assets. Nordgold also invested US\$4.5 million on exploration, including US\$4.1 million on drilling works at Celtic and Semgeo.

Neryungri and Aprelkovo

Neryungri	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010	2009
Run of mine, kt	5,729	4,438	2,761	2,195	9,384	10,636	10,479
Ore mined, kt	715	1,344	533	887	2,475	2,209	2,230
Waste mined, kt	5,014	3,094	2,228	1,308	6,909	8,426	8,711
Stripping ratio, tn/tn	7.0	2.3	4.2	1.5	2.8	3.8	4.9
Ore milled, kt	901	1,140	687	1,091	2,622	2,201	2,251
Grade, g/t	0.96	1.15	0.94	1.12	1.16	1.32	1.12
Recovery, %	75.0	75.0	75.0	75.6	75.0	75.0	75.0
Gold production, Koz	19.9	23.9	11.3	14.2	73.0	58.9	50.2
Gold sold, Koz	20.3	23.7	11.2	14.1	73.0	62.8	46.5
Average realised gold price per ounce sold, US\$/oz	1,631	1,491	1,574	1,539	1,617	1,266	1,021
Revenue, US\$m	33.1	35.3	17.7	21.8	118.0	79.5	47.4
EBITDA, US\$m	15.0	10.9	7.4	4.4	57.8	37.4	15.6
Total Cash Cost, US\$/oz	818	629	843	620	611	555	539

Overview — Neryungri

Neryungri (Tabornoe) is an open-pit gold mine in the Republic of Yakutia in Siberia. It is approximately 200 km from the town of Chara, and is accessible via an all-season road. Nordgold acquired the mine in 2007.

Neryungri has a processing plant with crushing and heap leach extraction capabilities. Operations at Neryungri utilise the simplest heap leach extraction method available, due to the highly oxidised low-grade ore. By 2011, Nordgold had replaced and upgraded the entire mining fleet, expanded the metallurgical plant by 50%, extended the period of active leaching to nine months, and constructed an all-season road and a new camp for workers.

In 2012, four new dump trucks, an excavator and a mobile crusher were purchased in order to achieve higher mining volumes and productivity, with the stripping ratio going down.

Results of operations in H1 2012 as compared to H1 2011

Ore mined decreased by 629 kt to 715 kt due to more difficult geological conditions. Ore milled decreased by 239 kt, from 1,140 kt in H1 2011 to 901 kt in H1 2012 due to lower mining volumes.

Head grade declined by 0.19 g/t to 0.96 g/t, primarily due to the inclusion of off-balance ore with an average grade of 0.51 g/t to the processing phase. Mill recovery in H1 2012 was 75.0%, remaining unchanged from H1 2011.

Gold ounces produced decreased by 4.0 Koz, from 23.9 Koz in H1 2011 to 19.9 Koz in H1 2012, due to lower mining volumes, and lower head grade of ore milled.

Revenue decreased by 6% from US\$35.3 million in H1 2011 to US\$33.1 million in H1 2012, as a result of lower sales volumes, partially compensated by higher gold prices. EBITDA increased by 38% from US\$10.9 million in H1 2011 to US\$15.0 million in H1 2012, due to a number of factors including higher gold prices and a positive exchange rate effect, partially offset by lower sales volumes and higher costs.

Cash costs per ounce produced increased to US\$818 per ounce in H1 2012, from US\$629 in H1 2011 primarily as a result of a negative foreign exchange effect, higher fuel and energy costs and inflation.

Capital expenditure for H1 2012 amounted to US\$21.5 million, including US\$9.4 million on exploration and evaluation. The major amounts were directed towards renovation of crushing equipment, new heap construction and mining fleet expansion.

Results of operations in Q2 2012 as compared to Q2 2011

Ore mined decreased by 354 kt to 533kt due to more difficult geological conditions. Ore milled decreased by 404 kt, from 1,091 kt in Q2 2011 to 687 kt in Q2 2012 due to lower mining volumes.

The head grade of ore in processing declined by 0.18 g/t to 0.94 g/t, primarily due to the inclusion of off-balance ore with an average grade of 0.51 g/t to the processing phase. Mill recovery decreased slightly by 0.6pp from 75.6% in Q2 2011 to 75.0% in Q2 2012, due to the quality of processed ore.

Gold ounces produced decreased by 2.9 Koz, from 14.2 Koz in Q2 2011 to 11.3 Koz in Q2 2012, due to lower volumes of ore mined and lower head grade.

Revenue decreased by 19% from US\$21.8 million in Q2 2011 to US\$17.7 million in Q2 2012, as a result of lower sales volumes. EBITDA increased by 68% from US\$4.4 million in Q2 2011 to US\$7.4 million in Q2 2012, due to a number of factors including higher gold prices, inventory reconciliation and a positive exchange rate effect, partially offset by lower sales volumes and higher costs.

Cash costs per ounce produced increased to US\$843 per ounce in Q2 2012, from US\$620 in Q2 2011 primarily as a result of higher raw material prices including fuel, salary adjustments, unscheduled repair works, increased demand for spare parts and equipment, and higher energy consumption per ounce due to the metallurgy process.

Capital expenditure for Q2 2012 amounted to US\$10.8 million, including US\$2.9 million on exploration and evaluation. The major amounts were directed towards renovation of crushing equipment, new heap construction and mining fleet expansion.

Results of operations in FY 2011 as compared to FY 2010

Production at Neryungri is subject to significant seasonal variations due to harsh winter temperatures. The majority of crushing and stockpiling of ore occurs from May to September, and the majority of gold production occurs from July to December, as the cyanide spray used in heap leaching cannot penetrate frozen ore.

Ore mined increased by 266 kt, from 2,209 kt in 2010 to 2,475 kt in 2011, due to improved availability of the mining fleet. This increase in turn led to growth of ore milled volumes by 421 kt, from 2,201 kt in 2010 to 2,622 kt in 2011.

Head grade decreased slightly from 1.3 g/t in 2010 to 1.2 g/t in 2011; this decrease was in line with the 2011 production plan and geological conditions. Mill recovery of 75.0% remained the same in 2011 and 2010.

Gold ounces produced increased by 14 Koz to 73 Koz in 2011, as a consequence of higher volumes of mined and milled ore.

Q4 2011 ore processing and gold production were below Q3 2011 levels due to seasonality of heap leach production in the cold climate, when ore loading on the pads stops in the middle of November and resumes in April.

As a result of the increase in the volume of gold sold and the increase in the gold price, revenue increased from \$79.5 million in 2010 to \$118.0 million in 2011. The increase in revenue in 2011 positively affected EBITDA, which increased to \$57.8 million in 2011 from \$37.4 million in 2010.

Cash costs per ounce produced increased by \$56 per ounce, from \$555 in 2010 to \$611 in 2011, primarily due to inflation.

Nordgold's major capital expenditure project in Russia is the Yuzhno-Uguyskaya field near the Neryungri mine, and the majority of capital expenditure for this project relates to the Gross development. In 2011, Nordgold invested capital expenditure of \$28.7 million in the Yuzhno-Uguyskaya field (most of which related to Gross), and in 2010, Nordgold spent \$17.3 million on this project.

Results of operations in FY 2010 as compared to FY 2009

Revenue increased to \$79.5 million in 2010 from \$47.4 million in 2009, as a result of greater volumes of gold sold and the higher gold price. The increase in revenue in 2010 also led to a rise in EBITDA, which increased to \$37.4 million in 2010 from \$15.6 million in 2009.

Foreign exchange effects and additional expenses incurred in the initial stages of the all-season road project led to an increase in cash costs per ounce to \$555 from \$539 in 2009. Total cash cost for 2010 increased to \$32.6 million, from \$27.1 million in 2009.

Nordgold invested \$17.3 million the Yuzhno-Ugurskaya field in 2010, most of which is related to Gross, versus \$14.1 million in 2009, including \$8.6 million capitalised on drilling works for this exploration project.

Aprelkovo	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010	2009
Run of mine, kt	4,163	4,714	1,856	2,249	9,268	9,968	8,718
Ore mined, kt	1,172	530	733	348	1,628	1,602	1,586
Waste mined, kt	2,991	4,184	1,123	1,901	7,541	8,367	7,133
Stripping ratio, tn/tn	2.6	7.8	1.5	5.5	4.6	5.2	4.5
Ore milled, kt	809	1,205	739	840	2,577	1,627	1,704
Grade, g/t	1.30	0.82	1.32	0.79	0.81	1.18	1.04
Recovery, %	47.7	60.0	47.7	60.0	60.0	60.0	70.7
Gold production, Koz	10.4	9.6	6.6	6.8	30.3	35.0	28.9
Gold sold, Koz	10.4	9.7	6.6	6.7	30.4	35.3	28.3
Average realised gold price per ounce sold, US\$/oz . .	1,620	1,489	1,575	1,517	1,613	1,252	1,028
Revenue, US\$m	16.9	14.5	10.4	10.1	49.1	44.3	29.1
EBITDA, US\$m	6.0	4.9	3.6	6.7	21.7	16.4	7.5
Total Cash Cost, US\$/oz	867	776	865	639	655	628	666

Overview — Aprelkovo

Aprelkovo is an open-pit gold mine in the Transbaikalian region of Russia. It is approximately 200 km from the city of Chita and can be easily accessed via a paved road. Nordgold acquired the mine in 2007. The mine contains a processing plant with crushing and heap leach extraction capabilities.

In 2011 Nordgold upgraded the entire mining fleet, doubled metallurgical plant capacity and installed crushers to reduce ore sizes from 15 to 5 mm.

Results of operations in H1 2012 as compared to H1 2011

Ore mined increased by 642 kt to 1,172 kt in H1 2012. Ore milled decreased by 396 kt, from 1,205 kt in H1 2011 to 809 kt in H1 2012, due to management's decision not to process off-balance ore with lower head grade. The same factor led to head grade increasing by 0.5 g/t from 0.8 g/t in H1 2011 to 1.3 g/t in H1 2012. Mill recovery decreased by 12.3pp from 60.0% in H1 2011 to 47.7% in H1 2012, due to a change in characteristics of the ore processed.

Gold ounces produced increased by 0.8 Koz, from 9.6 Koz in H1 2011 to 10.4 Koz in H1 2012, due to involvement of ore with higher head grade.

Revenue increased from US\$14.5 million to US\$16.9 million due to improved volumes of gold sold and higher gold prices in the period. EBITDA increased from US\$4.9 million to US\$6.0 million due to higher sales volumes and higher sales prices, which was partly compensated by increased costs.

Cash costs per ounce produced increased from US\$776 per ounce to \$867 per ounce due to inflation, increase in salaries, and strengthening of the Russian Ruble against the US dollar.

Capital expenditure in H1 2012 amounted to US\$6.2 million, including US\$3.7 million of exploration and evaluation. The major amounts were spent on expansion of the mining fleet.

Results of operations in Q2 2012 as compared to Q2 2011

Ore mined increased by 385 kt to 733 kt in Q2 2012. Ore milled decreased by 101 kt, from 840 kt in Q2 2011 to 739 kt in Q2 2012, due to the exclusion from processing of off-balance ore with lower head grade. The same factor led to head grade increasing by 0.5 g/t from 0.8 g/t in Q2 2011 to 1.3 g/t in Q2 2012. Mill recovery decreased by 12.3pp from 60.0% in Q2 2011 to 47.7% in Q2 2012, due to a change in ore quality.

Gold ounces produced decreased by 0.2 Koz, from 6.8 Koz in Q2 2011 to 6.6 Koz in Q2 2012, due to lower mill recovery and volumes of ore involved into processing.

Revenue increased from US\$10.1 million to US\$10.4 million due to higher gold prices in the period. EBITDA decreased from US\$6.7 million to US\$3.6 million due to higher production costs.

Cash cost per ounce produced increased from US\$639 per ounce to US\$865 per ounce due to inflation, increase in salaries, lower mill recovery and gold production.

Capital expenditure in Q2 2012 amounted to US\$5.3 million, including US\$2.5 million of exploration and evaluation. The major amounts were spent on expansion of the mining fleet and conveyor line.

Results of operations in FY 2011 as compared to FY 2010

Ore mined increased by 27 kt from 1,601 kt in 2010 to 1,628 kt in 2011, due to continued works on increasing mine productivity that began in 2010 and completed upgrade of the mining fleet. Ore milled increased by 950 kt from 1,627 kt in 2010 to 2,577 kt in 2011, due to doubled metallurgical plant capacity and processing of stockpiled ore.

In 2011 mill recovery remained broadly at the same level of 60.0%, with a decrease in average head grade of 0.4 g/t, from 1.2 g/t in 2010 to 0.8 g/t in 2011, as a result of increased low-grade stockpiled ore being included in processing.

Gold ounces produced decreased by 4.7 Koz to 30.3 Koz in 2011, mainly due to a decrease of ore grade.

Cash costs per ounce produced increased by US\$27 per ounce, from US\$628 in 2010 to US\$655 in 2011, mainly due to a decrease in production volumes, decreased head grade, inflation and the Russian rouble strengthening against the US dollar.

Q4 2011 ore processing and gold production were below Q3 2011 levels due to seasonality of heap leach production in a cold climate, in which ore loading on the pads stops in the middle of November and resumes in April.

In 2011, despite a decrease in the volume of gold sold, revenue increased from US\$44.3 million in 2010 to US\$49.1 million in 2011, as a result of favourable gold prices. This increase in revenue positively affected EBITDA, which increased, from US\$16.4 million in 2010 to US\$21.7 million in 2011.

In 2011, Nordgold invested US\$5.7 million on safety, facilities balancing and replacing equipment at Aprelkovo, compared with US\$5.3 million in 2010. In addition, in 2011, Nordgold invested US\$3.1 million on mine expansion.

Results of operations in FY 2010 as compared to FY 2009

Ore mined increased by 15 kt from 1,586 kt in 2009 to 1,601 kt in 2010, due to continued works on increasing mine productivity which began in 2009. Ore milled decreased by 77 kt from 1,704 kt in 2009 to 1,627 kt in 2010, due to the use of ore mined and accumulated in stocks by the end of 2009. In 2010 mill recovery decreased, from 70.7% in 2009 to 60.0% in 2010.

The slight head grade increase of 0.2 g/t from 1.0 g/t in 2009 to 1.2 g/t in 2010 was due to the favourable quality of ore mined during 2010.

Gold ounces produced increased by 6.1 Koz from 28.9 Koz in 2009 to 35.0 Koz in 2010, mainly due to an increase in work in progress at the plant and on the heaps at the end of 2009.

Gold ounces sold followed gold production growth and increased by 7.0 Koz from 28.3 Koz in 2009 to 35.3 Koz in 2010.

In 2010, as a result of the increase in the volume of gold sold and prevailing gold prices, revenue increased by US\$15.2 million to US\$44.3 million from US\$29.1 million in 2009. This increase in revenue positively affected EBITDA, which increased by US\$8.9 million from US\$7.5 million in 2009 to US\$16.4 million in 2010.

Cash costs per ounce produced decreased by US\$38 per ounce to US\$628 in 2010 from US\$666 in 2009, primarily due to an increase in production volumes and, as a result, decrease in the cost of external services, fuel and energy costs and administration expenses per ounce produced. Total cash cost increased from US\$19.2 million in 2009 to US\$21.9 million in 2010.

In 2010, Nordgold invested US\$0.5 million at Aprelkovo on exploration and US\$5.3 million on safety, facilities balancing and replacement of equipment. In 2009, Nordgold invested \$4.7 million at Aprelkovo on increasing processing capacity and new mine and other equipment.

Review of Development and Exploration Projects

Development projects

Bissa

Bissa in Burkina Faso is Nordgold's key development project in West Africa. The deposit consists of a large gold ore resource, which is a relatively easy ore to mine and process. As well as the main deposit, the Bissa licence and adjacent exploration properties contain significant additional resources, and it is likely that in due course these will be incorporated into the operation. Nordgold expects Bissa to commence production in H1 2013 and to contribute 80-110 Koz of production in 2013. The planned mining method for this project is open pit, with

an expected extraction rate of 3-4 Mt of ore per year. The zone of mining extraction consists of several open pits dispersed along approximately 5.5 km of the southwest/northeast oriented mineralised zone.

With engineering and design works complete, construction began in September 2011 and is progressing rapidly. As at Q3 2012, Nordgold has now taken delivery of the mining fleet on site. Plant construction is also underway, with the mills delivered and being installed. The project is on track to deliver first gold in H1 2013. Additional discoveries are expected at the flanks of the deposit, where exploration work is currently under way.

Recent exploration results confirmed mineralisation at Bissa satellite deposits, including Gougri, Liliga and Bouly. In April 2012 Nordgold announced a substantial upgrade to its resources, including an increase at Bissa. The new resources estimate for Bissa, including these satellite deposits, indicate total mineral resources of approximately 3.0 Moz of measured and indicated resources and 1.9 Moz of inferred resources, including 1.0 Moz of resources at a grade of 0.6 g/t at Bouly. See Annex A, “*Business of Nordgold — Mineral Resource Summary*”. Nordgold reached an agreement with the government and local communities on the resettlement of two small villages that will be affected by future mine operations. New villages for the relocated communities were built, with the original layout of the existing villages retained, reflecting Nordgold’s belief that the shape of communities is important to their success. Nordgold also provided social infrastructure and services to the relocated villages, including a water supply, medical centre, school, church, mosque, and a community meeting place.

Gross

Gross is another of Nordgold’s important development projects, located 4 km from Neryungri-Metallic’s Tabornoe deposit in Yakutia, Siberia, adjacent to the well-established Tabornoe open pit and heap leach operation. The deposit consists of an outstanding gold ore resource with further significant growth potential, as intensive additional exploration works are being carried out in the area. Nordgold expects to start the pilot stage of operation of Gross in 2013, with expected gold production of approximately 15-30 Koz in 2013.

An extensive drilling programme has identified a large-tonnage, low-grade resource which requires further infill drilling to define any high grade pay shoots. The proximity of Tabornoe greatly enhances the project viability, although further studies are required to fully establish the project economics.

Following an effective exploration program, Nordgold has transferred 3.2 Moz of mineral resources into ore reserves at an upgraded average grade of 0.64 g/t, with measured and indicated resources of 3.2 Moz and inferred resources of 3.5 Moz. See “*Business of Nordgold — Mineral Reserve Summary*” and “*Business of Nordgold — Mineral Resource Summary*”.

Exploration work is currently ongoing at the southern flank of the deposit. The current focus of this work is to gain an understanding into the deposit structure, in order to delineate resources in 2013.

Exploration projects

Bouly

Bouly is a greenfield exploration project located 5 km from Bissa in Burkina Faso.

The main results from early drilling work indicated a strong gold-copper bedrock anomaly, which continues under the alluvium into the Bissa permit to the southwest. Recent exploration results identified 245 Koz of measured and indicated resources, and 776 Koz of inferred resources.

Uryakh

Uryakh is a greenfield exploration project located in the Irkutsk region of Russia, 60 km from the Baikal-Amur Mainline railway.

It is an ore field with sizeable, high-grade resource potential, and it has various types of mineralisation, including quartz veins, black-shale strata, gold-bearing beresites and associated gold-mineralised stockworks. Significant potential exists within the gold-bearing quartz veins which are prevalent throughout the licence. Over the past two years, road infrastructure was intensively built at the site. Recent exploration results confirmed 787 Koz of inferred resources at 1.74 g/t. An intensive drilling program over the past two years has been focussed on several high-grade quartz veins and adjacent gold mineralized zones. Recent sampling returned positive results, which defined several continuous intercepts of gold mineralisation.

Nerchinsk

Nerchinsk is a greenfield exploration project located 10 km east of the Aprelkovo mine.

In April 2012, Nordgold announced an initial inferred resources estimate of 24 Koz at Nerchinsk. A number of high-grade ore bodies with grades of 1.5-6 g/t have been identified by ongoing drilling. Following encouraging results in 2011, Nordgold will continue an exploration programme in 2012, focusing on the Perevozny orebody, which has low sulphidation and a favourable location.

The Yuzhny ore body was a new discovery to emerge from exploration works in 2011, which yielded several intersects, with average grades ranging from 1.5-8.0 g/t.

Prognoz

Prognoz is a remote silver project situated in the Verkhoyanskiy District in Yakutia.

The Prognoz property hosts silver-lead-zinc vein-type deposits within a shear zone, where the host rocks are sandstones. Extensive exploration works since 1985 have identified over 30 mineralised veins distributed across four areas.

In addition, a significant JORC-classified silver resource of 205 Moz has been identified, and considerable further resource potential appears to exist nearby.

FACTORS AFFECTING NORDGOLD'S PERFORMANCE

Gold Market Review

Gold Demand

According to industry sources, investment demand once again was the primary driver of the gold price in 2011. World investment (the sum of implied net investment, physical bar and all coins) is estimated to have totalled 1,605 tonnes, down by 10%, although its total was still elevated by historical standards. In addition, the value of this investment is equivalent to a new record of US\$81 billion on a net basis, up by 15% on the previous year.

The lower figure for world investment in 2011 was entirely due to a collapse in implied net investment, which fell by nearly 90% to 62 tonnes. In contrast, physical bar investment maintained a strong growth pattern. At a new all-time high of 1,209 tonnes, bar investment was by some margin the largest component in 2011. Official coin minting also posted an impressive performance, with volumes hitting 246 tonnes. Elsewhere, demand for medals and imitation coins was essentially flat year-on-year.

Norgold believes the key reason for this net investment inflow was safe haven purchases amid market uncertainties and a higher proportion of buying accounted for by private investors in Asia in 2011. This provided a solid floor for gold over the course of the year, especially during major price dips.

Total fabrication in 2011 slipped 0.9% as the rise in coin offtake was subsumed by the 44-tonne drop for jewellery and minor losses in the remaining areas.

Gold Supply

According to industry sources, global mine production rose by 2.8% or 78 tonnes in 2011 to reach an all-time high of 2,818 tonnes. This is the third year in a row of higher output, as companies' developments have come to fruition over recent years on a widespread basis. This was evidenced by seven of the ten largest mine production gains coming from new projects that began production last year or that were ramping up and delivering a first full year of production.

Among the large producers to have enjoyed gains, China saw another year of higher output from its primary gold mining and smelting industry, while project-related increases in Russia, Kazakhstan and Mexico together accounted for a 43-tonne, or 6% gain year-on-year. However, outside the top 20 producing countries, production grew by 16%. This is reflective of the project development trend that is underway in comparatively under-developed areas not previously associated with modern large scale mining, including Eritrea, Burkina Faso and Côte d'Ivoire, as well as Turkey.

According to industry sources, last year global scrap supply declined for the second consecutive year, slipping by 3.4%, from 1,661 tonnes, contributing 37% of total supply. Surprisingly, given the 28% rise in the average dollar gold price, the decline was restricted mainly to the price sensitive Indian and Middle Eastern markets, with losses also witnessed across part of East Asia. These developing world losses emerged for a number of reasons, chiefly price acclimatization, expectation of further price gains, and in some countries, close-to-market stock depletion.

In western markets, higher gold prices, distressed selling and an improvement in the ease of collection and recycling of old jewellery elicited a rise in supply. European scrap, for example, grew by 15% or 52 tonnes last year to a new all-time high, while US scrap increased by 9%.

Gold Price

The price of gold is the largest single factor in determining profitability and cash flow from operations, therefore, the financial performance of Nordgold has been, and is expected to continue to be, closely linked to the price of gold. Historically, the price of gold has been subject to volatile price movements over short periods of time and is affected by numerous macroeconomic and industry factors that are beyond Nordgold's control.

Major influences on the gold price include international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers, governments and others and actions of participants in the gold market. During 2011 the price of gold reached a new all-time high of approximately US\$1,895 per ounce. The low price for the year was US\$1,319 per ounce. The average price for the year based on the London PM Fix was US\$1,572 per ounce, a \$347 increase over the 2010 average price of US\$1,225 per ounce.

The major influences on the gold price during 2011 were strong investment/bar hoarding demand, continued acceleration in official sector purchases, and continuing uncertainty with respect to the global financial crisis, particularly in regards to European sovereign debt.

Last 5 Years Gold Price Performance (US\$ / oz)



Price variations and market cycles have influenced the financial results of Nordgold during the period under review, and Nordgold expects that this will remain the case for the foreseeable future.

Average price of gold obtained by Nordgold against average London PM price

	Average for the period (US\$)
H1 2012 Realised price on a semi-annual basis	1,645
Average market price	1,651
2011 .. Realised price on an annual basis	1,567
Average market price	1,572
2010 .. Realised price on an annual basis	1,251
Average market price	1,225
2009 .. Realised price on an annual basis	992
Average market price	972
2008 .. Realised price on an annual basis	890
Average market price	872

Summary of Quarterly Results

The table shown below represents selected income statement line items and certain key performance indicators for the last eight quarters:

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Revenue, US\$m	264.7	263.9	385.3	253.4	299.4	244.0	268.8	184.7
EBITDA, US\$m	103.5	114.1	194.7	111.3	133.3	135.0	136.2	77.8
Profit / (loss), US\$m	5.6	59.7	78.3	43.8	45.4	84.7	34.5	59.4
Basic and diluted earnings / (loss) per share, US\$	(0.01)	0.11	0.08	0.04	0.07	0.16	0.05	0.09
Gold produced, Koz	165.3	155.7	203.8	178.4	198.1	174.2	194.1	147.9
Total Cash Cost (US\$/oz)	863	798	718	687	721	640	636	640

Seasonality

Due to the cold winter weather, which limits the ability to mine, production volumes generated from the Neryungri and Aprelkovo mines are usually higher during the second half of the year, because during that period the heap leach operations conducted at the sites generally yield the greatest volume of precious metals. For these mines, the amount of inventory and, correspondingly, revenues are subject to seasonality. Ore is placed on heap leach pads mostly in the second and third quarters with revenue being generated primarily in the third and fourth quarters of each year. As a result, work-in-progress inventory generally increases up to the end of the third quarter of each year and subsequently declines up to the end of the first quarter of the following year, which results in lower revenues in the first half of the year. Moreover, changes in inventory levels impact cash flows from operating activities, usually resulting in significant cash outflows (due to greater expenses associated with the heap leaching process) during the second and third quarters of each year and significant inflows during the first and fourth quarters. The effects of seasonality are not significant at the other Nordgold mines.

Liquidity and Capital Resources

Nordgold manages liquidity risk with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due by preparing annual budgets, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Nordgold believes it is able to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to finance a substantial portion of Nordgold's planned growth and to fund development activities. Having a strong balance sheet with low leverage and an acceptable level of debt, Nordgold believes it is able to raise the funding required to fully finance its planned growth and development activities.

Net Cash / Debt

US\$000	H1 2012	2011	2010	2009
Cash and cash equivalents	50,524	217,133	212,204	90,623
Third-party short-term debt	(58,537)	(58,812)	(62,272)	(61,005)
Related-party short-term debt	(1,155)	(257,516)	(218,206)	(114,411)
Total short-term debt	(59,692)	(316,328)	(280,478)	(175,416)
Short-term lease liabilities	—	—	(662)	(1,891)
Third-party long-term debt	(371,247)	—	(59,552)	(23,914)
Related-party long-term debt	—	(84,062)	(56,410)	(31,961)
Long-term debt	(371,247)	(84,062)	(115,932)	(55,875)
Long-term lease liabilities	—	—	—	(594)
Net debt	(380,415)	(183,257)	(184,868)	(143,153)
Short-term loans issued to related parties	447	447	425	17,005
Long-term loans issued to related parties	—	—	—	47,475
Total loans issued to related parties	447	447	425	64,480
Adjusted net debt	(379,968)	(182,810)	(184,443)	(78,673)

US\$000	H1 2012	H1 2011	2011	2010	2009
Cash and cash equivalents at beginning of the period . . .	217,133	212,204	212,204	90,623	25,566
Cash flows from operating activities	2,379	174,321	397,557	249,114	170,936
Cash flows from financing activities	57,382	13,171	(70,054)	281,266	49,759
Cash used in investing activities	(228,787)	(109,504)	(309,322)	(408,792)	(156,334)
Effect of exchange rate fluctuations on cash and cash equivalents	2,417	7,832	(13,252)	(7)	696
Cash and cash equivalents at end of the period	50,524	298,024	217,133	212,204	90,623

Cash Flows From Operating Activities

US\$000	Six months ended June 30,	
	2012 (unaudited)	2011 (unaudited)
Profit for the period	65,252	130,023
Adjustments for non-cash movements:		
Finance costs, net	28,980	10,852
Income tax expense	27,899	38,806
Depreciation and amortization	93,980	87,354
Impairment of non-current assets	205	838
Net loss from associates and joint ventures	116	287
Gain on disposal of subsidiaries	—	(412)
Loss on disposal of property, plant and equipment	394	425
Movements in provisions for inventories, receivables and other provisions	3,314	(14,656)
Impairment of available-for-sale financial assets	621	5,777
Changes in operating assets and liabilities:		
Accounts receivable	(10,218)	(20,083)
Inventories	(100,300)	(30,952)
VAT recoverable	(20,384)	(11,999)
Accounts payable	5,727	17,477
Net other changes in operating assets and liabilities	3,534	475
Cash flows from operations	99,120	214,212
Interest paid	(51,359)	(6,438)
Income taxes paid	(45,382)	(33,453)
Cash flows from operating activities	2,379	174,321

Cash flow from operating activities decreased to US\$2.4 million in the six month period ended June 30, 2012 from US\$174.3 million in the six months period ended June 30, 2011 due to the result of lower sales volumes combined with higher costs and payment of interest on loans from related parties.

Cash flow from operating activities increased in 2011 to US\$397.6 million from US\$249.1 million in 2010 as the result of an increase in total Nordgold sales. Other significant factors include the improved effectiveness of working capital management.

The increase in cash flow from operating activities to US\$249.1 million in 2010 from US\$170.9 million in 2009 was primarily due to higher sales at Neryungri, Aprelkovo, Buryatzoloto, Taparko and Crew Gold. Improved working capital management also helped performance.

Nordgold has no requirements for maintaining defined levels of inventory balances to meet customers' delivery requirements nor any sales with extended payment terms.

Cash Flows From Financing Activities

US\$000	H1 2012	H1 2011	2011	2010	2009
Proceeds from debt finance	375,765	81,730	116,884	315,114	340,024
Repayment of debt finance	(318,383)	(30,725)	(117,693)	(206,555)	(472,801)
Payment of finance lease liabilities	—	(380)	(634)	(2,423)	(4,270)
Acquisition of non-controlling interest	—	(32,910)	(59,440)	(341,954)	—
Proceeds from issue of share capital	—	—	—	527,317	127,764
Equity transaction costs paid	—	(4,587)	(9,171)	(5,450)	—
Contribution from parent company	—	—	—	—	9,456
Distribution to parent company	—	—	—	—	(4,411)
Distribution to related parties	—	—	—	(4,783)	—
Contribution from non-controlling interest	—	—	—	—	53,997
Other movements	—	—	—	—	—
Cash flows from financing activities	57,382	13,128	(70,054)	281,266	49,759

Cash flows from financing activities were US\$57.4 million in the six months period ended June 30, 2012 compared to US\$13.1 million in the six months period ended June 30, 2011. This change was mainly due to new financing obtained from Sberbank with subsequent repayment of related party debts in the first half of 2012. There was no acquisition in the first half of 2012 in contrast to the same period of 2011.

Cash flows used in financing activities were US\$70.1 million in in 2011 compared to cash flows from financing of US\$281.3 million in 2010, largely due to the US\$527.3 million of proceeds received as a result of the issue of share capital in 2010.

Cash flows from financing activities were US\$281.3 million in 2010, compared to US\$49.8 million in 2009. In 2010, Nordgold received a net inflow of US\$108.6 million from the proceeds of debt due to related parties. Nordgold invested US\$342.0 million in acquiring interests in Crew Gold and High River.

Cash Used in Investing Activities

The table below sets forth the cash used in investing activities:

US\$000	H1 2012	H1 2011	Q2 2012	Q2 2011	2011	2010	2009
Additions to property, plant and equipment	(153,084)	(60,253)	(153,084)	(60,253)	(200,143)	(109,376)	(59,168)
Additions to exploration and evaluation assets	(63,909)	(43,464)	(63,909)	(43,464)	(113,398)	(63,100)	(33,714)
Additions to other intangible assets	(151)	(136)	(151)	(136)	(1,051)	(415)	(62)
Additions to financial investments	(14,101)	(9,716)	(14,101)	(9,716)	(15,500)	(20,566)	(58,515)
Acquisition of entities under common control	—	37	—	37	37	—	(38,915)
Acquisition of subsidiaries, net of cash acquired	—	—	—	—	—	(259,219)	—
Proceeds from disposal of property, plant and equipment	26	1,196	26	1,196	1,776	1,787	1,543
Proceeds from disposal of financial investments	400	915	400	915	13,822	36,892	30,666
Proceeds from disposal of subsidiaries, net of cash disposed	—	457	—	457	458	337	20
Interest received	2,032	1,460	2,032	1,460	4,677	4,868	1,811
Cash used in investing activities	(228,787)	(109,504)	(228,787)	(109,504)	(309,322)	(408,792)	(156,334)

Cash flows used in investing activities increased to US\$228.8 million in the six months period ended June 30, 2012 from US\$109.5 million in the six months ended June 30, 2011. This increase was largely due to more significant levels of exploration activity and acquisition of property, plant and equipment.

Cash flows used in investing activities decreased in 2011 to US\$309.3 million from US\$408.8 million in 2010. The level of exploration activity and acquisition of property, plant and equipment increased by US\$141.1 million, from US\$172.5 million in 2010 to US\$313.5 million in 2011. At the same time cash flows utilised in investing activity in 2010 included US\$279.4 million spent on the acquisition of Crew Gold.

Cash flows used in investing activities increased in 2010 to US\$408.8 million from US\$156.3 million in 2009. This reflected the acquisition of a controlling stake in Crew Gold for US\$279.4 million, and investment in exploration activity, and the acquisition of property, plant and equipment, which increased to US\$172.5 million in 2010.

Capital Expenditures

The mining business is capital intensive and the development and exploitation of gold reserves, the conversion of resources and the acquisition of machinery and equipment require substantial capital expenditure. In line with its strategy, Nordgold seeks to implement expansion and improvement plans and to develop exploration prospects, which will involve significant capital expenditure. Furthermore, Nordgold must continue to invest significant capital to maintain or increase its reserves and the amount of gold that it produces. Extensive capital expenditure is currently planned at Nordgold's development sites of Bissa in Burkina Faso (US\$173.5 million budgeted for 2012) and Gross in the Russian Federation (US\$63.4 million budgeted for 2012), which is expected to be funded from Nordgold's cash flows.

Financing Arrangements

Nordgold has access to a number of possible funding sources to finance its capital requirements, as demonstrated earlier in 2012 when Nordgold was able to raise US\$375 million (RUB 11 billion) to refinance its intercompany indebtedness to the Severstal Group and then raised an additional US\$152 million (RUB 5 billion) to finance capital expenditure and strengthen its balance sheet. Nordgold is regularly in touch with its relationship banks to discuss possible financing opportunities and access to the debt capital markets.

There are no agreements to which Nordgold is a party that may trigger additional funding requirements or early payment tied to credit rating, profit or cash flows.

Contractual Obligations and Commitments⁽¹⁾

Contractual obligations and commitments (US\$m)	1 year	1-2 years	2-5 years	Over 5 years	Total
Long-term debt obligations	—	95	—	—	95
Short-term debt obligations	327	—	—	—	327
Capital (finance) lease obligations	—	—	—	—	—
Trade and other payables	121	6	4	2	134
Total	449	102	4	2	556

Notes:

⁽¹⁾ As at December 31, 2011.

Capital Commitment

As at December 31, 2011, Nordgold had contractual capital commitments of US\$78.7 million (December 31, 2010: US\$20.6 million).

As at June 30, 2012, Nordgold had contractual capital commitments of US\$102.6 million (December 31, 2011: US\$78.7 million).

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Short-term loans and borrowings (US\$000)	H1 2012	H1 2011	2011	2010	2009
Loans	—	274,311	232,910	209,057	113,477
Notes and bonds issued	58,537	63,807	58,812	62,272	—
Bank and other credit organizations financing	—	—	—	—	60,180
Accrued interest	590	19,526	24,606	9,149	1,758
Bank overdrafts	565	—	—	—	1
Lease liabilities	—	337	—	662	1,891
Other financing	—	—	—	—	—
Total	59,692	357,981	316,328	281,140	177,307

Long-term loans and borrowings (US\$000)	H1 2012	H1 2011	2011	2010	2009
Loans	—	61,826	73,889	51,910	11,058
Accrued interest	—	7,216	10,173	4,500	594
Notes and bonds issued	—	60,117	—	59,522	27,785
Lease liabilities	—	—	—	—	4,177
Bank and other credit organizations financing	335,194	—	—	—	11,094
Other financing	37,626	—	—	—	1,761
Unamortized balance of transaction costs	(1,573)	—	—	—	—
Total	371,247	129,159	84,062	115,932	56,469

Nordgold manages liquidity risk with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due by preparing an annual budget, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

In March 2012, Nordgold received a US\$375 million loan facility from Sberbank denominated in Russian roubles maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears an interest at a variable rate of 3-month Mosprime + 3.8% per annum payable on a quarterly basis. The loan is secured by pledge of Nordgold's ownership in High River (not less than 50% + 1 share of all High River Shares) and by guarantees of certain Nordgold subsidiaries. The proceeds from the facility were used to repay Nordgold's outstanding debt financing to Severstal Group of US\$358.4 million. This repayment concluded debt financing arrangements between Nordgold and Severstal Group as at March 31, 2012. In April 2012, Nordgold signed cross-currency swap agreements with Sberbank and Raiffeisenbank for the full amount of the Sberbank loan facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 29.3:1 and the interest rate was fixed at approximately 5.6%. The swap agreements with Sberbank are secured by the same collaterals as the loan agreement. The swap agreement with Raiffeisenbank is not secured by any collateral.

Nordgold met the covenants criteria as at June 30, 2012.

In July 2012, Nordgold received a US\$152 million loan facility from Sberbank denominated in Russian roubles maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears an interest at a variable rate of 3-month Mosprime + 3.3% per annum payable on quarterly basis. The loan has the same security as the US\$375 million loan received in March 2012. The proceeds from the facility will be used to finance Nordgold's capital expenditures and other investments. In July 2012, Nordgold signed a cross-

currency swap agreement with Sberbank for the full amount of the loan facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 32.7:1 and interest rate was fixed at 5.2%. The swap agreement with Sberbank is secured by the same collaterals as the loan agreement.

Short-term and long-term loans and accrued interest at December 31, 2011 were all from related parties.

At December 31, 2011, Nordgold had a concentration of short-term loans with related parties Severstal and OJSC Olkon in the amount of US\$185.8 million and US\$54.2 million respectively.

At December 31, 2011, Nordgold had a concentration of long-term loans with related parties LLC Mining Holding Company and OJSC Olkon in the amount of US\$72.4 million and US\$23.1 million respectively.

At December 31, 2010, Nordgold had a concentration of short-term loans with related parties Severstal and OJSC Olkon in the amount of US\$175.5 million and US\$51.1 million respectively.

At December 31, 2010, Nordgold had a concentration of long-term loans with a related party, LLC Mining Holding Company, in the amount of US\$69.3 million.

At December 31, 2009, Nordgold had a concentration of short-term loans with related parties LLC Mining Holding Company and OJSC Olkon that represented US\$51.5 million and US\$51.8 million accordingly.

At present its existing assets are almost fully funded, and in future periods will therefore require only maintenance capital.

Nordgold has entered into certain capital commitments and contractual obligations in respect of future capital expenditures. As at June 30, 2012, Nordgold had contractual capital commitments of US\$102.6 million excluding the above short term and long term loans and borrowings. As at December 31, 2011, Nordgold had contractual capital commitments of US\$78.7 million excluding the above short term and long term loans and borrowings. Sources of funding required to meet the above commitment will be primarily from debt and equity. Nordgold is regularly in touch with its relationship banks to discuss possible financing opportunities and access to the debt capital markets.

Equity

In order to maintain or adjust its capital structure, Nordgold, upon approval from the Nordgold Board, may issue shares, pay dividends, or undertake other activities as deemed appropriate under the specific circumstances.

Nordgold is authorized to issue 1,793,970,900 ordinary shares as of June 30, 2012 with a nominal value of EUR 2.50 each. As of the same date, Nordgold had issued capital of EUR 896,985,450, consisting of 358,794,180 ordinary shares outstanding.

Nordgold did not pay a dividend for the year ended December 31, 2011 (2010: nil). Under the dividend policy, Nordgold intends to declare dividends subject to its financial position, need for investment and availability of funds. The aim, going forward, is to maintain a long-term average dividend ratio of approximately 25% of the average net profit calculated in accordance with IFRS, for the relevant period. Nordgold's ability to pay dividends and to receive dividends from subsidiaries may, however, be restricted by applicable law.

It is Nordgold Board's intention, however, to pay a dividend in respect of the year ended December 31, 2012 and going forward in accordance with the policy outlined above.

RELATED PARTY TRANSACTIONS

Transactions with related parties, except the joint venture Prognoz Silver LLC were as follows:

US\$000	H1 2012	2011	2010	2009
Cost of sales	(1,979)	(2,552)	(1,572)	(65)
General and administrative expenses	(358)	(792)	(581)	(1,322)
Other operating expenses	(29)	—	(7)	—
Interest income	532	2,599	3,788	4,712
Interest expense	(5,655)	(23,876)	(14,099)	(24,202)
Purchases:				
Non-capital expenditures	(2,366)	(3,344)	(2,160)	(1,387)
Capital expenditures	—	(116)	(1,695)	(280)
Transaction with the old and new Parent Companies:				
Interest expense	—	—	(4,269)	(20,878)

Transactions with the Joint Venture Prognoz Silver LLC were as follows:

US\$000	H1 2012	2011	2010	2009
Repayment of debt	—	16,822	—	—
Other operating income	—	2,299	—	—
Finance income	—	500	—	—

In 2011 Nordgold received a repayment of debt of US\$16.8 million and released a provision on doubtful finance debt from Prognoz Silver LLC for the same amount.

Transactions with related parties are at arm's length and on a normal commercial basis.

Related Party Balances

Balances with related parties, except the joint venture Prognoz Silver LLC were the following:

	Six months ended 30 June	Year ended 31 December		
US\$000	2012	2011	2010	2009
Cash and cash equivalents	180	46,281	307	80
Short-term accounts receivable	703	640	104	334
Short-term loans given	—	447	425	17,005
Long-term loans given	—	—	—	47,475
Short-term accounts payable	440	503	1,321	6,209
Short-term debt financing	7	257,516	218,206	62,895
Long-term debt financing	—	84,062	—	31,962
<i>Balances with the old and new Parent Companies:</i>				
Short-term debt financing	—	—	—	51,516
Long-term debt financing	—	—	56,410	—

In March 2012, Nordgold obtained a RUB 11.0 billion loan from Sberbank and repaid outstanding debt to related parties.

Balances with the Joint Venture Prognoz Silver LLC were as follows:

	Six months ended 30 June	Year ended 31 December		
US\$000	2012	2011	2010	2009
Short-term accounts receivable	—	—	—	6
Short-term accounts payable	—	—	—	106

Before June 2010, the Company's immediate parent company was LLC Mining Holding Company. On June 26, 2010, 100% of the Company's shares were sold by LLC Mining Holding Company to its 100% owned subsidiary — Lybica Holding B.V.

In November 2011, the Severstal Group decided to spin off Nordgold by exchange of 100% shares of Nord Gold N.V. for Severstal shares and GDRs based on the relative fair values. In January 2012, Nordgold completed exchange of 10.6 % of its shares with non-controlling shareholders which became traded on the LSE in the form of Nordgold GDRs. The exchange between Lybica Holding B.V. and Rayglow Limited, an entity controlled by Alexey Mordashov, of Severstal shares for 89.4% of the Nordgold Shares was completed in March 2012 and those Nordgold Shares were then sold to Canway Holding B.V., a company controlled by Alexey Mordashov who remains the ultimate controlling party.

There are no loans to directors.

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with Nordgold in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

PROPOSED TRANSACTIONS

As Nordgold already reflects High River's financial results within its financial results, Nordgold's acquisition of the issued and outstanding High River Shares not already owned by it is not expected to have an effect on Nordgold's financial condition, financial performance and cash flows beyond eliminating the non-controlling interest in High River and reflecting the payment of consideration and related expenses under the Offer.

Unaudited pro forma consolidated financial statements of Nordgold as at and for the six months ended June 30, 2012 and for the year ended December 31, 2011 after giving effect to its acquisition of all of the issued and outstanding High River Shares not already owned by it are included in Annex C of this Offer and Circular. The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma consolidated financial statements. The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had Nordgold's acquisition of all of the issued and outstanding High River Shares actually occurred at the times contemplated by the notes to the unaudited pro forma consolidated financial statements or of the results expected in future periods.

CRITICAL ACCOUNTING ESTIMATES

The preparation of reports requires Nordgold's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of

estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant areas requiring the use of management estimates and assumptions relate to:

- useful economic lives of property, plant and equipment;
- mineral reserves that are the basis of future cash flow estimates;
- assets impairment;
- environmental provisions;
- metallurgical recovery percentage;
- allowances for doubtful debts and obsolete and slow-moving inventory;
- litigations;
- the fair value of derivative financial instruments;
- deferred income taxes.

Useful lives of property, plant and equipment and intangible assets

Nordgold assesses the remaining useful lives of items of property, plant and equipment and intangible assets at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*”. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and intangible assets and on depreciation expense for the period.

During 2012, Nordgold revised useful lives of certain mineral rights following an updated independent report on mineral reserves and resources valuation. The effect of the change in accounting estimate on financial results for the six months ended June 30, 2012 was an increase in depreciation expense in the amount of US\$6.4 million

Mineral reserves

Nordgold assesses the quantity of mineral reserves on the basis of approved feasibility and technical reports. Nordgold uses assessments of mineral reserves in the recognition and determination of the fair value of exploration and evaluation assets and mineral rights acquired in business combinations, and in the calculation of future cash flows for assets impairment testing.

Assets impairment

Nordgold reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Environmental provisions

Nordgold reviews its environmental provision at each reporting date and adjusts it to reflect the current best estimate in accordance with IFRIC 1 “*Changes in Existing Decommissioning, Restoration and Similar*

Liabilities". The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgment is required in forecasting future site restoration costs. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur.

Metallurgical recovery percentage

Nordgold assesses the metallurgical recovery percentage based on the applicable processing method. This assessment is used for measurement of gold-in-process.

Allowance for doubtful debts

Nordgold makes an allowance for doubtful receivables to account for estimated losses resulting from the inability of the contracting party to make required payments. When evaluating the adequacy of an allowance for doubtful debts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements.

Allowance for obsolete and slow-moving inventories

Nordgold makes an allowance for obsolete and slow-moving raw materials and spare parts. Inventories are carried at the lower of cost or net realizable value. Estimates of net realizable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period.

Litigation

Nordgold exercises judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to the estimate may significantly affect future operating results.

Fair value of derivative financial instruments

The value of the future amount of liability for certain debt instruments depends upon average quarterly gold prices and the quarterly volume of production. The change in the value of the liability due to the factors is accounted for as an embedded derivative. Nordgold's judgement is required for future gold prices trends projections.

Deferred income taxes

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The

estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from estimates or if these estimates are adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

In the event that the assessment of future utilization of deferred tax assets are reduced, this reduction will be recognized in the income statement.

The operations of Nordgold in Kazakhstan are subject to income corporate tax, consisting of a fixed component and variable component. Deferred tax assets and liabilities are measured at each reporting date using an average of expected total income tax rates for the future periods when the asset (liability) is realised (settled), based on expected performance and prices for gold.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by Nordgold for the six months ended June 30, 2012 are the same as those applied by Nordgold for the year ended December 31, 2011, except that Nordgold has adopted those new/revised standards mandatory for financial annual periods beginning on January 1, 2012. The adoption of the pronouncements did not have a significant impact on Nordgold's condensed consolidated interim financial statements.

The accounting policies applied by Nordgold for the year ended December 31, 2011 are the same as those applied by Nordgold for the year ended December 31, 2010, except that Nordgold had adopted those new/revised standards mandatory for financial annual periods beginning on January 1, 2011.

<u>Standards</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1 (Amended) "Presentation of Financial Statements"	January 1, 2011
IAS 24 (Revised) "Related party disclosure"	January 1, 2011
IAS 27 (Amended) "Consolidated and Separate Financial Statements"	July 1, 2010
IAS 32 (Amended) "Financial instruments: Presentation"	February 1, 2010
IAS 34 (Amended) "Interim financial reporting"	January 1, 2011
IFRS 3 (Amended) "Business Combinations"	July 1, 2010
IFRS 7 (Amended) "Financial instruments: disclosures"	January 1, 2011
IFRIC 13 (Amended) "Customer Loyalty Programmes"	January 1, 2011
IFRIC 14 (Amended) "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	January 1, 2011
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	July 1, 2010

Amended IAS 1 *Presentation of Financial Statements* clarified that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is required to be presented, but may be presented either in the statement of changes in equity or in the notes. These amendments did not have a significant effect on Nordgold's financial statements.

Revised IAS 24 *Related party disclosures* provided a revised definition of a related party which includes new relationships and led to the increased number of parties considered related to Nordgold. Revised IAS 24 became effective as at January 1, 2011 and requires retrospective application. These amendments did not have a significant effect on Nordgold's financial statements.

Amended IAS 27 *Consolidated and separate financial statements* clarified consequential amendments to other related international financial reporting standards. These amendments did not have a significant effect on Nordgold's financial statements.

Amended IAS 32 *Financial instruments: presentation* incorporated changes in respect of the classification of rights issues and their accounting. These amendments did not have a significant effect on Nordgold's financial statements.

Amended IAS 34 *Interim financial reporting* provided additional examples to the list of events or transactions that require disclosure and removed references to materiality that describes other minimum disclosures. These amendments did not have a significant effect on Nordgold's financial statements.

Amended IFRS 3 *Business Combinations* incorporated transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3 and limited the accounting policy choice to measure non-controlling interest. These changes did not have a significant effect on Nordgold's financial statements.

Amended IFRS 7 *Financial instruments: disclosures* incorporated a number of clarifications to the existing disclosure requirements that did not have a significant effect on Nordgold's financial statements.

Amended IFRIC 13 *Customer loyalty programmes* provided guidance in respect of measuring the fair value of award credits and did not have a significant effect on Nordgold's financial statements.

Amended IFRIC 14 *IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction* provided guidance in respect of recognition of prepaid contributions and did not have a significant effect on Nordgold's financial statements.

Amended IFRIC 19 *Extinguishing financial liabilities with equity instruments* provided guidance on the accounting for debt for equity swaps and did not have a significant effect on Nordgold's financial statements.

New Accounting Pronouncements

The following new Standards and Interpretations are not yet effective:

- IAS 19 (2011) *Employee Benefits*. The amended standard will introduce a number of significant changes to IAS 19. First, the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur. Secondly, the amendment will eliminate the current ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. Thirdly, the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation. The amended standard shall be applied for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The amendment generally applies retrospectively.
- IAS 27 (2011) *Separate Financial Statements* will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013. Early adoption of IAS 27 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011).
- IAS 28 (2011) *Investments in Associates and Joint Ventures* combines the requirements in IAS 28 (2008) and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12. The amended standard will become effective for annual periods beginning of or after January 1, 2013 with retrospective application required. Early adoption of IAS 28 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).
- Amendments to IFRS 7 *Financial Instruments: Disclosures—Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the

statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after January 1, 2013, and are to be applied retrospectively.

- IFRS 9 Financial Instruments will be effective for annual periods beginning on or after January 1, 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. Nordgold recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Nordgold's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. Nordgold does not intend to adopt this standard early.
- IFRS 10 Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation—Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).
- IFRS 11 Joint Arrangements will be effective for annual periods beginning on or after January 1, 2013 with retrospective application required. The new standard supersedes IAS 31 Interests in Joint Ventures. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, in which case these arrangements are treated similarly to jointly controlled assets/operations under IAS 31s, or as joint ventures, for which the equity method only is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented. Under the new standard all parties to a joint arrangement are within the scope of IFRS 11 even if all parties do not participate in the joint control. Early adoption of IFRS 11 is permitted provided the entity also early-adopts IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).
- IFRS 12 Disclosure of Interests in Other Entities will be effective for annual periods beginning on or after January 1, 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

- IFRS 13 Fair Value Measurement will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from July 1, 2012 and early adoption is permitted.
- Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after January 1, 2014, and are to be applied retrospectively.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine is effective for annual periods beginning on or after January 1, 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Since April 2012, Nordgold has designated certain derivatives as hedges of a particular risk associated with the exposure to variability in cash flows that is attributable to particular risks associated with recognized debt financing and which could affect profit or loss. Nordgold's hedging strategy is designed to reduce the variability of cash flows associated with debt financing from third parties denominated in foreign currencies and/or issued on terms of variable interest rates. The list of potential hedging counterparties includes major large and stable banks; the credit risk associated with these counterparties is considered to be very low.

RISKS AND UNCERTAINTIES

Risks and Uncertainties

Nordgold's senior management is responsible for developing Nordgold's overall risk strategy and the policies that support it. The risk strategy and policies are then reviewed by the Nordgold Board.

Nordgold has established an internal controls system to manage risks. This system helps the Nordgold Board ensure that risks associated with its business are effectively managed. Identifying, assessing and managing

risks is an ongoing process, as is the development of appropriate internal controls. Nordgold promptly rectifies any weaknesses it comes across in its risk management or internal controls.

In reviewing the effectiveness of its risk management system, the Nordgold Board considers the results of its monitoring and reporting process, as well as the views of management. The Nordgold Board also takes into account any material changes and trends in the risk profile, and considers whether the control system adequately supports its risk management objectives.

The Nordgold Board also receives assurance from the Audit Committee, which receives information from regular internal and external audit reports, as well as other reports on risk management and internal controls throughout Nordgold.

Nordgold faces a number of industry, operational, and market risks which are typical for a company such as Nordgold. In the tables below Nordgold provides a description of such risks and the measures it has in place to mitigate them.

Mining Industry Risks

<u>Risk</u>	<u>Mitigation</u>
The market price for gold can change significantly, driven, for example, by inflation expectations, movements in the US dollar, interest rates, speculation, investment demand and political events.	Nordgold monitors the gold price, market and other indicators related to the risk: inflation, US dollar rates, analyst forecasts etc.
Nordgold's reserves and production may decline over time if it fails to acquire and/or develop additional reserves. The cost and outcome of exploration activity is inherently uncertain.	Nordgold employs experienced geologists and use up-to-date exploration techniques to maximise its chances of successful exploration. Nordgold controls the cost of explorations and regularly reviews established key performance indicators and benchmarks. However, Nordgold's risk policy does not provide for hedging future gold production.
Nordgold incurs costs associated with complying with, and the risk of changes to, a range of laws, government regulations, licences, permits and other approvals.	Meeting its legal and regulatory obligations is fundamental to the way Nordgold works. Nordgold maintains sustainable relationships with governments and other regulatory bodies.
Gold mining and the processes and chemicals Nordgold uses can create safety and environmental hazards.	Protecting the health and safety of its workers and looking after the environment are Nordgold's highest priorities.

Operational Risks

<u>Risk</u>	<u>Mitigation</u>
Developing gold reserves, converting resources into reserves and acquiring machinery and equipment involves substantial capital expenditure.	Nordgold is soundly financed. It monitors its liquidity and carefully manage its cash flow and balance sheet to ensure that it has the necessary financial resources.

Nordgold's business depends significantly on contributions from a number of key personnel — in particular senior management and its engineers and geologists—as well as good relations with its employees.

The cost of electricity — Nordgold's single largest operating expense — can be unstable.

Nordgold strives to be a best-in-class employer, offering very attractive career opportunities and remuneration packages.

Nordgold has long-term contracts with suppliers, as well as electricity saving programmes in place.

Emerging Market Risks

Risk

Legal and tax frameworks in emerging markets are not always fully developed.

Political and social conflicts, instability, and crime and corruption could create an uncertain operating environment.

Nordgold may be subject to arbitrary government action, a challenge being made to its ownership of assets, or a review of its licences.

Inflation, and governmental efforts to combat it, may contribute significantly to economic uncertainty.

Mitigation

Nordgold's tax, legal and accounting departments ensure that Nordgold has a full and proper understanding of applicable tax and statutory legislation.

Nordgold closely monitors political and social situations. Nordgold has stable relations with communities and governments.

Nordgold would be able to mount an effective legal defence, with the help of its legal department.

Nordgold has cost-control and continuing operational efficiency programmes in place.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Nordgold's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Nordgold is exposed to commodity prices risk. Market prices of products to be sold in future influence Nordgold's future profitability and the recoverability of assets. Nordgold does not use derivatives to mitigate its exposure to commodity price risk. Nordgold monitors gold price trends and regulates sales policy accordingly. Nordgold plans to use futures with short-term time of delivery for mitigating price fluctuations within monthly and quarter periods.

Currency Risk

Currency risk arises when Nordgold entity enters into transactions and balances not denominated in its functional currency. Nordgold has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

A 10% strengthening of the following currencies against the functional currency at December 31, 2011 and 2010 would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and no translation difference into the presentation currency is included.

	December 31, 2011	December 31, 2010
USD	(5,170)	(1,248)
RUB	1,168	2,690
KZT	4,405	4,103
CAD	(12,061)	(5,319)
NOK	(5,303)	(6,037)
GBP	1,264	1,090
Other	5	(1,030)
Total	(15,692)	(5,751)

A 10% weakening of these currencies against the functional currency at reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses arising on the translation are recognized in the income statement.

For details of foreign currency exposure in respect of the periods covered by the historical financial information see “*Financial risk management—Currency risk*”, note 27 to the financial statements for the years ended December 31, 2011 and 2010 and note 27 to the financial statements for the years ended December 31, 2010 and 2009, each in Annex B.

Interest Rate Risk

Interest rates on Nordgold’s debt finance are either fixed, variable at a fixed spread over Mosprime for the duration of the contract or depending upon fluctuations in gold price and production volumes. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of Nordgold’s exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the over the expected period until maturity.

Risks Related to Returns from Subsidiaries and Other Investments

Nordgold’s ability to pay interest and other operating expenses and dividends, to meet its obligations and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon receipt of sufficient funds from its principal subsidiaries and other investments and its ability to raise additional capital. The likelihood that Nordgold shareholders will receive return on their investment will be dependent upon the operating performance, profitability, financial position and creditworthiness of Nord Gold’s principal direct and indirect subsidiaries and on their ability to pay a return to Nordgold. The payment of interest and dividends by certain of these principal subsidiaries to Nordgold is also subject to restrictions set forth in corporate and other laws and regulations which require that solvency and capital standards be maintained by such companies.

A significant portion of Nordgold’s cash and cash equivalents are held by numerous foreign subsidiaries. Although substantially all such cash and cash equivalents could be repatriated, a significant portion may be subject to withholding taxes under current tax laws.

Contingencies

In September 2011, the Republic of Guinea issued a new mining code which is intended to repeal and replace the existing mining code. The government has begun applying the provisions of the New Mining Code and has indicated that re-negotiation of existing mining concessions and increased economic interest in existing mining companies may be appropriate. The New Mining Code entitles the Republic of Guinea to a free 15% interest in the share capital of a company to which it has granted title and the right to acquire an additional 20% in the share capital of the mining company on terms to be negotiated with each company. The New Mining Code also includes a new fiscal and customs regime applicable to mining activities and provides for the renegotiation of existing mining concessions.

Historically, political instability and regime change in Guinea have resulted in uncertainty as to the resolution of issues raised by former Guinea government officials regarding the Lefa mining concession. In 2009, the government conducted a review of the terms of the Lefa mining concession. As a result of this review, Crew Gold was required to pay a cash deposit of US\$5 million to cover the expected closing costs of the Lefa mine at the expiration of its mining concession.

In addition, Crew Gold had been in discussions with the former Government of Guinea regarding the valuation of, and the original amount paid in 2006 for, Crew Gold's acquisition from the Government of Guinea of the remaining 15% interest in SMD. These discussions resulted in the former Minister of Mines proposing an agreement in which 7.5% of the share capital of SMD would be transferred to the Government, a payment to the Government would be made in the amount of US\$1.5 million and the Lefa mining concession would be extended by 13 years. Nordgold was considering the reasonableness of these proposals when the new Government took office.

In correspondence regarding the above proposal, the former Minister of Mines also indicated that he believed that Nordgold should have obtained approval from him before acquiring its indirect interest in SMD (when it acquired control of Crew Gold in 2010), citing Article 62 of the New Mining Code. The new Minister of Mines has reiterated this claim. Nordgold believes that there is no legal basis to conclude that prior approval was required.

Given the uncertainty as to the application and interpretation of the New Mining Code, its impact on to Nordgold's ownership through Crew Gold of SMD, which holds the Lefa mining concession, to the mining concession itself and to Nordgold's activities in Guinea and the introduction of the new fiscal and customs regime, there can be no assurance that the actions of the Government of Guinea, or the impact of the new legislation, will not have a significant negative impact on Nordgold's ownership interest in SMD, or result in an increase in taxation or the costs of doing business in Guinea, any of which could have a material adverse effect on Nordgold's business, results of operations and financial condition.

Taxation systems in the Russian Federation, Kazakhstan, Burkina Faso and Guinea

The taxation system and regulatory environment of the Russian Federation, Kazakhstan, Burkina Faso and Guinea ("countries of operation") are relatively new and characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions, who are empowered to impose significant fines, penalties and interest charges. Events during recent years suggest that the regulatory authorities within the countries of operation are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks. The tax legislation of Burkina Faso is not explicitly clear concerning the VAT treatment of specific financing transactions between residents and non-residents. Should the tax authorities follow the literal wording of the provisions of the VAT legislation, they may claim that the provision of loans by non-residents to residents should be treated as the provision of services and, therefore, interest charged under such loans should be subject to withholding VAT. The effect on Nordgold's financial

position, if the authorities were successful in enforcing their interpretation, would be an additional tax assessment of US \$ 15.5 million.

The tax legislation of Burkina Faso is not explicitly clear regarding the treatment of certain interest payments and the application of related income tax withholding rules. If the tax authorities reclassify the loan and interest paid by Taparko to Royal Gold under a loan agreement into royalties which are subject to withholding tax, the additional withholding tax assessment could be in the range US\$ 1.9 — 3.7 million.

The VAT regulation of Burkina Faso imposes complicated compliance requirements to the recovery of input VAT. In case of noncompliance with the requirements of local legislation to the documentary support in relation to input VAT the tax authorities may challenge the VAT refund related to certain transactions. The effect on Nordgold's financial position, if the authorities were successful in challenging Nordgold's VAT position, is an additional tax assessment of US \$ 2.4 million.

By virtue of being incorporated in Canada, Crew Gold could be considered to be a Canadian tax resident. With its place of effective management in the UK the company also could be considered to be a UK tax resident. Crew Gold has taken the tax filing and financial statements position that it is a UK resident for tax purposes. Depending on when the Canadian tax authority deem Crew Gold to have left Canada for tax purposes, it may be liable for a payment of Canadian departure tax and secondary exit tax in the total amount of US\$ 2.6 million. Moreover, a Nordgold company, Guinor, could be also considered to be a Canadian tax resident. Due to the replacement of Guinor's board of directors with Crew Gold's board of directors in December 2005 the place of effective management of Guinor could be deemed to have moved to the UK. If Guinor ceased to be a Canadian resident and was consequently deemed to be a UK resident the maximum tax exposure amounts to US\$ 36.0 million. Depending on whether Guinor is deemed to be a tax resident of the UK or Canada it could be exposed to various tax risks, with a maximum potential tax exposure of US\$ 32.3 million.

Management believes that it has complied in all material respects with all relevant legislation and will sustain its tax position if challenged by the tax authorities.

Litigation

In October 2011, JSC FIC Alel ("Alel") received notifications from region tax authorities regarding additional royalty and additional corporate tax accrual in total amount of US\$ 3.1 million. Management believed that the royalty and taxes were not supported by applicable regulation and thus no provision was made. However, the final outcome might significantly depend on the political environment of the Republic of Kazakhstan. In May 2012, Alel's complaint was rejected by the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan. Management decided not to file the application to the court and the amounts were paid off. Following this decision a liability of US\$ 2.7 million had been provided for in the six months ended June 30, 2012.

As was announced on June 6, 2011 Taparko agreed to settlement terms with its former contractor, Senet CC ("Senet"), in respect of a previously disclosed action brought against Somita. As disclosed most recently in High River's Annual Information Form dated March 31, 2011, a claim regarding services which were delivered to Taparko by Senet, but for which payment was still outstanding, was filed against Somita before the arbitrator in South Africa in 2009. The aggregate amount of the claim was US\$3.7 million and High River filed a statement of defense and counterclaim against Senet for damages. The settlement agreement with Senet provides for full and final settlement of Senet's claim against Taparko and any and all claims between Senet and Somita arising out of the written agreement between the parties dated February 3, 2006 for a settlement amount of US\$1,350,000 paid to Senet.

In January 2012, Argentum CJSC (a Joint Venture partner for Prognoz Silver LLC) applied to the Moscow Arbitration Court to commence official bankruptcy procedures for Prognoz Silver LLC. The formal bankruptcy proceedings have not yet been initiated by the court.

The Nordgold Board believes that it has made adequate provisions for other possible claims.

ENVIRONMENTAL MATTERS

Environmental Risk

Nordgold's activities employ processes and chemicals that may be harmful to the environment and may be subject to compliance, clean-up and other costs which could materially adversely affect Nordgold's business, financial condition and results of operations.

Mining activities are generally subject to environmental and safety hazards as a result of the processes and chemicals used in the extraction and production methods. In particular, Nordgold transports, uses and disposes of cyanide and other hazardous substances at its mines, which gives rise to the risk of spillage or seepage in areas where there could be damage or harm caused to the environment and/or to the public. In addition, environmental hazards may exist on Nordgold's properties, or may be encountered while its products are in transit, which are currently unknown to it or may arise irrespective of such compliance. Furthermore, the storage of tailings may present a risk to the environment, property and persons. There remains a risk of leakage from or failure of Nordgold's tailings dams, as has been experienced at Berezitovy and Irokinda, including as a result of theft and vandalism during the operating life of the mines or after their closure. While Nordgold's mines comply with national requirements, they fall short of international standards.

Nordgold may be liable for losses associated with environmental hazards and rehabilitation, have its licences and permits withdrawn or suspended, face negative reputational consequences or be forced to undertake extensive remedial clean-up action or to pay for government-ordered remedial clean-up actions, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, reputational consequences, actions or payments may have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Environmental Laws and Regulations.

The jurisdictions in which Nordgold operates have adopted environmental regulations requiring industrial companies to undertake programmes to reduce, control or eliminate various types of pollution and to protect natural resources. Nordgold must actively monitor specific air emission levels, ambient air quality, quality of nearby surface water, level of contaminants in soil and creation of solid waste. Nordgold must also submit quarterly reports on emission levels and annual reports on water monitoring to environmental authorities. In addition, the environmental authorities conduct additional testing to validate Nordgold's results. If Nordgold exceeds certain emissions levels, Nordgold is required to make additional payments to the regulatory authorities.

In addition, failure to comply with environmental regulations and the terms of Nordgold's subsoil use contracts may subject Nordgold to significant civil and criminal penalties, including the loss of mining, land-use and other contracts, permits and licences as well as subject Nordgold's management to criminal sanctions.

As the risk of environmental pollution is greater when using heap leaching and cyanidation, compared with gravity concentration and flotation enrichment, Nordgold's use of these technologies requires greater efforts to comply with its environmental obligations.

Upon the cessation of mining operations, gold mining companies are obliged to close their operations and rehabilitate the lands that they mined. Estimates of the total ultimate closure and rehabilitation costs for gold mining operations are significant and are based principally on current legal and regulatory requirements that could change materially. Nordgold makes regular contributions into liquidation funds to be used upon the cessation of mining operations for environmental clean-ups of the territories covered by its subsoil use contracts.

In the event that these funds are insufficient to meet the cost of Nordgold's clean-up obligations however, Nordgold is obliged to fund any such shortfall.

Environmental laws and regulations in the jurisdictions in which Nordgold operates are continually changing and are generally becoming more restrictive. Nordgold currently complies with all national standards and environmental regulatory requirements at each of its mines, but it does not currently comply with internationally recognised codes and guidelines at each of its mines. While Nordgold aims to adhere to international best practices across its asset base, there can be no assurance that it will be able to meet international best practices at all of its mines. If Nordgold's environmental compliance obligations were to change as a result of changes in the laws and regulations or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions were to arise in its operations, Nordgold's expenses and provisions would increase to reflect these changes. If material, these expenses and provisions could adversely affect its business, operating results and financial position and the price of the Nordgold GDRs.

Mine Reclamation and Closure Provision

Nordgold's exploration, development and operational activities are subject to extensive laws and regulations governing various matters. These include, but are not limited to, laws and regulations relating to taxation, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by the various applicable governments, exploration, development of mines, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards, including mine safety, and historic and cultural preservation.

In addition, Nordgold is required to seek and to comply with the terms of governmental licences, permits, authorisations and other approvals in connection with its exploration, construction, and operating activities, for example, in relation to its prospecting licences, prospecting licences reconnaissance, mining licences, environmental management, water supply and discharge and use of hazardous chemicals and explosives. Obtaining the necessary governmental permits can be a complex and time-consuming process and may involve costly undertakings. The duration and success of permit applications are contingent on many factors that are outside Nordgold's control. Nordgold currently has all of the material permits required for the conduct of Nordgold's current operations.

The costs associated with compliance with these laws, regulations and licences are substantial, and possible additional future laws and regulations, changes to existing laws and regulations (including, but not restricted to, the imposition of higher licence fees, mining royalties or taxes) or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities, could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on, or suspensions of, Nordgold's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of Nordgold's past and current operations, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Nordgold as at August 31, 2012, before and after making adjustments giving effect to the issuance by Nordgold of the Nordgold GDRs offered to High River Shareholders as consideration under the Offer (assuming that only the Locked-Up Shareholders elect the GDR Offer), but not for any changes subsequent to August 31, 2012. This table should be read in conjunction with Nordgold's consolidated annual financial statements as at and for the year ended December 31, 2011 and consolidated interim financial statements as at and for the three and six months ended June 30, 2012.

	As at August 31, 2012 (US\$ 000) ⁽²⁾	Adjusted as at August 31, 2012 ⁽¹⁾ (US\$ 000) ⁽²⁾
Total Current Debt	64,623	64,623
Secured/guaranteed bonds ⁽³⁾	59,595	59,595
Secured/guaranteed debt ⁽⁴⁾	5,027	5,027
Total Non-Current Debt	493,265	705,170
Secured/guaranteed debt ⁽⁴⁾	493,265	705,170
Total Shareholders' Equity	2,127,857	2,181,679
Share Capital	1,244,502	1,298,324
Additional Capital	862,340	862,340
Revaluation Reserves	21,015	21,015
Total Capitalization	2,685,744	2,951,472

Notes:

- (1) Assumes that all High River Shares not already owned by Nordgold are taken up under the Offer and that only the Locked-Up Shareholders elect the GDR Offer.
- (2) Where applicable, amounts in Euros or Canadian dollars have been converted to United States dollars using the August 31, 2012 exchange rates from the Central Bank of Russia of €0.7930/US\$1.00 and C\$0.9863/US\$1.00.
- (3) Relates to bonds issued by Crew Gold and interest accrued on such bonds.
- (4) Relates to loan facility from Sberbank.

DESCRIPTION OF NORDGOLD SHARES

Set forth below is a summary of relevant information and certain material provisions of Nordgold's articles of association dated October 15, 2012 (the "**Articles of Association**") and applicable Dutch law. This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the Articles of Association and the relevant provisions of Dutch law as in force on the date of this Offer and Circular. This summary does not constitute legal advice regarding those matters and should not be regarded as such. The full text of the Articles of Association is available, in Dutch and English, at the office of Nordgold during regular business hours and on Nordgold's website.

Nordgold Shares

No Share Certificates

The Nordgold Shares are registered shares (*aandelen op naam*) for which no share certificates are issued.

Shareholders' Register

Subject to Dutch law and the Articles of Association, Nordgold must maintain a register of Nordgold Shareholders. The Nordgold Board keeps Nordgold's register up to date and records names and addresses of all holders of Nordgold Shares, showing the date on which the Nordgold Shares were acquired, the date of the acknowledgement by or notification of Nordgold as well as the amount paid on each Nordgold Share. The register also includes the names and addresses of those with a right of usufruct or pledge in respect of such Nordgold Shares. The names and the addresses of depositary receipt holders, including the holders of Nordgold GDRs, will not be entered into Nordgold's shareholders' register. The Nordgold Board makes the register available at the office of Nordgold for inspection by holders of Nordgold Shares, as well as by the beneficiaries of a usufruct and the pledgees to whom the rights of a depositary receipt holder accrue.

Issue of Nordgold Shares

The general meeting of Nordgold Shareholders is authorised to issue Nordgold Shares (or to grant rights to subscribe for Nordgold Shares) and the Nordgold Board may make a proposal to this end. The general meeting of

Nordgold Shareholders may designate the Nordgold Board as the corporate body competent to issue Nordgold Shares (or to grant rights to subscribe for Nordgold Shares) and to determine the issue price and other conditions of the issue for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years) so long as the maximum number of Nordgold Shares which may be issued is specified. Nordgold Shares may not be issued at less than their nominal value and must be fully paid up upon issue. A resolution by the general meeting of Nordgold Shareholders to issue Nordgold Shares (or to grant rights to subscribe for Nordgold Shares) or to designate the Nordgold Board as the competent corporate body requires a majority of the votes cast. A resolution designating the Nordgold Board as the competent corporate body to resolve upon the issue of Nordgold Shares cannot be withdrawn unless provided otherwise in such resolution. No resolution is required for the issue of Nordgold Shares pursuant to the exercise of a previously-granted right to subscribe for Nordgold Shares.

At the annual general meeting of Nordgold Shareholders held on June 14, 2012, the Nordgold Board was designated as the corporate body competent to issue Nordgold Shares (and to grant rights to subscribe for Nordgold Shares). This authority of the Nordgold Board to issue Nordgold Shares (and to grant rights to subscribe for Nordgold Shares) was granted up to a maximum of 10% of the issued share capital of Nordgold at June 14, 2012, plus, in the event of a merger or acquisition, an additional 10% of the issued share capital of Nordgold as per the same date, for a period of 18 months, starting on June 14, 2012. The general meeting of Nordgold Shareholders may increase these percentages and extend this period at any time.

Pre-Emptive Rights

Under Dutch law and the Articles of Association, each Nordgold Shareholder has a pre-emptive right in proportion to the aggregate nominal value of their shareholding upon the issue of Nordgold Shares (or the granting of rights to subscribe for Nordgold Shares). Exceptions to this pre-emptive right include the issue of Nordgold Shares (or the granting of rights to subscribe for Nordgold Shares): (i) to employees of Nordgold or another member of its group; (ii) against payment in kind (contribution other than in cash) and (iii) to persons exercising a previously-granted right to subscribe for Nordgold Shares.

The general meeting of Nordgold Shareholders may limit or exclude the pre-emptive rights by a resolution requiring a majority of at least 75% of the votes cast, which is higher than the Dutch law requirement of at least two-thirds of the votes cast, if less than 50% of the issued share capital of Nordgold is present or represented at the general meeting of Nordgold Shareholders. The general meeting of Nordgold Shareholders may designate the Nordgold Board as the corporate body competent to resolve upon the limitation or exclusion of the pre-emptive rights if the Nordgold Board has also been or is designated as the competent corporate body to resolve upon the issue of Nordgold Shares for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years). A resolution designating the Nordgold Board as the competent corporate body to resolve upon the limitation or exclusion of the pre-emptive rights cannot be withdrawn unless provided otherwise in such resolution.

At the annual general meeting of Nordgold Shareholders held on June 14, 2012, the Nordgold Board was designated as the corporate body competent to limit or exclude the pre-emptive rights, subject to the limited authority the Nordgold Board has in respect of the issue of Nordgold Shares (and the granting of rights to subscribe for Nordgold Shares), for a period of 18 months, starting on June 14, 2012.

Financial Assistance

Nordgold (including its subsidiaries) may not give security, give a price guarantee, answer to in any other way or bind itself severally or otherwise in addition to or for others in relation to the subscription or acquisition of Nordgold Shares or depositary receipts, including Nordgold GDRs. This prohibition shall not apply to Nordgold Shares or depositary receipts, including Nordgold GDRs, subscribed for or acquired by employees of Nordgold (including its subsidiaries).

Acquisition of Nordgold Shares

Subject to certain provisions of the Articles of Association, Nordgold may acquire fully paid-up Nordgold Shares or depositary receipts, including Nordgold GDRs, provided no consideration is given or provided (i) Nordgold has freely distributable reserves at least equal to the purchase price and (ii) the nominal value of the Nordgold Shares or depositary receipts thereof, including Nordgold GDRs, to be acquired when aggregated with the nominal value of the Nordgold Shares or depositary receipts, including Nordgold GDRs, already held by Nordgold and its subsidiary companies does not exceed 50% of the issued share capital of Nordgold.

The acquisition of Nordgold Shares or depositary receipts, including Nordgold GDRs, by the Nordgold Board (on behalf of Nordgold), other than for no consideration, requires authorization by the general meeting of Nordgold Shareholders. Such authorisation may be granted for a period not exceeding 18 months and shall specify the number of Nordgold Shares or depositary receipts, including Nordgold GDRs, and the conditions of such acquisition. The authorization is not required for the acquisition of Nordgold Shares or depositary receipts, including Nordgold GDRs, for employees of Nordgold, under a scheme applicable to such employees. Under Dutch law, a resolution by the general meeting of Nordgold Shareholders to designate the Nordgold Board as the competent corporate body for the acquisition of Nordgold Shares or depositary receipts, including Nordgold GDRs, other than for no consideration requires a simple majority of the votes cast.

At the annual general meeting of Nordgold Shareholders held on June 14, 2012, the Nordgold Board was authorized to acquire, other than for no consideration, Nordgold Shares or any depositary receipts thereof, including Nordgold GDRs, for a period of 18 months, starting on June 14, 2012.

No voting rights may be exercised in respect of any Nordgold Share held by Nordgold or its subsidiary companies or in respect of any Nordgold Share for which Nordgold or its subsidiary companies hold(s) depositary receipts including Nordgold GDRs.

Reduction of Share Capital

The general meeting of Nordgold Shareholders may resolve to reduce the issued share capital of Nordgold in accordance with the relevant provisions of Dutch law, either by redeeming Nordgold Shares held by Nordgold or by reducing the nominal value of the Nordgold Shares by an amendment to the Articles of Association. Under Dutch law, the resolution to reduce the issued share capital of Nordgold must specifically state the Nordgold Shares concerned and lay down rules for the implementation of the resolution. The resolution to redeem Nordgold Shares may only concern Nordgold Shares or the depositary receipts thereof, including Nordgold GDRs, which are held by Nordgold. A resolution to reduce the issued share capital of Nordgold shall require two-thirds of the votes cast, if less than half of the issued share capital of Nordgold is present or represented at the general meeting of Nordgold Shareholders.

Transfer of Nordgold Shares

In accordance with the provisions of Dutch law, the Nordgold Shares or a right in rem thereon are transferred by means of a deed of transfer executed before a Dutch civil law notary, unless Nordgold Shares or depositary receipts thereof, including Nordgold GDRs, are (or shall shortly be) admitted to trading on a regulated market or multilateral trading facility as referred to in article 1:1 of the Dutch *Financial Supervision Act* or a system comparable to a regulated market or multilateral trading facility, in which case such transfer has to be effected by means of a private deed of transfer and the acknowledgement of the transfer by Nordgold in accordance with the provisions of the Dutch Civil Code. The transfer of Nordgold Shares (or depositary receipts thereof, including Nordgold GDRs) held by Nordgold requires amongst others a resolution of the Nordgold Board.

Nordgold Board

Management Structure

Nordgold has a one-tier board structure, consisting of a management board having executive directors (the “**Executive Directors**”) and non-executive directors (the “**Non-Executive Directors**”). The Executive Directors are particularly responsible for the daily affairs and perform the day to day management of Nordgold and the Non-Executive Directors are particularly responsible for the general affairs of Nordgold and supervise the policy and fulfilment of duties by the Executive Directors.

Number of Members of the Nordgold Board and Composition

The minimum number of members of the Nordgold Board is one Executive Director and one Non-Executive Director and there is no maximum number of members of the Nordgold Board. The general meeting of Nordgold Shareholders determines the number of Executive Directors and Non-Executive Directors. The Nordgold Board appoints one Non-Executive Director as Chairman of the Nordgold Board and may also appoint as and grant the title of chief executive officer to an Executive Director.

Appointment, Suspension and Dismissal

The general meeting of Nordgold Shareholders appoints, suspends (for a period no longer than three months in total) and dismisses members of the Nordgold Board. In addition, the general meeting of Nordgold Shareholders determines whether a member of the Nordgold Board is appointed as an Executive Director or Non-Executive Director. As of January 1, 2013, Executive Directors may also be suspended by the Nordgold Board. Under the Articles of Association, a resolution by the general meeting of Nordgold Shareholders to appoint, suspend or dismiss a member of the Nordgold Board requires a simple majority of the votes validly cast.

Remuneration

The general meeting of Nordgold Shareholders determines the remuneration policy of the Nordgold Board. With due observance of the remuneration policy, the Nordgold Board determines the remuneration of each individual member of the Nordgold Board, in accordance with the relevant provisions under Dutch law. The Executive Directors shall not participate in the decision making of the Nordgold Board in relation to the remuneration of Executive Directors. Any arrangements in the form of Nordgold Shares or depositary receipts thereof or options need to be approved by the general meeting of Nordgold Shareholders before adoption by the Nordgold Board.

Directors’ Powers, Tasks and Responsibilities

Subject to Dutch law, the Articles of Association and any regulations determined by the Nordgold Board, the Nordgold Board is entrusted with the management of Nordgold. The Executive Directors are particularly responsible for the daily affairs and perform the day to day management of Nordgold and the Non-Executive Directors are particularly responsible for the general affairs of Nordgold and supervise the policy and fulfilment of duties by the Executive Directors. The Nordgold Board has adopted internal regulations regarding its decision making process and the internal allocation of tasks and responsibilities. The regulations provide, with due observance of the provisions of the law, for the specific tasks and responsibilities entrusted to each of the Executive and Non-Executive Directors.

Indemnification

Members of the Nordgold Board and officers as well as former members and former officers have the benefit of indemnification provisions in the Articles of Association. These provisions give (former) members of the Nordgold Board and (former) officers the right, to the fullest extent permitted by Law, to recover amounts

from Nordgold, including but not limited to litigation expenses, and any damages they are ordered to pay, in relation to acts or omissions in the performance of their duties. However, there is generally no entitlement to indemnification for acts or omissions that amount to wilful misconduct or intentional recklessness.

Nordgold Board Decisions

Resolutions of the Nordgold Board which have an important impact on the identity or nature of Nordgold or its business shall be subject to the prior approval of the general meeting of Nordgold Shareholders, including in any event resolutions: (a) to transfer the business of Nordgold or substantially the entire business of Nordgold to a third party; (b) to enter into or to terminate a long lasting cooperation by Nordgold or a subsidiary with another legal entity or partnership or as a general partner with full liability in a limited partnership or general partnership, if such cooperation or the termination thereof is of far-reaching significance to Nordgold; and (c) to acquire or alienate a participation by Nordgold or by a subsidiary of Nordgold in the capital of another company, the value of which equals at least one-third of the assets as shown in its balance sheet with explanatory notes or, if Nordgold draws up a consolidated balance sheet, as shown in the consolidated balance sheet with explanatory notes, according to the most recently adopted annual accounts.

Annual Accounts and Auditor

The financial year of Nordgold coincides with the calendar year. Annually within four months after the end of the financial year, the Nordgold Board prepares the annual accounts, which must be accompanied by an annual report. All members of the Nordgold Board sign the annual accounts and if a member does not so sign, the reason for this must be stated. To comply with the relevant provisions of Dutch law, the general meeting of Nordgold Shareholders may appoint an auditor to audit the annual accounts. The general meeting of Nordgold Shareholders may adopt the annual accounts at the annual general meeting of Nordgold Shareholders, in which meeting also the release of liability of the members of the Nordgold Board shall be discussed and resolved upon. The annual accounts (in English), the annual report and auditor report are made available at the office of Nordgold to the Nordgold Shareholders and depositary receipt holders for review as from the day of the notice convening the annual general meeting of Nordgold Shareholders.

Dividend Distributions

Distributions can only take place up to the amount of the part of Nordgold's net assets which exceeds the nominal value of the issued share capital of Nordgold and its reserves which must be maintained by virtue of the law. Annually, after the adoption of the annual accounts, the Nordgold Board determines which part of the profit earned in a financial year is to be reserved. The remainder of such profit shall be at the disposal of the general meeting of Nordgold Shareholders, which may resolve to make a dividend distribution to the Nordgold Shareholders. Upon a proposal of the Nordgold Board the general meeting of Nordgold Shareholders may resolve to make a dividend distribution partly or wholly not in cash but in shares. The Nordgold Board may resolve to pay an interim dividend distribution subject to the relevant provisions of Dutch law. The general meeting of Nordgold Shareholders may resolve to make a payment out of the freely distributable reserves to the Nordgold Shareholders. Distributions shall be claimable and payable as of a date to be determined by the Nordgold Board. The Articles of Association provide that the claims of Nordgold Shareholders for distribution of dividends shall lapse as a result of expiry of a period of five years.

Meetings of Nordgold Shareholders

Annual Meeting

An annual general meeting of Nordgold Shareholders must be held within six months from the end of the preceding financial year of Nordgold. The purpose of the annual general meeting of Nordgold Shareholders is to discuss, *inter alia*, the annual report, the adoption of the annual accounts, allocation of profits (including the

proposal to distribute dividends), release of members of the Nordgold Board from liability for their management, filling of any vacancies and other proposals brought up for discussion by the Nordgold Board or by Nordgold Shareholders and/or depositary receipt holders jointly representing at least 1% of the issued share capital or a value of at least €50 million (taking into account the relevant provisions of Dutch law and the Articles of Association).

General Meeting and Place of Meetings

Other general meetings of Nordgold Shareholders will be held if requested by the Nordgold Board or by the written request (stating the exact subjects to be discussed) of one or more Nordgold Shareholders and/or depositary receipt holders representing in aggregate at least 10% of the issued share capital of Nordgold (taking into account the relevant provisions of Dutch law and the Articles of Association). General meetings will be held in the Netherlands in Amsterdam, The Hague, Rotterdam, Utrecht or Haarlemmermeer (Schiphol).

Convocation Notice and Agenda

General meetings of Nordgold Shareholders can be convened by the Nordgold Board by a notice, specifying the subjects to be discussed, the place and time of the meeting and the admission and participation procedure, issued at least 42 days before the meeting. All convocations, announcements, notifications and communications to Nordgold Shareholders and depositary receipt holders are made in accordance with the relevant provisions of Dutch law and, with respect to the Nordgold GDRs, the GDR Deposit Agreements and the terms and conditions of the Nordgold GDRs. The convocation and other notices may also occur by means of sending an electronically transmitted legible and reproducible message to the address of those Nordgold Shareholders and holders of depositary receipts which consented to this method of convocation. If a proposal is made to amend the Articles of Association, the convening notice will note this and a copy of the proposed amendment must be deposited at the office of Nordgold for inspection by the Nordgold Shareholders and depositary receipt holders until the end of the meeting. The agenda for a general meeting of Nordgold Shareholders may contain the items requested by one or more Nordgold Shareholders, other persons entitled to attend general meetings, or depositary receipt holders, alone or together representing at least one per cent of the issued share capital or at least €50 million in value. Requests must be motivated and made in writing and received by the Nordgold Board at least 60 days before the day of the meeting.

Admission and Registration

All Nordgold Shareholders or depositary receipt holders are entitled, in person or represented by a proxy authorised in writing, to attend and address the general meeting of Nordgold Shareholders. The Nordgold Board may decide that the rights to attend, address and, if applicable, to vote, may be exercised by electronic means of communication, under the conditions as stated in the convening notice. As a prerequisite to attending the general meeting of Nordgold Shareholders and, to the extent applicable, to the casting of votes, the Nordgold Shareholders and depositary receipt holders shall be obliged to inform the Nordgold Board in writing within the timeframe mentioned in the convening notice and such notice must be received by the Nordgold Board on the day mentioned in the convening notice. The Nordgold Board shall set a registration date on the 28th day prior to the date of the general meeting of Nordgold Shareholders. The members of the Nordgold Board have the right to give advice in the general meeting of Nordgold Shareholders. Minutes of the meetings shall be prepared and made available to Nordgold Shareholders and holders of Nordgold GDRs. The Chairman presides over the general meeting of Nordgold Shareholders or, in his absence, the deputy Chairman will preside. If both are absent, the Non-Executive Directors present appoint a chairman out of their midst or the Chairman may invite a person from outside the Nordgold Board to act as chairman of the meeting.

Voting Rights

Each Nordgold Share confers the right on the holder thereof to cast one vote at a general meeting of Nordgold Shareholders. A holder of Nordgold GDRs may request to receive voting rights by a special proxy

from the GDR Depositary, as holder of the Nordgold Shares to which the Nordgold GDRs relate, to vote at the general meeting of Nordgold Shareholders (taking into account the relevant provisions of Dutch law and the Articles of Arrangement). Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association prescribe a larger majority (such as the resolution to limit or exclude the pre-emptive rights, which requires at least 75% of the votes cast, or the resolution to reduce the issued share capital, which requires at least two-thirds of the votes cast in a meeting if less than half of the issued share capital is present or represented). Voting results shall be made public on the website of Nordgold.

Amendment of Articles of Association

The general meeting of Nordgold Shareholders may resolve to amend the Articles of Association, upon a proposal of the Nordgold Board. A resolution by the general meeting of Nordgold Shareholders to amend the Articles of Association requires a simple majority of the votes cast.

Dissolution and Liquidation

The general meeting of Nordgold Shareholders may resolve to dissolve Nordgold, upon a proposal of the Nordgold Board thereto, which resolution requires a simple majority of the votes cast. During the liquidation of Nordgold, the Articles of Association shall remain in force to the extent possible. The balance of the equity remaining after payments of debts of Nordgold shall be distributed to Nordgold Shareholders in proportion to their individual shareholdings.

DESCRIPTION OF NORDGOLD GDRS

Deutsche Bank Trust Company Americas acts as the depositary (the “**GDR Depositary**”) and will issue the Nordgold GDRs offered hereby. The GDR Depositary’s principal New York offices are located at 60 Wall Street, New York, New York 10005, United States and its principal London offices are located at Winchester House, 1 Great Winchester Street, London EC2N 2EQ, United Kingdom. Nordgold GDRs are represented by certificates that are ordinarily known as Global Depositary Receipt Certificates (“**GDR Certificates**”). Nordgold GDRs may be issued as either Regulation S GDRs or Rule 144A GDRs, differing in the applicable transfer restrictions, as described further below. Nordgold GDRs represent ownership interests in securities, cash or other property on deposit with the GDR Depositary.

It is understood that the Nordgold GDRs issued by the GDR Depositary in respect of Nordgold Shares qualify as depositary receipts of Nordgold Shares issued with the cooperation of Nordgold (*met medewerking van de vennootschap uitgegeven certificaten van aandelen*) under Dutch law. Accordingly, Nordgold GDR holders will be entitled to the rights which pursuant to Dutch law are conferred upon the holders of depositary receipts of shares issued with the cooperation of the issuing company. The Articles of Association set out the rights conferred on these depositary receipts holders, including the right to attend and address a general meeting of Shareholders. See also “– *Meetings of Nordgold Shareholders*”.

The GDR Depositary has appointed Deutsche Bank AG, Amsterdam Branch, as the custodian (the “**Custodian**”) for the safekeeping of the deposited securities, cash or other property on deposit. The Custodian’s principal office is located at Herengracht 450-454, 1017 CA, Amsterdam, the Netherlands.

There are two separate deposit agreements, one for Rule 144A GDRs, (the “**Rule 144A Deposit Agreement**”), and one for Regulation S GDRs (the “**Regulation S Deposit Agreement**”, and together with the Rule 144A Deposit Agreement, the “**GDR Deposit Agreements**”), each of which is governed by New York law. Copies of the GDR Deposit Agreements are available for inspection by any holder of Nordgold GDRs at the principal offices of the GDR Depositary during business hours. This is a summary description of the material terms of the Nordgold GDRs and of the material rights of owners of the Nordgold GDRs. For more complete

information, please read the entire GDR Deposit Agreements and the forms of Nordgold GDRs, which contain the terms of the Nordgold GDRs. While Nordgold GDRs will be treated as depositary receipts of shares issued with the cooperation of the issuing company under Dutch law, the depositary receipts mentioned in the Articles of Association are issued under Dutch law, according to certain procedures and differ from the Nordgold GDRs issued by the GDR Depositary pursuant to the Rule 144A Deposit Agreement and the Regulation S Deposit Agreement. In the event of a conflict between the terms and conditions of the Nordgold GDRs, as provided for in the Rule 144A Deposit Agreement and the Regulation S Deposit Agreement, and the rights of holders of depositary receipts of shares issued with the cooperation of the issuing company under Dutch law, the terms and conditions of the Nordgold GDRs under the Rule 144A Deposit Agreement and the Regulation S Deposit Agreement shall, to the extent permitted by Dutch law, prevail.

One Nordgold GDR represents the right to receive one Nordgold Share on deposit with the Custodian. Each Nordgold GDR will also represent the right to receive cash or any other property received by the GDR Depositary or the Custodian on behalf of the owner of the Nordgold GDR but that has not been distributed to the owners of Nordgold GDRs because of legal restrictions or practical considerations.

Owners of Nordgold GDRs will become a party to the applicable GDR Deposit Agreement and will be bound by its terms and by the terms of the GDR Certificate that represents the applicable Nordgold GDRs. The applicable GDR Deposit Agreement specifies Nordgold's rights and obligations as well as the rights and obligations of the owners of Nordgold GDRs and those of the GDR Depositary. Nordgold GDR owners appoint the GDR Depositary as their attorney-in-fact, with full power to delegate, to act on their behalf and to take any and all actions contemplated in the applicable GDR Deposit Agreement, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the GDR Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the applicable GDR Deposit Agreement.

Presently, holders may hold Nordgold GDRs only through a brokerage or safekeeping account. As such, holders must rely on the procedures of their broker or bank to assert their rights as Nordgold GDR owners. Holders should consult with their broker or bank to determine what those procedures are.

No temporary Master Regulation S GDR Certificates, Master Rule 144A GDR Certificates or other temporary documents of title have been or will be issued in connection with this Offer.

The Rule 144A GDRs and the Regulation S GDRs are similar in many ways but are different primarily due to requirements of U.S. securities laws. The Rule 144A GDRs are restricted securities under U.S. securities laws and as such are subject to limitations on their issuance, transfer and cancellation. The Regulation S GDRs are not *per se* restricted securities under U.S. securities laws, but Nordgold has imposed certain limitations on the issuance of Regulation S GDRs in an effort to prevent the transfer of Regulation S GDRs in violation of U.S. securities laws.

The differences between the Regulation S GDRs and the Rule 144A GDRs and the restrictions imposed on the Rule 144A GDRs and the Regulation S GDRs include the following:

- The restrictions on the transfers, deposits and withdrawals of the Nordgold Shares represented by the Nordgold GDRs. See “– *Transfer Restrictions*.”
- The eligibility for book-entry transfer. See “– *Settlement and Safekeeping*”
- Special restrictions on deposits and withdrawals apply to Nordgold affiliates. See “– *Ownership of Nordgold GDRs by Nordgold Affiliates*”.

These distinctions and the requirements of U.S. securities laws may require Nordgold and the GDR Depositary to treat the Regulation S GDRs and the Rule 144A GDRs differently at any time in the future. There

can be no guarantee that holders of Rule 144A GDRs will receive the same entitlements as holders of Regulation S GDRs and vice versa.

Settlement and Safekeeping

Regulation S GDRs

The GDR Depositary will make arrangements with The Depository Trust Company (“DTC”) prior to the Expiry Time to act as securities depository for the Regulation S GDRs. All Regulation S GDRs issued pursuant to the Offer will be registered in the name of Cede & Co. as nominee of DTC. One Master Regulation S GDR Certificate will represent all Regulation S GDRs issued to and registered in the name of Cede & Co. Transfers of ownership interests in Regulation S GDRs are to be accomplished by entries made on the books of DTC and participants in DTC acting on behalf of Regulation S GDR owners. Owners of Regulation S GDRs will not receive certificates representing their ownership interests in the Regulation S GDRs, except in the event that a successor securities depository cannot be appointed.

If at any time DTC ceases to make its electronic book-entry settlement systems available for the Regulation S GDRs, Nordgold and the GDR Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the GDR Depositary will make available separate Regulation S GDR Certificates in physical, certificated form. Owners of Regulation S GDRs will not otherwise receive physical certificates representing their ownership interests in the Regulation S GDRs.

The Regulation S GDRs can settle in Euroclear, Clearstream, DTC and CDS.

Rule 144A GDRs

The GDR Depositary has arranged with DTC to act as securities depository for the Rule 144A GDRs. All Rule 144A GDRs issued pursuant to the Offer will be registered in the name of Cede & Co. as nominee of DTC. One Master Rule 144A GDR Certificate will represent all Rule 144A GDRs that will be issued to and registered in the name of Cede & Co. Transfers of ownership interests in Rule 144A GDRs are to be accomplished by entries made on the books of DTC and participants in DTC acting on behalf of Rule 144A GDR owners. Owners of Rule 144A GDRs will not receive certificates representing their ownership interests in the Rule 144A GDRs, except in the event that a successor securities depository cannot be appointed.

If at any time DTC ceases to make its electronic book-entry settlement system available for the Rule 144A GDRs, Nordgold and the GDR Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the GDR Depositary will make available separate Rule 144A GDR Certificates in physical, certificated form. Owners of Rule 144A GDRs will not otherwise receive physical certificates representing their ownership interests in the Rule 144A GDRs.

Transfer Restrictions

The Nordgold GDRs may be reoffered, resold, pledged or otherwise transferred only in compliance with the U.S. securities laws and are subject to the following restrictions:

Restrictions upon the Transfer of Nordgold GDRs

Regulation S GDRs	Rule 144A GDRs
None	<p>The Rule 144A GDRs may be reoffered, resold, pledged or otherwise transferred only:</p> <ol style="list-style-type: none"> outside the United States in accordance with Regulation S;

2. to a QIB in a transaction meeting the requirements of Rule 144A;
3. pursuant to Rule 144 under the US Securities Act, if applicable; or
4. pursuant to an effective registration statement under the US Securities Act.

Please also see “– *Ownership of Nordgold GDRs by Nordgold Affiliates*” below.

Restrictions upon Deposit of Nordgold Shares

Regulation S GDRs	Rule 144A GDRs
Subject to the terms and conditions of the Regulation S Deposit Agreement and applicable law, Nordgold Shares or evidence of rights to receive Nordgold Shares may be deposited, after the initial deposit of Nordgold Shares, by:	Subject to the terms and conditions of the Rule 144A Deposit Agreement and applicable law, Nordgold Shares or evidence of rights to receive Nordgold Shares may be deposited, after the initial deposit of Nordgold Shares, by:
<ol style="list-style-type: none"> 1. Nordgold or its affiliates in the case of a subsequent offering or any distribution of Nordgold Shares, subject to certain terms of the Regulation S Deposit Agreement; 2. any persons (other than Nordgold and its affiliates), subject, however, to prior delivery to the GDR Depositary by or on behalf of the person acquiring beneficial ownership of the Regulation S GDRs to be issued in respect of such Nordgold Shares of either (i) a duly completed and signed certification and agreement substantially in the form attached to the Regulation S Deposit Agreement, or (ii) an electronic certification through DTC, CDS, Euroclear or Clearstream, as the case may be, in lieu of such certification set forth in the Regulation S Deposit Agreement; 3. any persons (other than Nordgold and its affiliates), so long as such Nordgold Shares when such deposit is made (or the Regulation S GDRs, issued in respect thereof) are not restricted securities within the meaning of Rule 144; 	<ol style="list-style-type: none"> 1. Nordgold or its affiliates in the case of a subsequent offering or any distribution of Nordgold Shares, subject to certain terms of the Rule 144A Deposit Agreement; 2. any persons (other than Nordgold and its affiliates), subject, however, to prior delivery to the GDR Depositary by or on behalf of the person acquiring beneficial ownership of the Rule 144A GDRs to be issued in respect of such Nordgold Shares of either (i) a duly completed and signed certification and agreement substantially in the form attached to the Rule 144A Deposit Agreement or (ii) an electronic certification through DTC, Euroclear or Clearstream, as the case may be, in lieu of such certification set forth in the Rule 144A Deposit Agreement; and 3. any affiliate of Nordgold, subject, however, to the prior delivery to the GDR Depositary by or on behalf of the affiliate acquiring beneficial ownership of the Rule 144A GDRs to be issued in respect of such Nordgold Shares of either (i) a

Regulation S GDRs

4. any affiliate of Nordgold, subject, however, to the prior delivery to the GDR Depositary by or on behalf of the affiliate depositing such Nordgold Shares in connection with a sale of the Nordgold Shares in the form of Regulation S GDRs of either (i) a duly completed and signed certification and agreement substantially in the form attached to the Regulation S Deposit Agreement, or (ii) an electronic certification through DTC, CDS, Euroclear or Clearstream, as the case may be, in lieu of such certification set forth in the Regulation S Deposit Agreement, in each case by book-entry transfer to the Custodian accompanied by any appropriate instrument instruments of transfer or endorsement which will consist of (x) extracts from the Shareholder Register and, if applicable, certificates evidencing ownership of the Nordgold Shares, (y) a transfer deed or other similar document authorizing registration of the Nordgold Shares in the Shareholder Register in the name of the GDR Depositary, the Custodian or their respective nominees, or endorsement, in form satisfactory to the Custodian, and (z) where applicable, a purchase/sale contract or other similar document relating to the transfer of the Nordgold Shares, in each case in form satisfactory to the Custodian, and delivery to the Custodian of evidence satisfactory to the Custodian that irrevocable instructions have been given to cause such Nordgold Shares to be transferred to such account, in any case accompanied by delivery to the Custodian or the GDR Depositary, as the case may be, of (x) a written order, from the person depositing such Nordgold Shares or on whose behalf such Nordgold Shares are deposited, directing the GDR Depositary to execute and deliver to, or upon the written order of, the person or persons stated in such order a Regulation S GDR Certificate (if certificated Regulation S GDR Certificates are then available pursuant to Section 2.2 of the Regulation S Deposit Agreement), or make such adjustment to its records, as contemplated by Section 2.2 of the Regulation S Deposit Agreement, for the number of Regulation S GDRs representing such deposited Nordgold Shares, (y) any payments, including the charges of the GDR Depositary for the making of deposits and the issuance of Regulation S GDRs (as set forth in Exhibit B of the Regulation S Deposit Agreement), and documents required under this Regulation S Deposit Agreement and (z) such other documentation as the GDR Depositary and Nordgold may reasonably require.

Rule 144A GDRs

duly completed and signed certification and agreement substantially in the form attached to the Rule 144A Deposit Agreement or (ii) an electronic certification through DTC, Euroclear, or Clearstream, as the case may be, in lieu of such certification set forth in the Rule 144A Deposit Agreement,

in each case by book-entry transfer to the Custodian accompanied by any appropriate instrument or instruments of transfer or endorsement which will consist of (x) extracts from the Shareholder Register and, if applicable, certificates evidencing ownership of the Nordgold Shares, (y) a transfer deed or other similar document authorizing registration of the Nordgold Shares in the Shareholder Register in the name of the GDR Depositary, the Custodian or their respective nominees, or endorsement, in form satisfactory to the Custodian, and (z) where applicable, a purchase/sale contract or other similar document relating to the transfer of the Nordgold Shares, in each case in form satisfactory to the Custodian, and delivery to the Custodian of evidence satisfactory to the Custodian that irrevocable instructions have been given to cause such Nordgold Shares to be transferred to such account, in any case accompanied by delivery to the Custodian or the GDR Depositary, as the case may be, of (x) a written order, from the person depositing such Nordgold Shares or on whose behalf such Nordgold Shares are deposited, directing the GDR Depositary to execute and deliver to, or upon the written order of, the person or persons stated in such order a Rule 144A GDR Certificate (if certificated Rule 144A GDR Certificates are then available pursuant to Section 2.2 of the Rule 144A Deposit Agreement), or make such adjustment to its records, as contemplated by Section 2.2 of the Rule 144A Deposit Agreement, for the number of Rule 144A GDRs representing such deposited Nordgold Shares, (y) any payments, including the charges of the GDR Depositary for the making of deposits and the issuance of Rule 144A GDRs (as set forth in Exhibit B of the Rule 144A Deposit Agreement), and documents required under this Rule 144A Deposit Agreement and (z) such other documentation as the GDR Depositary and Nordgold may reasonably require.

Please also see “— *Ownership of Nordgold GDRs by Nordgold Affiliates*” below.

Restrictions upon the Withdrawal of Nordgold Shares

Regulation S GDRs	Rule 144A GDRs
Nordgold Shares may be withdrawn from the Regulation S Deposit Agreement by the holders of Regulation S GDRs.	<p>Nordgold Shares may be withdrawn from the Rule 144A Deposit Agreement only by:</p> <ol style="list-style-type: none"> 1. a person other than a US Person outside the United States who will be the beneficial owner of the Nordgold Shares upon withdrawal and acquired, or agreed to acquire and at or prior to the time of the withdrawal will have acquired, the Rule 144A GDRs or the Nordgold Shares outside the United States; or 2. a QIB who <ol style="list-style-type: none"> (a) has sold the Rule 144A GDRs to another QIB in a transaction meeting the requirements of Rule 144A, or to a person other than a US Person outside the United States in accordance with Regulation S, or (b) will be the beneficial owner of the Nordgold Shares and agrees (i) to observe the transfer restrictions applicable to Rule 144A GDRs in respect of the Nordgold Shares so withdrawn and (ii) not to deposit the Nordgold Shares in an unrestricted depositary receipts facility for so long as the Nordgold Shares are restricted securities within the meaning of Rule 144(a)(3) under the US Securities Act.

Please also see “— *Ownership of Nordgold GDRs by Nordgold Affiliates*” below.

General Restrictions

Restrictions on Transfer

The GDR Deposit Agreements permit Nordgold to restrict transfers of the Nordgold Shares where such transfer might result in ownership of Nordgold Shares exceeding the limits applicable to the Nordgold Shares under applicable law or the Articles of Association. Nordgold may also restrict transfers of the Nordgold GDRs where such transfer may result in the total number of Nordgold Shares represented by the Nordgold GDRs owned by a single holder or beneficial owner to exceed any such limits. Nordgold may, in its sole discretion, but subject to applicable law, instruct the GDR Depositary to take action with respect to the ownership interest of any holder or beneficial owner in excess of the limits set forth in the preceding sentence, including but not limited to, the imposition of restrictions on the transfer of Nordgold GDRs, the removal or limitation of voting rights or the mandatory sale or disposition on behalf of a holder or beneficial owner of the Nordgold Shares represented by the Nordgold GDRs held by such holder or beneficial owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Association. The GDR Depositary shall have no liability for actions taken in accordance with such instructions. Alternatively, Nordgold reserve the right to

instruct a holder or beneficial owner who has exceeded any such ownership limits to deliver their Nordgold GDRs for cancellation and withdrawal of the Nordgold Shares so as to permit Nordgold to deal directly with them as holders of Nordgold Shares and holders and beneficial owners agree to comply with such instructions. At all times Nordgold shall post on the Nordgold website (www.nordgold.com) information on the number of outstanding voting Nordgold Shares so as to enable holders and beneficial owners to determine if they have met or exceeded any applicable thresholds.

The registration of any transfer of GDR Certificates in particular instances may be refused, or the registration of transfers generally may be suspended, during any period when the transfer books of the GDR Depositary or the Registrar (as defined in the GDR Deposit Agreements) are closed, or if any such action is deemed necessary or advisable by Nordgold or the GDR Depositary, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the Nordgold GDRs or Nordgold Shares are listed, or under any provision of the GDR Deposit Agreements or provisions of, or governing, the Nordgold Shares, or any meeting of its shareholders or for any other reason.

The GDR Depositary may close the transfer books with respect to GDR Certificates, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at its reasonable request.

Restrictions on Deposits

The GDR Depositary will refuse to accept Nordgold Shares for deposit whenever it is notified in writing by Nordgold that such deposit would result in any violation of applicable laws or the Articles of Association. The GDR Depositary will also refuse to accept certain Nordgold Shares for deposit under the Rule 144A Deposit Agreement if notified in writing that the Nordgold Shares are listed on a US securities exchange or quoted on a US automated inter dealer quotation system, unless accompanied by evidence satisfactory to the GDR Depositary that any Nordgold Shares presented for deposit are eligible for resale pursuant to Rule 144A. The GDR Depositary may also, upon receipt of notice from Nordgold, limit at any time the number of Nordgold Shares accepted for deposit under the terms of the GDR Deposit Agreements so as to eliminate or minimize any requirements that may be imposed on Nordgold, the GDR Depositary or the Nordgold GDR facilities existing under the terms of the GDR Deposit Agreements.

In addition, whenever the GDR Depositary believes that the Nordgold Shares deposited with it against issuance of Nordgold GDRs (together with any other securities deposited with it against the issuance of depositary receipts and any other securities held by Nordgold and its affiliates for its or their proprietary accounts or as to which Nordgold or they exercise voting and investment power) represent (or, upon accepting any additional Nordgold Shares for deposit, would represent) such percentage as exceeds any threshold or limit established by any applicable law, directive, regulation or permit, or satisfies any condition for making any filing, application, notification or registration or obtaining any approval, license or permit under any applicable law, directive or regulation, or taking any other action, the GDR Depositary may, after prior consultation with Nordgold, (i) close its books to deposits of additional Nordgold Shares in order to prevent such thresholds or limits being exceeded or conditions being satisfied or (ii) take such steps as are, in its opinion, necessary or desirable to remedy the consequences of such thresholds or limits being exceeded or conditions being satisfied and to comply with any such law, directive or regulation, including, without limitation, causing pro rata cancellation of Nordgold GDRs and withdrawal of underlying Nordgold Shares from the depositary receipt program to the extent necessary or desirable to so comply.

The GDR Depositary may also close its books to the deposit of Nordgold Shares if at any time the aggregate number of Nordgold GDRs in issue would, if additional Nordgold GDRs were to be issued against the deposit of additional Nordgold Shares, exceed the number of Nordgold GDRs for which a listing and admission to trading has been obtained, and may keep its books closed to the deposit of Nordgold Shares unless and until Nordgold

shall have produced a prospectus in accordance with the applicable laws and obtained a block listing and admission to trading on the relevant stock exchange of such number of additional Nordgold GDRs as the GDR Depositary may, in its reasonable discretion, request after consultation with Nordgold.

In considering whether any threshold has been reached or exceeded, the GDR Depositary may, in addition to Nordgold Shares deposited with it against the issuance of Nordgold GDRs and its other securities deposited with it against issuance of other depositary receipts, take into consideration Nordgold Shares or its other securities held by it and its affiliates for its or their proprietary accounts or as to which it or they exercise voting or investment power.

The GDR Depositary shall not knowingly accept for deposit any Nordgold Shares required to be registered pursuant to the provisions of the US Securities Act, unless a registration statement under the US Securities Act is in effect as to such Nordgold Shares, or any Nordgold Shares the deposit of which would violate any provisions of the Articles of Association.

If at any time the GDR Depositary knowingly accepts Nordgold Shares for deposit which are not fully fungible with other deposited Nordgold Shares, the GDR Depositary and the Custodian will take all steps reasonably necessary to segregate the newly-deposited Nordgold Shares from the previously-deposited Nordgold Shares (through the use of sub-accounts or otherwise as they see fit) and the GDR Depositary will take all steps reasonably necessary to ensure (through the use of distinct ISIN/CUSIP numbers, the issuance of a distinct class of temporary Nordgold GDRs, the use of legends or deposit and withdrawal certificates, or otherwise as it sees fit) that the GDR Certificates issued for the newly-deposited Nordgold Shares are not fungible with the GDR Certificates issued for the previously-deposited Nordgold Shares, until such time as the newly-deposited Nordgold Shares become fungible with the previously-deposited Nordgold Shares.

Dividends and Distributions

Holders generally have the right to receive the distributions Nordgold makes on the underlying securities deposited with the Custodian. Receipt of these distributions may be limited, however, by practical considerations and legal limitations. Nordgold GDR holders will receive such distributions under the terms of the GDR Deposit Agreements in proportion to the number of Nordgold GDRs held as of a specified Nordgold GDR record date, which the GDR Depositary will use reasonable efforts to establish as close as possible to the record date set by Nordgold for the Nordgold Shares underlying the Nordgold GDRs. Any amounts received for Nordgold GDR holders are held in a segregated account for the sole benefit of Nordgold GDR holders until all funds have been received and are payable for distribution, whereupon they are distributed to the registered and nominee holders, who then in turn distribute such amounts to the beneficial Nordgold GDR holders.

Distributions of Cash

Whenever Nordgold makes a cash distribution in respect of securities on deposit with the Custodian, Nordgold will deposit the funds with the Custodian. Upon receipt of confirmation from the Custodian of the deposit of the requisite funds, the GDR Depositary will arrange for the funds to be converted into U.S. dollars and for the distribution of U.S. dollars to the holders, if in the reasonable judgment of the GDR Depositary it is practicable and lawful. See “— *Foreign Currency Conversion*” below for actions the GDR Depositary is entitled to take if conversion, transfer and distribution cannot be so made by the GDR Depositary.

The amounts distributed to holders will be net of the fees, charges, expenses, taxes and governmental charges payable by holders under the terms of the GDR Deposit Agreements. The GDR Depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the Custodian in respect of the securities on deposit.

Distributions of Nordgold Shares

Whenever Nordgold makes a free distribution of Nordgold Shares in respect of the Nordgold Shares on deposit with the Custodian, Nordgold will deposit the applicable number of Nordgold Shares with the Custodian. Upon receipt of confirmation of such deposit from the Custodian, the GDR Depositary will either distribute to holders additional Nordgold GDRs representing the Nordgold Shares deposited or modify, to the extent permissible by law, the Nordgold GDR-to-Nordgold Shares ratio, in which case each Nordgold GDR held will represent rights and interests in the additional Nordgold Shares so deposited. Only whole new Nordgold GDRs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new Nordgold GDRs or the modification of the Nordgold GDR-to-Nordgold Shares ratio upon a distribution of Nordgold Shares will be made net of the fees, charges, expenses, taxes and governmental charges payable by holders under the terms of the GDR Deposit Agreements. In order to pay such taxes or governmental charges, the GDR Depositary may sell all or a portion of the new Nordgold Shares so distributed.

No such distribution of new Nordgold GDRs will be made if it would violate applicable laws or if it is not operationally practicable. If the GDR Depositary does not distribute new Nordgold GDRs as described above, it may sell the Nordgold Shares received and will distribute the proceeds of the sale as in the case of a distribution of cash. The GDR Depositary will hold and/or distribute any unsold balance of such property in accordance with the provisions of the applicable GDR Deposit Agreement.

Distribution of Rights

Whenever Nordgold intends to distribute rights to purchase additional Nordgold Shares, Nordgold will give timely prior notice to the GDR Depositary and state whether or not Nordgold wishes such rights to be made available to the holders of Nordgold GDRs. If Nordgold wishes such rights to be made available to a Nordgold GDR holder, Nordgold will assist the GDR Depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional Nordgold GDRs to Nordgold GDR holders.

The GDR Depositary will establish procedures to distribute rights to purchase additional Nordgold GDRs to holders and to enable such holders to exercise such rights only if (i) the GDR Depositary has received its request to make such distribution in a timely manner, (ii) Nordgold has provided all of the documentation contemplated in the GDR Deposit Agreements (such as legal opinions addressing the lawfulness of the transaction), and (iii) the GDR Depositary has determined that it is lawful and reasonably practicable to make the rights available to holders of Nordgold GDRs. Holders of Nordgold GDRs will have to pay fees, charges, expenses, and any taxes and other governmental charges to subscribe for the new Nordgold GDRs upon the exercise of such rights. The GDR Depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new Nordgold Shares other than in the form of Nordgold GDRs.

If (i) Nordgold does not request that the rights be distributed in a timely manner or Nordgold requests that the rights not be distributed, (ii) Nordgold fails to deliver satisfactory documentation to the GDR Depositary, or (iii) any rights made available are not exercised and appear to be about to lapse, the GDR Depositary will determine whether it is lawful and reasonably practicable to sell the rights, in a riskless principal capacity, at such place and upon terms (including public and private sale) as it may deem practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the GDR Depositary is unable to sell the rights, it will allow the rights to lapse.

The GDR Depositary shall not be responsible for (i) any failure to determine whether it may be lawful or practicable to make such rights available to holders, (ii) any foreign exchange exposure or loss incurred in connection with any sale or exercise or (iii) the content of any materials forwarded to the holders on behalf of Nordgold in connection with the rights distribution. There can be no assurance that holders will be given the

opportunity to exercise rights on the same terms and conditions as the holders of Nordgold Shares or to exercise such rights.

Elective Distributions

Whenever Nordgold intends to distribute a dividend payable at the election of shareholders either in cash or in additional Nordgold Shares, Nordgold will give timely prior notice thereof to the GDR Depositary and will indicate whether Nordgold wishes the elective distribution to be made available to holders of Nordgold GDRs. In such case, Nordgold will assist the GDR Depositary in determining whether such distribution is lawful and reasonably practicable.

The GDR Depositary will make the election available to holders only if it has received timely prior notice from Nordgold, if it is reasonably practicable and if Nordgold has provided all of the documentation contemplated in the applicable GDR Deposit Agreement (such as legal opinions addressing the lawfulness of the transaction). In such case, the GDR Depositary will establish procedures to enable holders to elect to receive either cash or additional Nordgold GDRs, in each case as described in the GDR Deposit Agreements.

If the election is not made available, holders will, to the extent permitted by law, receive either cash or additional Nordgold GDRs, on the basis of the same determination as is made in the Netherlands in respect of the Nordgold Shares for which no election is made, as more fully described in the corresponding GDR Deposit Agreement.

The GDR Depositary is not obligated to make available to holders a method to receive the elective dividend in the Nordgold Shares rather than in the form of Nordgold GDRs. There can be no assurance that holders of Nordgold GDRs or beneficial interests therein will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of the Nordgold Shares.

Other Distributions

Whenever Nordgold intend to distribute property other than cash, Nordgold Shares or rights to purchase additional Nordgold Shares, Nordgold will timely notify the GDR Depositary in advance and will indicate whether Nordgold wish such distribution to be made to holders of Nordgold GDRs. If so, Nordgold will assist the GDR Depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If the GDR Depositary has received timely prior notice from Nordgold, it is reasonably practicable to distribute such property to holders of Nordgold GDRs and if Nordgold have provided all of the documentation contemplated in the GDR Deposit Agreements (such as legal opinions addressing the lawfulness of the transaction), the GDR Depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, charges, expenses, taxes and governmental charges payable by holders under the terms of the GDR Deposit Agreements. In order to pay such taxes and governmental charges, the GDR Depositary may sell all or a portion of the property received.

If (i) Nordgold does not request that the property be distributed to holders of Nordgold GDRs or if Nordgold does not make such a request in a timely manner or if Nordgold asks that the property not be distributed to holders of Nordgold GDRs, (ii) Nordgold fails to deliver satisfactory documentation (such as opinions of counsel as to compliance with applicable law) to the GDR Depositary, or (iii) the GDR Depositary determines that all or a portion of the distribution to holders of Nordgold GDRs is not lawful or reasonably practicable, the GDR Depositary will sell such property in a public or private sale, at such place and upon terms as it may deem practicable.

The proceeds of any such sale will be distributed to holders as in the case of a cash distribution. If the GDR Depositary is unable to sell such property, the GDR Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances.

Redemption

Nordgold may only redeem Nordgold Shares which it holds in its own capital or of which it holds depositary receipts, including Nordgold GDRs. Whenever Nordgold decides to (repurchase and) redeem any of the securities on deposit with the Custodian, Nordgold will give timely prior notice to the GDR Depositary. If the GDR Depositary has received timely prior notice from Nordgold, determined that such (repurchase and) redemption is practicable and received from Nordgold all of the documentation contemplated in the GDR Deposit Agreements (such as legal opinions addressing the lawfulness of the transaction), the GDR Depositary will send notice of the (repurchase and) redemption to the holders of Nordgold GDRs. See “*Description of Nordgold Shares — Acquisition of Nordgold Shares*” and “*Description of Nordgold Shares — Reduction of Share Capital*”.

The GDR Depositary will instruct the Custodian to surrender the Nordgold Shares being repurchased and redeemed against payment of the applicable redemption price. The GDR Depositary will convert the redemption funds received into U.S. dollars upon the terms of the GDR Deposit Agreements and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their Nordgold GDRs to the GDR Depositary. See “*— Foreign Currency Conversion*” below for actions the GDR Depositary is entitled to take if conversion, transfer and distribution of funds by the GDR Depositary is not practicable or lawful. Holders will have to pay fees and charges of, and the expenses incurred by, the GDR Depositary, and any taxes and other governmental charges upon the redemption of Nordgold GDRs. If less than all Nordgold GDRs are being repurchased and redeemed, the Nordgold GDRs to be repurchased and redeemed will be selected by lot or on a *pro rata* basis, as the GDR Depositary may determine.

Changes Affecting Nordgold Shares

The Nordgold Shares held on deposit for Nordgold GDRs are subject to change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such Nordgold Shares or a recapitalization, reorganization, merger, consolidation or sale of assets affecting Nordgold.

If any such change were to occur, any securities which shall be received by the GDR Depositary or the Custodian in exchange for, or in conversion, replacement or otherwise in respect of, such Nordgold Shares shall, to the extent permitted by law, be treated as new Nordgold Shares under the GDR Deposit Agreements, and the GDR Certificates shall, subject to the terms of the GDR Deposit Agreements and applicable law, evidence the Nordgold GDRs representing the right to receive such replacement securities. The GDR Depositary in such circumstances may with the approval of Nordgold, and shall if Nordgold so request and provide to the GDR Depositary at its expense a reasonably satisfactory opinion of counsel that such action is not in violation of applicable laws or regulations, execute and deliver additional GDR Certificates to the holders or make appropriate adjustments in its records, or call for the exchange of existing Nordgold GDRs for new Nordgold GDRs. If the GDR Depositary may not lawfully distribute such securities to holders, the GDR Depositary may with the approval of Nordgold sell such securities and distribute the net proceeds to the holders as in the case of a cash distribution, and shall do so if Nordgold so request and provide to the GDR Depositary at its expense a reasonably satisfactory opinion of counsel that such action is not in violation of applicable laws or regulations. Holders of Nordgold GDRs will have to pay fees and charges of, and the expenses incurred by, the GDR Depositary, and any taxes and other governmental charges upon the sale of such securities.

The GDR Depositary shall not be responsible for (i) any failure to determine that it is lawful or practicable to make such securities available to holders of Nordgold GDRs, (ii) any foreign exchange exposure or loss incurred in connection with such sale or (iii) any liability to the purchaser of such securities.

Issuance of Nordgold GDRs Upon Deposit of Nordgold Shares

Subject to limitations set forth in the GDR Deposit Agreements and the Nordgold GDRs, the GDR Depositary may create Nordgold GDRs on behalf of depositing holders if such holders or their broker deposit Nordgold Shares with the Custodian. The GDR Depositary will deliver these Nordgold GDRs as directed only after the depositing holder pays any applicable issuance fees and any charges and taxes payable for the transfer of the Nordgold Shares to the Custodian and the depositing holder provides the applicable deposit certification. A holder's ability to deposit Nordgold Shares and receive Nordgold GDRs may be limited by legal considerations under applicable laws at the time of deposit. A holder may not be able to deposit Nordgold Shares and receive Nordgold GDRs where to do so would require Nordgold to produce a further prospectus or a supplement prospectus.

The GDR Depositary will also refuse to accept certain Nordgold Shares for deposit under the Rule 144A Deposit Agreement if notified in writing that the Nordgold Shares are listed on a US securities exchange or quoted on a US automated inter dealer quotation system, unless (i) the person making such deposit certifies that neither the Nordgold Shares nor the other deposited securities were, when issued, of the same class (within the meaning of Rule 144A) as the securities so listed or quoted and (ii) such Nordgold Shares are accompanied by evidence satisfactory to the GDR Depositary that such Nordgold Shares are eligible for resale pursuant to Rule 144A.

The GDR Depositary will also, upon instruction from Nordgold, limit at any time the number of Nordgold Shares accepted for deposit under the terms of the GDR Deposit Agreements so as to enable Nordgold to comply with any ownership restrictions referred to in the GDR Deposit Agreements or under applicable laws.

The issuance of Nordgold GDRs may be delayed until the GDR Depositary or the Custodian receives confirmation that all required approvals have been given and that the Nordgold Shares have been duly transferred to the Custodian. The GDR Depositary will only deliver Nordgold GDRs in whole numbers.

When a holder deposits Nordgold Shares, it will be responsible for transferring good and valid title to the GDR Depositary, as evidenced by documents satisfactory to the GDR Depositary or the Custodian. As such, holders will be deemed to represent and warrant that:

- the Nordgold Shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained;
- all pre-emptive (and similar) rights, if any, with respect to such Nordgold Shares have been validly waived or exercised;
- it is duly authorized to deposit the Nordgold Shares and has fulfilled all requirements of applicable law or regulation with respect to the Nordgold Shares or the deposit thereof against the issuance of Nordgold GDRs;
- the Nordgold Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, pledge, mortgage or adverse claim;
- in the case of a deposit of Nordgold Shares under the Regulation S Deposit Agreement, the Nordgold Shares are not, and the Regulation S GDRs issuable upon such deposit will not be, Restricted Securities (as defined in the Regulation S Deposit Agreement), except in the case of deposits of a kind described in “— *Ownership of Nordgold GDRs by Nordgold Affiliates*”;
- the Nordgold Shares presented for deposit have not been stripped of any rights or entitlements;
- the Nordgold Shares are not subject to any unfulfilled requirements of applicable law or regulation;
- except as provided in the GDR Deposit Agreements and summarized under “— *Ownership of Nordgold GDRs by Nordgold Affiliates*”, the holder is not, and shall not become while holding Nordgold GDRs, one of Nordgold's affiliates; and

- the deposit of the Nordgold Shares complies with the restrictions in transfer set forth in the legend on the Nordgold GDRs.

If any of the representations or warranties are incorrect in any way, Nordgold and the GDR Depositary may, at the depositing holder's cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

When a holder deposits Nordgold Shares to receive Rule 144A GDRs, it will be required to provide the GDR Depositary with a deposit certification stating, *inter alia*, that:

- it acknowledges that the Nordgold Shares and the Rule 144A GDRs have not been and will not be registered under the US Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States;
- it is not an affiliate of Nordgold and is not acting on behalf of Nordgold or one of its affiliates;
- it is (i) a QIB or (ii) a person (other than a US Person) outside the United States and acquired or has agreed to acquire and will acquire the Nordgold Shares to be deposited outside the United States; and
- it agrees, as the owner of the Rule 144A GDRs, to offer, sell, pledge and otherwise transfer the Rule 144A GDRs or the Nordgold Shares represented by the Rule 144A GDRs in accordance with the applicable US state securities laws and only:
 - to a QIB in a transaction meeting the requirements of Rule 144A; or
 - outside the United States to a person (other than a US Person) outside the United States in accordance with Regulation S; or
 - in accordance with Rule 144 under the US Securities Act, if available; or
 - pursuant to an effective registration statement under the US Securities Act.

A copy of the form of deposit certification for Rule 144A GDRs is attached to the Rule 144A Deposit Agreement and may be obtained from the GDR Depositary upon request.

When you deposit Nordgold Shares to receive Regulation S GDRs, a depositing holder will be required to provide the GDR Depositary with a deposit certification stating, *inter alia*, that:

- it acknowledges that the Nordgold Shares and the Regulation S GDRs have not been and will not be registered under the US Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States;
- it is not an affiliate of Nordgold and is not acting on behalf of Nordgold or one of its affiliates;
- it is, or at the time the Nordgold Shares are deposited it will be, the beneficial owner of the Nordgold Shares and Nordgold GDRs to be issued upon deposit of such Nordgold Shares;
- it is a person (other than a US Person) outside the United States and acquired or has agreed to acquire and will acquire the Nordgold Shares to be deposited outside the United States; and
- it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Nordgold Shares presented for deposit from Nordgold or any of its affiliates.

A copy of the form of deposit certification for Regulation S GDRs is attached to the Regulation S Deposit Agreement and may be obtained from the GDR Depositary upon request.

For information concerning deposit certifications to be made by its affiliates, see “— *Ownership of Nordgold GDRs by Nordgold Affiliates*” below.

Withdrawal of Nordgold Shares Upon Cancellation of Nordgold GDRs

Subject always to the withdrawal of deposited property being permitted under applicable laws and the terms of the applicable GDR Deposit Agreement, holders are entitled to present Nordgold GDRs to the GDR Depositary for cancellation and then receive the corresponding number of underlying Nordgold Shares at the Custodian's offices. A holder's ability to withdraw Nordgold Shares may be limited by legal considerations under the applicable laws at the time of withdrawal.

Only a number of Nordgold GDRs representing an integral number of Nordgold Shares may be surrendered for the purpose of withdrawal. If a GDR Certificate is surrendered for the purpose of withdrawal that evidences a number of Nordgold GDRs that does not represent an integral number of Nordgold Shares, the GDR Depositary shall accept the surrender of the largest such number of Nordgold GDRs that represents an integral number of Nordgold Shares and shall execute and deliver to the holder a new GDR Certificate evidencing Nordgold GDRs representing the remaining fraction of a share.

In order to withdraw Nordgold Shares, a holder will be required to pay to the GDR Depositary the fees for cancellation of Nordgold GDRs and any charges and taxes payable upon the transfer of the Nordgold Shares being withdrawn and will be required to provide to the GDR Depositary the applicable withdrawal certification. Holders assume the risk for delivery of all funds and securities upon withdrawal. Once cancelled, the Nordgold GDRs will not have any rights under the corresponding GDR Deposit Agreement.

If a holder holds a Nordgold GDR registered in its name, the GDR Depositary may ask the holder to provide proof of identity and genuineness of any signature and such other documents as the GDR Depositary may deem appropriate before it will cancel the Nordgold GDRs. The withdrawal of the Nordgold Shares represented by Nordgold GDRs may be delayed until the GDR Depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that if Nordgold GDRs representing fractional securities are presented for cancellation, the GDR Depositary shall be entitled to sell such fractional securities and remit the proceeds of such sale to you net of fees, expenses, charges and taxes.

When a holder requests the withdrawal of Nordgold Shares represented by Rule 144A GDRs, it will be required to represent and warrant that the withdrawal of the Nordgold Shares complies with the restrictions on transfer set forth in the legend on the Nordgold GDRs and provide the GDR Depositary with a withdrawal certification stating, *inter alia*, that:

1. it acknowledges that the Nordgold Shares represented by its Rule 144A GDRs have not been and will not be registered under the US Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and
2. it certifies that:
 - (a) it is a QIB, acting for its own account or for the account of one or more other QIBs, who is the beneficial owner of the Rule 144A GDRs presented for cancellation; and either:
 - (i) it has sold or agreed to sell the Nordgold Shares to a person (other than a US Person) outside the United States in accordance with Regulation S;
 - (ii) it has sold or agreed to sell the Nordgold Shares to a QIB in a transaction meeting the requirements of Rule 144A; or
 - (iii) it will be the beneficial owner of the Nordgold Shares upon withdrawal and;
 - (iv) it (or the person on whose behalf it is acting) will sell the Nordgold Shares only to another QIB in a transaction meeting the requirements of Rule 144A; to a person (other than a US Person) outside the United States in accordance with Regulation S; in accordance with Rule 144, if available; or pursuant to an effective registration statement under the US Securities Act; and
 - (v) it will not deposit the Nordgold Shares in any depositary receipts facility that is not a “restricted depositary receipts facility”; or
 - (b) it is a person (other than a US Person) located outside the United States and acquired or agreed to acquire the Nordgold Shares outside the United States and will be the beneficial owner of the Nordgold Shares upon withdrawal.

Holders of Regulation S GDRs are not required to provide the GDR Depositary with a withdrawal certification under the Regulation S Deposit Agreement, except in the case of sale of Regulation S GDRs by one of Nordgold’s affiliates. See “— *Ownership of Nordgold GDRs by Nordgold Affiliates*” below.

Proofs, Certificates and Other Information

A holder may be required (i) to provide to the GDR Depositary and the Custodian proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approvals, legal or beneficial ownership of Nordgold GDRs, compliance with all applicable laws and the terms of the GDR Deposit Agreements, and (ii) any other information and documentation as the GDR Depositary or the Custodian may deem necessary or proper or as Nordgold may reasonably require by written request to the GDR Depositary consistent with its obligations under the GDR Deposit Agreements. The GDR Depositary and the Registrar (as defined in the GDR Deposit Agreements) may withhold the execution or delivery or registration of transfer or cancellation of any GDR Certificate, or the distribution or sale of any dividend or distribution of rights, until such proof or other information is filed or such certifications are executed, or such representations are made, or such other documentation or information is provided, in each case, to the GDR Depositary's, the Registrar's (as defined in the Deposit Agreements) and its reasonable satisfaction.

Holders and beneficial owners of Nordgold GDRs shall make all necessary notifications or filings and shall obtain, maintain, extend or renew all necessary approvals to, with or from any relevant authority of competent jurisdiction in any applicable jurisdiction, as required by such state authority, and shall take all such other actions, as may be required to remain at all times in compliance with the laws and regulations of any applicable jurisdiction.

Ownership of Nordgold GDRs by Nordgold Affiliates

Nordgold permit its affiliates to deposit Nordgold Shares against the issuance of Rule 144A GDRs, so long as they satisfy the requirements, including delivery of the requisite certifications to the GDR Depositary, as required by the Rule 144A Deposit Agreement. Nordgold also permit its affiliates to exchange their Rule 144A GDRs for Regulation S GDRs solely to allow them to sell their Nordgold GDRs in transactions meeting the requirements of Regulation S, so long as each exchanging affiliate delivers the requisite certifications to the GDR Depositary and otherwise satisfies the requirements of the GDR Deposit Agreements. Nordgold will not otherwise permit its affiliates to deposit Nordgold Shares against the issuance of Regulation S GDRs unless they certify to the GDR Depositary that they have sold or irrevocably agreed to sell the Regulation S GDRs to be issued in respect of the Nordgold Shares so deposited in a transaction meeting the requirements of Regulation S, and deliver the other requisite certifications to the GDR Depositary.

The requirements for such deposits and exchanges of Nordgold GDRs by Nordgold's affiliates are more fully described in the GDR Deposit Agreements.

Voting Rights

Holders generally have the right under the GDR Deposit Agreements to instruct the GDR Depositary to exercise the voting rights for the Nordgold Shares represented by their Nordgold GDRs.

Upon Nordgold's timely written request, and provided no US or Dutch legal prohibition or legal prohibitions in any other applicable jurisdiction (including, without limitation, the rules of any stock exchange on which the Nordgold Shares or Nordgold GDRs may be listed) exist, the GDR Depositary will distribute to the holders any notice of general meetings of shareholders or solicitation of consents or proxies from holders of Nordgold Shares received from Nordgold together with information explaining how to instruct the GDR Depositary to exercise the voting rights of the Nordgold Shares represented by the Nordgold GDRs (provided that the GDR Depositary shall have no obligation to take any action if the written request shall not have been received by it at least 30 days prior to the date of such vote or meeting).

If the GDR Depositary timely receives voting instructions from a holder of Nordgold GDRs in the manner specified by the GDR Depositary, it will endeavour, insofar as practicable and permitted under applicable law,

the provisions of the applicable GDR Deposit Agreement and the Articles of Association, to vote or cause the Custodian to vote the Nordgold Shares represented by the holder's Nordgold GDRs in accordance with such voting instructions (to vote for or against, or abstain from voting on, each and any resolution specified in the agenda for the meeting).

Neither the GDR Depositary nor the Custodian will, under any circumstances, exercise any discretion as to voting, vote any number of Nordgold Shares other than an integral number thereof or vote Nordgold Shares in a manner that would be inconsistent with any applicable law, and neither the GDR Depositary nor the Custodian will vote, or attempt to exercise the right to vote, or in any way make use of for purposes of establishing a quorum or otherwise, the Nordgold Shares except pursuant to and in accordance with written instructions from holders of the Nordgold GDRs. If the GDR Depositary timely receives voting instructions from a holder of Nordgold GDRs which fail to specify the manner in which the GDR Depositary is to vote the Nordgold Shares represented by such holders Nordgold GDRs, the GDR Depositary will deem the holder to have instructed the GDR Depositary not to vote the Nordgold Shares with respect to the items for which no instruction was given. The Nordgold Shares represented by Nordgold GDRs for which no specific voting instructions are received by the GDR Depositary from the Nordgold GDR holder will not be voted.

Notwithstanding anything else contained in the GDR Deposit Agreements, the GDR Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of the Nordgold Shares if the taking of such action would violate US or Dutch legal prohibition or legal prohibitions in any other applicable jurisdiction (including, without limitation, the rules of any stock exchange on which the Nordgold Shares may be listed). Nordgold has agreed in the GDR Deposit Agreements that Nordgold shall not, except to the extent necessary (upon the advice of Dutch counsel of reputable standing) to comply with Dutch law, establish internal procedures that would prevent the GDR Depositary from complying with, or that are inconsistent with, the terms and conditions of the sections of the GDR Deposit Agreements which deal with voting.

The ability of the GDR Depositary to carry out voting instructions may be limited by practical, legal and regulatory limitations and the terms of the Nordgold Shares on deposit. Nordgold cannot assure holders that they will receive voting materials in time to enable such holders to return voting instructions to the GDR Depositary in a timely manner. The Nordgold Shares represented by Nordgold GDRs for which no voting instructions have been received from Nordgold GDR holders will not be voted.

Under Dutch law, holders of listed depositary receipts, including the Nordgold GDRs, have the right to ask the holder of the underlying Nordgold Shares (i.e., the GDR Depositary) to allow the holder of the depositary receipts to exercise the voting rights on the underlying Nordgold Shares in a general meeting of Nordgold Shareholders themselves. The holder of the underlying Nordgold Shares will grant a proxy to the requesting holder of listed depositary receipts, including the Nordgold GDRs, for a specific general meeting of Nordgold Shareholders specified in the proxy. Only in exceptional circumstances referred to in the Dutch Civil Code can such proxy be limited, excluded or revoked.

Fees and Charges

Holders, beneficial owners of Nordgold GDRs, persons depositing Nordgold Shares or surrendering Nordgold GDRs for cancellation shall be responsible for the following charges:

- taxes (including applicable interest and penalties) and other governmental charges;
- such registration fees as may from time to time be in effect for the registration of Nordgold Shares or other deposited securities on the shareholders register and applicable to transfers of Nordgold Shares or other deposited securities to or from the name of the Custodian, the GDR Depositary or any nominees upon the making of deposits and withdrawals, respectively;
- such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the GDR Deposit Agreements to be at the expense of the person depositing or withdrawing Nordgold Shares or holders and beneficial owners of Nordgold GDRs;

- expenses and charges incurred by the GDR Depositary in the conversion of foreign currency; and
- such fees and expenses as are incurred by the GDR Depositary in connection with compliance with exchange control regulations applicable to Nordgold Shares, deposited securities, Nordgold GDRs and GDR Certificates.

In addition, the GDR Depositary shall be entitled to charge the following fees to the holders, the beneficial owners of Nordgold GDRs and the persons depositing Nordgold Shares or surrendering Nordgold GDRs for cancellation:

- for the issue of Nordgold GDRs or the cancellation of Nordgold GDRs upon the withdrawal of deposited securities: up to U.S.\$0.05 per Nordgold GDR issued or cancelled (except for issuances and cancellations covered by item (h) below);
- for the issue of GDR Certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR Certificates: a sum per GDR Certificate which is determined by the GDR Depositary to be a reasonable charge to reflect the work, costs and expenses involved;
- for issuing GDR Certificates in definitive registered form (other than pursuant to item (b) above): a sum per GDR Certificate which is determined by the GDR Depositary to be a reasonable charge to reflect the work, costs (including, but not limited to, printing costs) and expenses involved;
- for receiving and paying any cash dividend or other cash distribution on or in respect of the deposited securities: a fee of up to US\$0.02 per Nordgold GDR for each such dividend or distribution;
- in respect of any issue of rights or distribution of Nordgold Shares (whether or not evidenced by Nordgold GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend, ratio change or other distribution (except where converted to cash) up to US\$0.05 per Nordgold GDR for each such issue of rights, dividend or distribution;
- for the operation, maintenance and register inspection costs associated with the administration of the Nordgold GDRs: an annual fee of US\$0.03 per Nordgold GDR (such fee to be assessed against holders of record as at the date or dates set by the GDR Depositary as it sees fit and collected at the sole discretion of the GDR Depositary by billing such holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions); provided, however, that if the GDR Depositary imposes a fee under this item (f), then the total fees assessed under this item (f) combined with the total fees assessed under item (d) shall not exceed in the aggregate US\$0.03 per Nordgold GDR in any calendar year;
- for the issue of Nordgold GDRs pursuant to a change for any reason in the number of Nordgold Shares represented by each Nordgold GDR, regardless of whether or not there has been a deposit of Nordgold Shares to the Custodian or the GDR Depositary for such issuance: a fee of up to US\$0.05 per Nordgold GDR (or portion thereof); and
- for transferring interests from and between the Regulation S GDRs and the Rule 144A GDRs: a fee of up to US\$0.05 per Nordgold GDR.

Nordgold has agreed to pay certain other charges and expenses of the GDR Depositary. Note that the fees and charges a holder may be required to pay may vary over time and may be changed by Nordgold and by the GDR Depositary. Holders will receive prior notice of such changes.

Amendments and Termination

Nordgold may agree with the GDR Depositary to modify the GDR Deposit Agreements at any time without the prior consent of the Nordgold GDR holders. Nordgold undertakes to give Nordgold GDR holders 30 days prior notice of any modifications that would materially prejudice any of their substantial rights under the GDR

Deposit Agreements or that shall impose or increase fees or charges (other than charges in connection with foreign exchange control regulations and taxes and other governmental charges, delivery expenses and other such expenses). Nordgold will not consider being materially prejudicial to substantial rights, among other things, any amendments or supplements that are reasonably necessary for the Nordgold GDRs to be settled solely in book-entry form, in each case without imposing or increasing the fees and charges payable by holders. In addition, Nordgold may not be able to provide holders with prior notice of any amendments or supplements that are required to accommodate compliance with applicable provisions of law.

Holders will be bound by the modifications to the GDR Deposit Agreements if they continue to hold Nordgold GDRs after the modifications to the applicable GDR Deposit Agreements become effective.

The GDR Deposit Agreements cannot be amended to prevent holders from withdrawing the Nordgold Shares represented by their Nordgold GDRs. Notwithstanding any such restriction on amendments or supplements to the GDR Deposit Agreements, Nordgold and the GDR Depositary may at any time amend or supplement the GDR Deposit Agreements or the GDR Certificates in order to comply with mandatory provisions of applicable laws, rules or regulations, and such amendments or supplements may become effective before notice thereof is given to holders or within any other period required to comply with such laws, rules or regulations.

Nordgold has the right to direct the GDR Depositary to terminate the GDR Deposit Agreements. Similarly, the GDR Depositary may in certain circumstances on its own initiative terminate the GDR Deposit Agreements. In addition, the GDR Depositary may resign, with such resignation to take effect upon the earlier of 90 days' notice or the acceptance of appointment by a successor depositary, or Nordgold may remove the GDR Depositary, with such removal to take effect upon the later of 90 days' notice or the acceptance of appointment by a successor depositary, and if in either such case no successor depositary shall have accepted appointment by Nordgold, then the GDR Depositary may terminate the GDR Deposit Agreements. In either case, the GDR Depositary must give notice to the holders of the Nordgold GDRs at least 30 days before termination.

Upon termination, the following will occur under the GDR Deposit Agreements:

- for a period of six months after termination, holders will be able to request the cancellation of their Nordgold GDRs and the withdrawal of the Nordgold Shares represented by their Nordgold GDRs and the delivery of all other property held by the GDR Depositary in respect of those Nordgold Shares on the same terms as prior to the termination, including the payment of any applicable taxes or governmental charges. During such six months period the GDR Depositary will continue to collect all distributions received on the Nordgold Shares on deposit (i.e., dividends) but will not distribute any such property to any holder until it requests the cancellation of its Nordgold GDRs.
- after the expiration of such six-month period, the GDR Depositary may sell the securities held on deposit. The GDR Depositary will hold, uninvested, the net proceeds from such sale and any other funds then held for the *pro rata* benefit of the holders of Nordgold GDRs in an unsegregated, non-interest bearing account, without liability for interest. At that point, the GDR Depositary will have no further obligations to holders other than to account for the funds then held for the *pro rata* benefit of the holders of Nordgold GDRs still outstanding, net of fees, expenses, taxes and governmental charges payable by holders under the terms of the GDR Deposit Agreements.

Books of GDR Depositary

The GDR Depositary will maintain Nordgold GDR holder records at its principal office in New York, NY and, if no electronic book-entry settlement system is available for the relevant Nordgold GDRs, at its principal office in London, UK. Holders may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the Nordgold GDRs and the GDR Deposit Agreements.

The GDR Depositary will maintain facilities in New York and London to record and process the issuance, cancellation, combination, split-up and transfer of Nordgold GDRs, provided that the transfer of the Nordgold GDRs shall only be effected by the registrar (as that term is defined in the applicable GDR Deposit Agreement), including the GDR Depositary in its capacity as registrar. These facilities may be closed from time to time, to the extent not prohibited by law.

Transmission of Notices to Nordgold Shareholders

Nordgold will promptly transmit to the GDR Depositary those communications which are required by applicable law to be made available by Nordgold to holders of Nordgold Shares and holders of depositary receipts thereof, or are generally made available to holders of Nordgold Shares and holders of depositary receipts thereof. If those communications were not originally in English, Nordgold will translate them. Upon its request and at its expense, the GDR Depositary will arrange for the mailing of copies of such communications to all holders of Nordgold GDRs and will make a copy of such communications available for inspection at its principal offices in New York and London.

Limitations on Obligations and Liabilities

The GDR Deposit Agreements limit Nordgold's and the GDR Depositary's obligations to the Nordgold GDR holders. Please note the following:

- Nordgold and the GDR Depositary are obligated only to take the actions specifically stated in the GDR Deposit Agreements without negligence or bad faith;
- neither Nordgold nor the GDR Depositary, nor any of its or their respective controlling persons or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Nordgold Shares or in respect of the GDR Certificates, which in its or their respective opinion may involve Nordgold or them (as the case may be) in expense or liability, unless an indemnity satisfactory to Nordgold or them (as the case may be) against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the GDR Depositary);
- the GDR Depositary and its agents disclaim any liability for any failure to carry out any voting instructions to vote Nordgold Shares, for any manner in which a vote is cast or for the effect of any vote, provided it acts without negligence and in good faith and in accordance with the terms of the GDR Deposit Agreements;
- the GDR Depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any information submitted by Nordgold to it for distribution to holders or for the accuracy of any translation thereof for any investment risks associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for any tax consequences that result from the ownership of the deposited securities or the Nordgold GDRs, for the credit worthiness of any third party, for allowing any rights to lapse under the terms of the GDR Deposit Agreements or for the failure or timeliness of any of its notices;
- the GDR Depositary disclaims any liability for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the GDR Depositary or in connection with any matter arising wholly after the removal or resignation of the GDR Depositary, provided that in connection with the issue out of which such potential liability arises the GDR Depositary performed its obligations while it acted as GDR Depositary without negligence or bad faith;
- Nordgold, the GDR Depositary and its or the GDR Depositary's respective affiliates and the officers, directors, employees, agents and advisors of any of the foregoing will not be obligated to do or perform any act that is inconsistent with the provisions of the GDR Deposit Agreements;

- Nordgold, the GDR Depositary and its and the GDR Depositary's respective affiliates and the officers, directors, employees, agents and advisors of any of the foregoing disclaim any liability if Nordgold or the GDR Depositary are prevented or forbidden from or delayed in doing or performing any act or thing required by the terms of the GDR Deposit Agreements by reason of any provision of any present or future law or regulation of any applicable jurisdiction, or of any other governmental authority or regulatory authority or stock exchange, or on account of the possible criminal or civil penalties or restraint, or any present or future provision of its charter, any provision of or governing any deposited securities or by reason of any act of God or war or other circumstances beyond its control (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, acts of terrorism, revolutions, rebellions, explosions and computer failure);
- Nordgold, the GDR Depositary, their respective affiliates and the officers, directors, employees, agents and advisors of any of the foregoing disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the GDR Deposit Agreements or in the Articles of Association or in any provisions of or governing the deposited securities;
- Nordgold, the GDR Depositary, their respective affiliates and the officers, directors, employees, agents and advisors of any of the foregoing further disclaim any liability for any action or inaction in reliance in good faith on the advice or information received from legal counsel, accountants, any person presenting Nordgold Shares for deposit, any holder of Nordgold GDRs, any beneficial owner or authorized representative thereof or any other person believed in good faith to be competent to give such advice or information;
- Nordgold, the GDR Depositary, their respective affiliates and the officers, directors, employees, agents and advisors of any of the foregoing also disclaim liability for the inability by a holder or any beneficial owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Nordgold Shares but is not, under the terms of the GDR Deposit Agreements, made available to holders of the Nordgold GDRs;
- Nordgold, the GDR Depositary and their respective controlling persons and agents and the Custodian may rely and shall be protected in acting upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties;
- Nordgold, the GDR Depositary, their respective affiliates and the officers, directors, employees, agents and advisors of any of the foregoing also disclaim any liability for indirect, special, consequential or punitive damages for any breach of the terms of the applicable GDR Deposit Agreement; and
- the GDR Depositary disclaims liability for any actions taken in accordance with its instructions to take action with respect to the ownership interest of any holder or beneficial owner in excess of the limits applicable to the Nordgold Shares under applicable law or the Articles of Association.

Indemnification

The GDR Depositary has agreed to indemnify Nordgold and its directors, officers, employees, agents and affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever, including the reasonable fees and expense of counsel, which may arise out of acts performed or omitted by the GDR Depositary or (if and only if the Custodian is a branch or subsidiary of Deutsche Bank AG at the time of such act or omission) the Custodian at the time of such act or omission, under the GDR Deposit Agreements due to the negligence or bad faith of the GDR Depositary or the Custodian.

Nordgold has agreed to indemnify the GDR Depositary, the Custodian and any of their respective directors, officers, employees, agents and affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever, including the reasonable fees and expenses of counsel, that may arise, among other things, (i) out of any offer or sale of the Nordgold GDRs or the Nordgold Shares, (ii) out of any offering document in respect thereof, except to the extent relating to any information provided by the

depository, (iii) out of acts performed or omitted in accordance with the provisions of the GDR Deposit Agreements, in any such case by the GDR Depository, the Custodian or any of their respective directors, officers, employees, agents and affiliates, except to the extent such loss, liability, tax, charge or expense is due to the negligence or bad faith of any of them, or by Nordgold or any of its directors, officers, employees, agents and affiliates or (iv) out of the unavailability of deposited securities or the failure to make any distribution with respect thereto in the case of certain situations.

Pre-Release Transactions

The GDR Depository may, in certain circumstances, deliver Nordgold GDRs before receiving a deposit of Nordgold Shares or release Nordgold Shares before receiving Nordgold GDRs for cancellation. These transactions are ordinarily referred to as pre-release transactions. The GDR Deposit Agreements limit the number of Nordgold GDRs and Nordgold Shares involved in such Pre-Release Transactions at any one time to 30% of the Nordgold GDRs outstanding (without giving effect to Nordgold GDRs outstanding that were issued pursuant to an open Pre-Release Transaction) and imposes a number of conditions on such transactions (i.e., the need to receive collateral, the type of collateral required, the representations required from brokers, etc.), provided, however, that the GDR Depository reserves the right to change or disregard such limit from time to time as it deems appropriate. The GDR Depository may also set limits with respect to the number of Nordgold GDRs and Nordgold Shares involved in Pre-Release Transactions with any one person on a case by case basis as it deems appropriate.

Taxes

Holders of Nordgold GDRs are responsible for all taxes and other governmental charges payable on the Nordgold GDRs and the securities represented by the Nordgold GDRs. Nordgold, the GDR Depository and the Custodian may withhold or deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all Nordgold Shares on deposit to pay the taxes and governmental charges payable by holders. Holders will be liable for any deficiency if the sale proceeds do not cover the taxes that are due. The GDR Depository may refuse to issue Nordgold GDRs, to deliver, transfer, split and combine Nordgold GDRs or to release securities on deposit until all taxes and charges are paid by the applicable holder.

None of Nordgold, the GDR Depository or the Custodian are obligated to take any actions to obtain tax refunds or reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the GDR Depository and to the Custodian proof of taxpayer status and residence and such other information as the GDR Depository and the Custodian may require to fulfil legal obligations.

The GDR Depository is under no obligation to provide holders with any information about its tax status. The GDR Depository shall not incur any liability for any tax consequences that may be incurred by holders on account of their ownership of Nordgold GDRs, including without limitation by virtue of its tax status.

By purchasing Nordgold GDRs, each holder agrees to indemnify the GDR Depository, Nordgold, the Custodian and any of their or its agents, officers, employees and affiliates for, and to hold each of them and Nordgold harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you as a Nordgold GDR holder.

Disclosure of Beneficial Ownership

By agreeing to acquire Nordgold GDRs, each holder agrees to comply with requests from Nordgold or the GDR Depository pursuant to any applicable law, the rules and requirements of any stock exchange on which the Nordgold Shares or Nordgold GDRs are, or may be, registered, traded or listed, or the Articles of Association, which are made to provide information, *inter alia*, as to the capacity in which the holder holds or owns a beneficial interest in the Nordgold GDRs (and the Nordgold Shares, as the case may be) and regarding the

identity of any other person interested in such Nordgold GDRs, the nature of such interest and various related matters, whether or not the holder is a holder or owner of a beneficial interest in the Nordgold GDRs at the time of such request.

Foreign Currency Conversion

The GDR Depositary will arrange for the conversion into U.S. dollars of all foreign currency received if such conversion is in the reasonable judgment of the GDR Depositary practicable, and it will distribute the U.S. dollars in accordance with the terms of the GDR Deposit Agreements. Holders will have to pay any fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

The GDR Depositary may, but is not obliged to, make any filing with any governmental authority required to obtain an approval or license necessary for any conversion of any foreign currency into or distribution of U.S. dollar funds. If the conversion of foreign currency is not practicable or lawful, or if any required approvals are denied or, in the reasonable judgment of the GDR Depositary, not obtainable at a reasonable cost or within a reasonable period, the GDR Depositary may take the following actions in its discretion:

- convert the foreign currency to the extent practicable and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practicable;
- distribute the foreign currency to holders for whom the distribution is lawful and practicable; and
- hold the foreign currency (without liability for interest) for the applicable holders.

The GDR Depositary will not invest the currency it cannot convert and it will not be liable for any interest thereon. If exchange rates fluctuate during a time when the GDR Depositary cannot convert the euro, holders may lose some or all of the value of the distribution.

Governing Law and Arbitration of Disputes

New York law governs the construction and interpretation of the GDR Deposit Agreements and the Nordgold GDRs. The rights of holders of the Nordgold Shares and other deposited securities and its obligations and duties in respect of such holders are governed by the laws of the Netherlands (or such other jurisdictions laws as may govern the deposited securities).

Under the terms of the GDR Deposit Agreements owners of Nordgold GDRs agree that any controversy, claim or cause of action or other dispute against Nordgold and/or the GDR Depositary arising out of or relating to the Nordgold GDRs, the GDR Deposit Agreements, the Nordgold Shares or other deposited securities will be referred to and fully settled by arbitration in accordance with the rules of the London Code of International Arbitration in proceedings in London, England, as more fully described in the GDR Deposit Agreements.

EACH PARTY TO THE DEPOSIT AGREEMENTS (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH HOLDER AND BENEFICIAL OWNER) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE DEPOSIT AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

US Securities Act and Other Legends

The Nordgold GDRs will contain such legends as are set out in the Deposit Agreements and/or as are required or may be advisable from time to time to comply with applicable Law.

INFORMATION RELATING TO THE GDR DEPOSITARY

The GDR Depositary is Deutsche Bank Trust Company Americas, a state registered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The GDR Depositary was incorporated on March 5, 1903 as a bank with limited liability in the State of New York and operates under the laws of New York and is an indirect wholly-owned subsidiary of Deutsche Bank AG. The GDR Depositary is subject to regulation and supervision by the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation. The registered office of the GDR Depositary is located at 60 Wall Street, New York, New York 10005. A copy of the GDR Depositary's by-laws, as amended, together with copies of its most recent financial statements and annual report will be available for inspection at the principal administrative establishment of the GDR Depositary located at 60 Wall Street, DR Department, 27th Floor, New York 10005 and at the office of the GDR Depositary located at 1 Great Winchester Street, London EC2N 2DB. Such information will be updated periodically so long as the Nordgold GDRs are admitted to listing on the Official List maintained by the UKLA.

DUTCH TAX CONSIDERATIONS

The following summary outlines certain Dutch tax consequences in connection with the acquisition, ownership and disposal of the Nordgold GDRs. The summary does not purport to present any comprehensive or complete picture of all Dutch tax aspects that could be of relevance to the acquisition, ownership and disposal of Nordgold GDRs by a (prospective) holder of Nordgold GDRs who may be subject to special tax treatment.

For purposes of Dutch personal income tax and corporate income tax, Nordgold GDRs legally owned by a third party such as a trustee, foundation or similar entity or arrangement, may under certain circumstances have to be allocated to the (deemed) settlor, grantor or similar originator (the “**Settlor**”) or, upon the death of the Settlor, to his beneficiaries in proportion to their entitlement to the estate of the Settlor of such trust or similar arrangement (the “**Separated Private Assets**”).

The summary does not address the tax consequences for a holder of Nordgold GDRs who is an individual and who has a substantial interest in Nordgold. Generally, a holder of Nordgold GDRs will have a substantial interest (*aanmerkelijk belang*) in Nordgold if he, either alone or together with his partner (a statutorily defined term), holds, or is deemed to hold, directly or indirectly,

- (a) the ownership or certain other rights, such as usufruct, over Nordgold GDRs or Nordgold Shares representing 5% or more of the total issued and outstanding capital of any class of shares of Nordgold, or the right to acquire such a shareholders interest; or
- (b) the ownership or certain other rights, such as usufruct, over profit participating certificates (*winstbewijzen*) that confer entitlement to 5% or more of the annual profit of Nordgold or to 5% or more of the liquidation distributions of Nordgold.

The same applies if the rights as defined above are attributed for income tax purposes to a Settlor of Separated Private Assets (such as a trust) or to the heirs under the Settlor's will.

A holder of Nordgold GDRs will likewise have a substantial interest if the holder's partner or a close relative (a statutorily defined term) has a substantial interest, even the Nordgold GDR holder does not have a substantial interest.

In addition, a holder of Nordgold GDRs representing an interest (as defined above) of less than 5% may be deemed to have a substantial interest if (a) that holder previously owned a substantial interest, or if (b) the holder

of the Nordgold GDRs acquired the interest of less than 5% as part of a transaction that qualified for non-recognition of gain treatment.

The summary does not address the tax consequences of holders of Nordgold GDRs receiving income or realizing capital gains in their capacity as (former) employee, (former) director and/or (former) supervisory director of Nordgold.

The summary is based on the tax laws and practice of the Netherlands effective as of the date of this Offer and Circular, which are subject to changes that could prospectively or retrospectively affect the stated tax consequences.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Prospective holders of Nordgold GDRs should consult their own professional adviser with respect to the tax consequences of any acquisition, ownership or disposal of the Nordgold GDRs in their individual circumstances.

Dividend Withholding Tax

General

Dividends distributed by Nordgold in respect of the Nordgold GDRs are generally subject to dividend withholding tax imposed by the Netherlands at a rate of 15%. Under the Netherlands Dividend Tax Act 1965 (*Wet op de dividendbelasting 1965*), dividends are defined as the proceeds from shares, which include:

- (a) distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital (*gestort kapitaal*) not recognized for Dutch dividend withholding tax purposes;
- (b) liquidation distributions, distributions in the event of redemption of Nordgold GDRs or, as a rule, the consideration paid for the repurchase of Nordgold GDRs by Nordgold in excess of the average paid-in capital recognised for Dutch dividend withholding tax purposes, unless a particular statutory exemption applies;
- (c) the nominal value of Nordgold GDRs issued to a holder of Nordgold GDRs or an increase of the nominal value of shares, to the extent that no fresh capital is injected, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and
- (d) partial repayment of paid-in capital, recognised for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (i) the general meeting of Nordgold Shareholders has resolved in advance to make such repayment and (ii) the nominal value of the Nordgold GDRs concerned has been reduced by an equal amount by way of an amendment of the Articles of Association.

Anti-dividend stripping rules

According to the anti-dividend stripping rules, no exemption, reduction, credit or refund of Dutch dividend withholding tax will be granted if the recipient of the dividend paid by Nordgold is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the dividend as defined in these rules. A recipient of a dividend is not considered the beneficial owner of the dividend if, as a consequence of a combination of transactions, (i) a person other than the recipient of the dividend, directly or indirectly, partly or wholly enjoys the dividend, and (ii) such person directly or indirectly has retained or acquires a comparable interest in the Nordgold Shares or Nordgold GDRs, and (iii) such person is entitled to a less favourable exemption, reduction, refund or credit of dividend withholding tax than the recipient of the dividend distribution. The term combination of transactions includes

transactions that have been entered into anonymously on a regulated stock market, the sole acquisition of one or more dividend coupons and the establishment of short-term rights or enjoyment on the Nordgold GDRs (e.g., usufruct).

Holders of Nordgold GDRs resident in the Netherlands

A holder of Nordgold GDRs that is resident or deemed to be resident in the Netherlands or, if he is an individual, who has elected to be taxed as resident in the Netherlands for Dutch personal income tax purposes, is generally entitled, subject to the anti-dividend stripping rules described above, to a full credit against its corporate income tax or personal income tax liability, as the case may be, or a full refund, of the Dutch dividend withholding tax.

Holders of Nordgold GDRs resident outside the Netherlands

A holder of Nordgold GDRs that is resident in a country with which the Netherlands has a tax treaty, may, depending on the terms of such tax treaty and subject to the anti-dividend stripping rules described above, be eligible for a full or partial exemption from, or full or partial refund of, Dutch dividend withholding tax on dividends received.

A corporate holder of Nordgold GDRs, which is (a) resident in (i) a Member State of the European Union, or (ii) Iceland, Liechtenstein or Norway, and (b) that is in its state of residence under the terms of a double taxation agreement concluded with a third state, is not considered to be resident for tax purposes outside the European Union, Iceland, Liechtenstein and Norway, is generally entitled, subject to the anti-dividend stripping rules described above, to a full exemption from Dutch dividend withholding tax on dividends received if that holder holds an interest of at least 5% (in the capital or, in certain cases, in the voting rights) in Nordgold or if it holds an interest of less than 5% where a Dutch holder of Nordgold Shares or Nordgold GDRs would have had the benefit of the participation exemption (this may include a situation where another related party holds an interest of 5% or more in Nordgold).

A holder of Nordgold GDRs, that is a legal entity resident in (i) a Member State of the European Union, or (ii) Iceland, Liechtenstein or Norway, and that is exempt from tax in its country of residence, and that would have been exempt from Dutch corporate income tax if it had been a Dutch resident, is generally entitled, subject to the anti-dividend stripping rules described above, to a full refund of Dutch dividend withholding tax on dividends received, unless such holder of Nordgold GDRs is an entity that is comparable to investment institutions (*fiscale beleggingsinstellingen*) or exempt investment institutions (*vrijgestelde beleggingsinstellingen*). This full refund will in general benefit certain foreign pension funds, government agencies, and certain government controlled commercial entities.

Taxes on Income and Capital Gains

Residents in the Netherlands: individuals

An individual who is resident or deemed to be resident in the Netherlands, or who has elected to be taxed as a resident of the Netherlands for Dutch personal income tax purposes, will be subject to regular Dutch personal income tax on the income derived from the Nordgold GDRs and the gains realised upon the acquisition, redemption and/or disposal of the Nordgold GDRs, if:

- (a) such individual has an enterprise or an interest in an enterprise, to which enterprise the Nordgold GDRs are attributable;
- (b) such individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Nordgold GDRs are attributable; and/or

- (c) such income or capital gain forms a benefit from miscellaneous activities (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the Nordgold GDRs exceed normal active asset management (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a lucrative interest, *lucratief belang*) that the holder thereof has acquired under circumstances such that the income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to his work or services.

If either of the abovementioned conditions (a), (b) or (c) applies, income or capital gains in respect of dividends distributed by Nordgold or in respect of any gain realised on the disposal of Nordgold GDRs will in general be subject to Dutch personal income tax at the progressive rates up to 52%

If the abovementioned conditions (a), (b) and (c) do not apply, the holder of Nordgold GDRs who is an individual and resident or deemed to be resident in the Netherlands, or who has elected to be taxed as a resident of the Netherlands for Dutch tax purposes, will not be subject to taxes on income and capital gains in the Netherlands. Instead, such individual is taxed at a flat rate of 30% on deemed income from savings and investments (*sparen en beleggen*). This deemed income amounts to 4% of the individuals yield basis (*rendementsgrondslag*) at the beginning of the calendar year. The yield basis would include the fair market value of the Nordgold GDRs.

Residents in the Netherlands: corporate entities

A holder of Nordgold GDRs that is resident or deemed to be resident in the Netherlands for Dutch corporate income tax purposes, and that is:

- (i) a corporation;
- (ii) another entity with a capital divided into shares;
- (iii) a cooperative (association); or
- (iv) another legal entity that has an enterprise or an interest in an enterprise to which the Nordgold GDRs are attributable,

but which is not:

- (v) a qualifying pension fund;
- (vi) a qualifying investment fund (under article 6a or 28 of the Dutch Corporate Income Tax Act); or
- (vii) another entity exempt from corporate income tax,

will in general be subject to regular Dutch corporate income tax, levied at a rate of 25% (20% over profits up to €200,000) over income derived from the Nordgold GDRs and gains realised upon the disposal of the Nordgold GDRs, including a disposal by way of a buy-back of Nordgold GDRs by Nordgold.

If and to the extent that such holder of Nordgold GDRs is eligible for the application of the participation exemption (*deelnemingsvrijstelling*) with respect to the Nordgold GDRs, income derived from the Nordgold GDRs and gains and losses (with the exception of liquidation losses under strict conditions) realised on the Nordgold GDRs may be exempt from Dutch corporate income tax. The participation exemption can apply only if a holder of Nordgold GDRs holds an interest of at least 5% in the issued and paid-in nominal share capital of Nordgold.

Residents outside the Netherlands: individuals

An individual that is neither resident or nor deemed to be resident in the Netherlands, and who has not elected to be taxed as a resident of the Netherlands for Dutch personal income tax purposes, will not be subject to any Dutch taxes on income tax, other than the dividend withholding tax described above, in respect of dividends distributed by Nordgold nor will such holder be taxed on any gain realised on the disposal of Nordgold GDRs, unless:

- (a) such individual has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Nordgold GDRs are attributable;
- (b) such income or capital gain forms a benefit from miscellaneous activities (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the Nordgold GDRs exceed normal active asset management (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a *lucratief belang*) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services; and/or
- (c) such individual is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise Nordgold GDRs are attributable.

If either of the abovementioned conditions (a) or (b) applies, income or capital gains in respect of dividends distributed by Nordgold or in respect of any gain realised on the disposal of Nordgold GDRs will in general be subject to Dutch personal income tax at the progressive rates up to 52%. Income derived from a share in the profits of an enterprise as specified under (c) that is not already included under (a) or (b) will be taxed on the basis of a deemed return on income from savings and investments (as described above under “— *Residents in the Netherlands: individuals*”). The fair market value of the share in the profits of the enterprise (which includes the Nordgold GDRs) will be part of the individual’s Netherlands yield basis.

Residents outside the Netherlands: legal and other entities

A legal entity with a capital divided into shares, an association, a foundation, a fund or trust, that is not resident nor deemed to be resident in the Netherlands for Dutch corporate income tax purposes, will not be subject to any Dutch taxes on income tax, other than the dividend withholding tax described above, in respect of dividends distributed by Nordgold nor will such holder be taxed on any gain realised on the disposal of Nordgold GDRs, unless:

- (a) such entity has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Nordgold GDRs are attributable whilst the participation exemption (*deelnemingsvrijstelling*) as described above does not apply to any income or capital gain arising from such Nordgold GDRs;
- (b) such entity is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Nordgold GDRs are attributable; or
- (c) such holder has a substantial interest (*aanmerkelijk belang*) (as described above) in Nordgold that does not form part of the assets of an enterprise.

If one of the abovementioned conditions creating tax liability applies, income derived from the Nordgold GDRs and gains realised on the Nordgold GDRs will, in general, be subject to regular corporate income tax levied at a rate of 25% (20% over profits up to €200,000).

Gift, Estate and Inheritance Taxes

Holders of Nordgold GDRs resident in the Netherlands

Gift tax may be due in the Netherlands with respect to an acquisition of Nordgold GDRs by way of a gift by a holder of Nordgold GDRs who is resident or deemed to be a resident of the Netherlands

Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of Nordgold GDRs (i) by way of inheritance or bequest on the death of a holder of Nordgold GDRs who is resident or deemed to be a resident of the Netherlands, or (ii) by way of a gift within 180 days before his death by an individual who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Dutch gift and inheritance tax, an individual with Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Holders of Nordgold GDRs resident outside the Netherlands

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of Nordgold GDRs by way of a gift, inheritance or bequest from a holder of Nordgold GDRs who is neither resident nor deemed to be resident of the Netherlands. An exception applies in case of a gift of Nordgold GDRs by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, but who dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands at the time of his death.

Certain special situations

Various complex rules apply if Nordgold GDRs belong to Separated Private Assets such as a trust. Where this situation arises, you should consult your own tax advisor.

For the purposes of Dutch gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition is satisfied. If the fulfilment of the condition precedent is after the death of the donor, the gift is deemed to be made upon the death of the donor.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Nordgold GDRs or in respect of a cash payment made under the Nordgold GDRs, or in respect of a transfer of Nordgold GDRs.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder of Nordgold GDRs in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Nordgold GDRs.

COMPARISON OF RIGHTS OF HIGH RIVER SHAREHOLDERS AND HOLDERS OF NORDGOLD GDRS

In the event that a High River Shareholder accepts the GDR Offer, the High River Shareholder will become entitled to receive Nordgold GDRs (which, as described above, are exchangeable on a one-for-one basis into Nordgold Shares) in exchange for their High River Shares. As noted above, Nordgold is a *naamloze vennootschap* (public limited liability company) existing under the laws of the Netherlands and High River is a corporation existing under the *Yukon Business Corporations Act* (“YBCA”).

While the rights and privileges of shareholders of a YBCA corporation are, in many instances, comparable to those of shareholders of a Dutch corporation, there are certain differences. These differences arise from differences between applicable Canadian and Dutch law and between High River’s articles of continuance dated February 2, 2011 and High River’s current corporate by-laws (together, the “**High River Constating Documents**”) on the one hand and Nordgold’s Articles of Association on the other hand.

The following is a summary of certain similarities and differences between the rights of holders of High River Shares and Nordgold Shares, but is not intended to be exhaustive and should not be considered as legal advice to any particular High River Shareholder. It is not a complete statement of the provisions affecting, or the differences between, the rights of High River Shareholders and Nordgold Shareholders. The summary is qualified in its entirety by reference to the applicable laws of Canada, the High River Constating Documents, the laws of the Netherlands and the Articles of Association.

Nordgold GDRs represent interests in Nordgold Shares, and a holder of Nordgold GDRs may submit interests in Nordgold GDRs for cancellation against delivery of Nordgold Shares in accordance with the terms of the applicable Deposit Agreement. See Annex A, “*Description of Nordgold GDRs*”. Holders of Nordgold GDRs have the rights set forth in the applicable Deposit Agreement, which are not the same as the rights of Nordgold Shareholders.

You are strongly advised to seek your own independent legal counsel for a description or comparison of such laws and the effects of accepting the GDR Offer.

<u>Issue</u>	<u>High River</u>	<u>Nordgold</u>
<i>Authorized Capital</i>	The authorized share capital of High River consists of an unlimited number of common shares and preference shares, of which 840,218,962 are currently issued and outstanding.	The authorized share capital of Nordgold consists of 1,793,970,900 Nordgold Shares, of which 358,794,180 are currently issued and outstanding.
<i>Size of Board of Directors</i>	The number of directors is determined by the High River Board within the minimum of three and the maximum of 15 directors as set forth in the High River Constating Documents.	The minimum number of members of the board of directors of Nordgold is one Executive Director and one Non-Executive Director (as such directorship is further described below). There is no maximum number of members of the Nordgold board.

Issue	High River	Nordgold
<i>Quorum of Directors</i>	A quorum for a meeting of the High River Board is a majority of the members of the High River Board, or such lesser number of directors as the High River Board may determine from time to time.	The Articles of Association do not provide for a quorum for a Nordgold Board meeting. In accordance with the Nordgold Board Mandate, the Nordgold Board may only pass resolutions if at least the absolute majority of Nordgold Board members is present or represented. A resolution may only be adopted outside a meeting if no director objects to adopting resolutions in this manner.
<i>Classes of Directors</i>	The High River Constatng Documents do not provide for any distinction in the classification of directors.	Nordgold has a one-tier board structure. Directors of Nordgold are classified as executive and non-executive directors. Executive Directors are particularly responsible for the daily affairs and perform the day to day management of Nordgold. Non-Executive Directors are particularly responsible for the general affairs of Nordgold and supervise the policy and fulfilment of duties by Executive Directors.
<i>Filling Vacancies on the Board of Directors</i>	A quorum of directors may fill a vacancy in the High River Board, except regarding a vacancy resulting from an increase in the maximum number of directors or from a failure of the High River Shareholders to elect the minimum number of directors. The directors may, between annual meetings of High River Shareholders, appoint one or more additional directors of High River to serve until the next annual meeting, but the number of additional directors shall not at any time exceed one third of the number of directors who held office at the expiration of the last annual meeting of High River Shareholders.	The general meeting of Nordgold Shareholders appoints members of the Nordgold Board and determines whether the person is appointed as an Executive Director or a Non-Executive Director.

Issue	High River	Nordgold
<i>Removal of Directors</i>	Directors of High River hold office for a period from their election or appointment until the next annual meeting of High River Shareholders. High River Shareholders may by ordinary resolution passed at a special meeting of High River Shareholders remove any director from office before the expiration of his or her term.	The general meeting of Nordgold Shareholders suspends and dismisses members of the Nordgold Board. Executive Directors may also be suspended by the Nordgold Board as of January 1, 2013.
<i>Nomination of Directors for Election</i>	A High River Shareholder may submit a “proposal” (as further described below) for the election of directors at a meeting of High River Shareholders, provided it is signed by one or more High River Shareholders holding not less than 5% of the High River Shares. Subject to further conditions contained in the YBCA, if High River solicits proxies in connection with the meeting, High River is required to set out the proposal in the management information circular for the meeting provided that, among other things: (i) it is not submitted less than 90 days before the anniversary of the date of the previous annual meeting of High River Shareholders, (ii) substantially the same proposal has not been submitted to shareholders in a circular relating to a meeting of shareholders in the last two years and was not defeated, or (iii) the right to submit a proposal is not being abused to secure publicity. In addition, High River Shareholders may make nominations for directors at any meeting of High River Shareholders at which directors are to be elected.	The general meeting of Nordgold Shareholders appoints members of the Nordgold Board and determines whether the person is appointed as an Executive Director or a Non-Executive Director. The Articles of Association do not provide for a nomination procedure. The Nordgold Board has established a Nomination Committee to nominate selected potential candidates and to recommend their appointment to the Nordgold Board. The Nordgold Board subsequently decides to propose such appointment to the general meeting of Nordgold Shareholders.

Issue	High River	Nordgold
<i>Quorum of Shareholders</i>	A quorum for the transaction of business at any general meeting of High River Shareholders is two shareholders or proxyholders, in both cases personally present and holding or representing by proxy in the aggregate not less than 15% of the issued voting shares of High River.	There is no quorum of shareholders in a general meeting of Nordgold Shareholders, except for a limited number of resolutions when Dutch law provides a quorum (e.g. in a specific form of demerger).
<i>Voting of Shareholders</i>	Each High River Shareholder is entitled to one vote for each High River Share held by that High River Shareholder. High River Shareholders are not entitled to cumulate votes in connection with the election of directors.	Each Nordgold Share gives the right to cast one vote. Nordgold Shareholders are not entitled to cumulate votes in connection with the election of directors.
<i>Shareholder Action Without a Meeting</i>	A resolution in writing signed by all High River Shareholders entitled to vote on such resolution is as valid as if it had been passed at a meeting of High River Shareholders.	A written shareholders' resolution adopted unanimously by all Nordgold Shareholders is as valid as if passed in a meeting, provided that (i) the directors were given the right to advise and (ii) there are no holders of depositary receipts, including Nordgold GDRs.
<i>Calling Meetings of Shareholders</i>	The High River Board is required to call an annual meeting of High River Shareholders not later than fifteen months after the date of the last annual meeting. The High River Board, the Chairman, the Managing Director or the President have the power to call a special meeting of the High River Shareholders at any time. Holders of not less than 5% of the issued shares of High River Shareholders may request that the High River Board call a meeting of High River Shareholders.	The annual meeting is held within 6 months after the end of the financial year. Other general meetings are held when the Nordgold Board deems such meetings necessary. General meetings are convened by the Nordgold Board. Shareholders and depositary receipt holders, including holders of Nordgold GDRs, jointly holding at least 10% of the issued and outstanding Nordgold Shares may ask a court to convene a meeting.
<i>Notice of Shareholder Meetings</i>	Notice of the date, time and place of a meeting of High River Shareholders shall be sent not less than twenty-one (21) nor more than fifty (50) days before the meeting to each director, the auditor, and each High River Shareholder at the close of business on the record date for the notice.	Notice of a meeting shall be given not later than on the 42 nd day before the date of the meeting. The notice is placed on Nordgold's website and, to the extent permitted by law, on the website of the GDR Depositary. A notice may also be sent electronically if a shareholder/GDR holder consented to this method of convocation.

Issue	High River	Nordgold
<p><i>Submission of Shareholder Proposals (Other than the Nomination of Directors for Election)</i></p>	<p>A High River Shareholder entitled to vote at an annual meeting of High River Shareholders may submit a notice of a proposal to High River regarding any matter the High River Shareholder proposes to raise at a meeting of High River Shareholders. Subject to further conditions contained in the YBCA, if High River solicits proxies in connection with the meeting, High River is required to set out the proposal in the management information circular for the meeting provided that, among other things: (i) it is not submitted less than 90 days before the anniversary of the date of the previous annual meeting of High River Shareholders, (ii) substantially the same proposal has not been submitted to shareholders in a circular relating to a meeting of shareholders in the last two years and was not defeated, or (iii) the right to submit a proposal is not being abused to secure publicity.</p>	<p>The agenda for a general meeting of Nordgold Shareholders may contain the items requested by one or more Nordgold Shareholders, other persons entitled to attend general meetings, or depositary receipt holders, including holders of the Nordgold GDRs, alone or together representing at least 1% of the issued share capital or at least €50,000,000 in value. Requests must be motivated and made in writing and received by the Nordgold Board at least 60 days before the day of the meeting.</p>
<p><i>Fiduciary Duties</i></p>	<p>Every director and officer of High River in exercising his or her powers and discharging his or her duties shall (a) act honestly and in good faith with a view to the best interests of the company; and (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.</p>	<p>Nordgold and all persons who by virtue of law and the Articles of Association are concerned with its organization must in such capacity conduct themselves in relation to each other in accordance with the dictates of reasonableness and fairness. The Nordgold Board shall be guided by the interests of the company and its affiliated enterprise, taking into consideration the interests of its shareholders.</p>

Issue	High River	Nordgold
<i>Indemnification</i>	<p>Subject to limitations imposed under the YBCA, the High River Constatng Documents provide for the indemnification of its current and former officers and directors against all costs, charges and expenses in respect of any civil, criminal, administrative action or proceeding in which the officer or director is or was involved because of their association with High River if (i) such individual acted honestly and in good faith with a view to the best interests of High River; and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that their conduct was lawful.</p>	<p>Nordgold shall indemnify the members and former members of the Nordgold Board and officers against all costs, judgments, fines and amounts paid in settlement in respect of threatened, pending or completed actions or proceedings and all expenses in connection with the defence or settlement thereof.</p>
<i>Charter Amendments</i>	<p>To amend any provision of the articles of continuance of High River, the affirmative vote of a majority of not less than $\frac{2}{3}$ of the votes cast by High River Shareholders or a resolution signed by all of the High River Shareholders entitled to vote on that resolution is required.</p> <p>The by-laws of High River may be adopted, amended, or repealed by a majority vote of the High River Board; thereafter, the High River Board shall submit a by-law or any amendment or repeal of a by-law to High River Shareholders at the next meeting of High River Shareholders and the High River Shareholders may, by ordinary resolution, confirm, reject or amend the by-law, amendment or repeal. Any by-law, amendment or repeal is effective when made by the High River Board but ceases to be effective if not confirmed by the High River Shareholders.</p>	<p>The general meeting of Nordgold Shareholders may resolve to amend the Articles of Association upon a proposal of the Nordgold Board. A resolution by the general meeting of Nordgold Shareholders to amend the Articles of Association requires a simple majority of the votes cast.</p> <p>The Nordgold Board Mandate may be amended by a resolution of the Nordgold Board, subject to the prior approval of each of Nordgold's Chairman and Chief Executive Officer.</p>

Issue	High River	Nordgold
<i>Certain Fundamental Changes</i>	<p>Certain extraordinary corporate actions and fundamental changes, such as continuances, certain amalgamations, dispositions of all, or substantially all, of the property of High River (other than in the ordinary course of business), liquidations, dissolutions and corporate reorganizations and arrangements, are required to be approved by special resolution. A special resolution means a resolution passed at a meeting of High River Shareholders by a majority of at least $\frac{2}{3}$ of the votes cast on the resolution, or a written resolution signed by all of the High River Shareholders holding shares that carry the right to vote on that resolution.</p>	<p>The general meeting of Nordgold Shareholders may resolve to dissolve Nordgold on a proposal of the Nordgold Board.</p> <p>Resolutions of the Nordgold Board which have an important impact on the identity or name of Nordgold or its business shall be subject to the prior approval of the general meeting of Nordgold Shareholders, including resolutions (a) to transfer the business of Nordgold or substantially the entire business of Nordgold to a third party; (b) to enter into or to terminate a long lasting cooperation by Nordgold or a subsidiary with another legal entity or partnership or as a general partner with full liability in a limited partnership or general partnership, if such cooperation or the termination thereof is of far-reaching significance to Nordgold; and (c) to acquire or alienate a participation by Nordgold or by a subsidiary of Nordgold in the capital of another company, the value of which equals at least one-third of the assets as shown in its balance sheet with explanatory notes or, if Nordgold draws up a consolidated balance sheet, as shown in the consolidated balance sheet with explanatory notes, according to the most recently adopted annual accounts.</p>

Issue	High River	Nordgold
<i>Dissent Rights</i>	High River Shareholders may, exercise certain dissenters' rights to be paid the fair value of their High River Shares in respect of certain acts of High River, including High River changing or removing any provisions restricting or constraining the issue or transfer of High River Shares, altering the business or businesses that High River may carry on, certain amalgamations, continuing under the laws of another jurisdiction or selling, leasing or exchanging all or substantially all of its property.	Not applicable.
<i>Oppression Action</i>	A High River Shareholder (whether the High River Share is legally or beneficially owned) may apply to the applicable court for an order seeking rectification of any act or omission of High River or its affiliates that has resulted in the business or affairs of High River or its affiliates being conducted in a manner that is oppressive or unfairly prejudicial to, or unfairly disregards the interest of, any security holder, director or officer of High River, or any other such person whom the applicable court deems to be a proper person to bring an action for oppression.	Not applicable.
<i>Dividends</i>	<p>Dividends may be declared at the discretion of the High River Board, subject to the rights, privileges, restrictions and conditions attaching to any outstanding preferred shares of High River. Dividends may be paid in cash, property or fully paid shares of High River.</p> <p>High River may declare and pay dividends unless there are reasonable grounds for believing that: (a) High River is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realizable value of High River's assets would thereby be less than the aggregate sum of its liabilities and stated capital of all classes.</p>	The Nordgold Board determines which part of the profits, as shown in the adopted annual accounts, shall be reserved. The remainder shall be at the free disposal of the general meeting of Nordgold Shareholders. The general meeting of Nordgold Shareholders may resolve to make a dividend distribution wholly or partly in Nordgold Shares, at the proposal of the Nordgold Board. Distributions can only take place up to the amount of the distributable part of the net assets (i.e., the part of Nordgold's net assets which exceeds the aggregate of the issued capital and the reserves which must be maintained by virtue of the law).

DIVIDEND POLICY AND DIVIDENDS PAID

Nordgold did not pay a dividend for the financial years ended December 31, 2011, 2010 or 2009 and has not paid a dividend in 2012.

The Nordgold Board has adopted a dividend policy whereby it intends to declare dividends, subject to Nordgold's financial state, need for investment and availability of funds, with the aim of maintaining a long-term average dividend ratio of approximately 25% of the average net profit calculated in accordance with IFRS for the relevant period. It is the Nordgold Board's intention to begin paying a dividend in respect of the year ending December 31, 2012.

Nordgold's ability to pay dividends and to receive dividends from subsidiaries may, however, be restricted by applicable law. Distributions can only take place up to the amount of the distributable part of Nordgold's net assets (i.e., the part of Nordgold's net assets which exceeds the aggregate of the issued capital and the reserves which must be maintained by virtue of the law).

PRIOR SALES

Other than pursuant to the Spin-Off Transaction, Nordgold has not issued any Nordgold Shares or Nordgold GDRs, during the 12 months preceding the date of the Offer and Circular.

On November 30, 2011, Severstal announced the separation of Nordgold from Severstal through a share exchange offer, which was completed in January 2012, with the exchange of 100% of the Nordgold Shares for Severstal shares and global depositary receipts, based on their respective fair values. The exchange was completed on the basis of 186 Nordgold Shares or Nordgold GDRs per 100 Severstal shares or global depositary receipts. Based on this exchange ratio and the closing Severstal share price on November 29, 2011, the day prior to the announcement of the Spin-Off Transaction, of US\$14.30, a value of US\$7.69 was attributable to each Nordgold Share.

PRINCIPAL SECURITYHOLDERS

Except as disclosed below, to the knowledge of Nordgold, no person beneficially owns, or controls or directs, directly or indirectly, 10% or more of the voting rights attached to the Nordgold Shares, including Nordgold GDRs.

<u>Principal Securityholder</u>	<u>Number of Nordgold Shares Held⁽¹⁾</u>	<u>% of Outstanding Nordgold Shares</u>	<u>Approximate Number of Nordgold Shares Held After Offer⁽¹⁾⁽²⁾</u>	<u>Approximate % of Nordgold Shares Held After Offer⁽²⁾</u>
Alexey Mordashov ⁽²⁾⁽³⁾⁽⁴⁾	322,647,867	89.9%	322,647,867	77.1%
Deutsche Bank AG, Amsterdam Branch ⁽²⁾⁽⁵⁾	37,896,313	10.6%	97,629,888	23.3%

Notes:

- (1) Including indirectly through holdings of Nordgold GDRs.
- (2) Assumes that all High River Shares are taken up under the Offer and that all Depositing Shareholders elect the GDR Offer.
- (3) Alexey Mordashov indirectly owns 320,897,867 Nordgold Shares and 1,750,000 Nordgold GDRs.
- (4) Alexey Mordashov has entered into an agreement to sell 3,587,942 Nordgold Shares to certain members of Nordgold's management team.
- (5) Nordgold Shares held of record by Deutsche Bank AG, Amsterdam Branch are held for, and on behalf of, holders of Nordgold GDRs (including the 1,750,000 Nordgold GDRs held by Alexey Mordashov).

DIRECTORS AND EXECUTIVE OFFICERS

Directors

<u>Name and municipality of residence</u>	<u>Position</u>	<u>Director since</u>
Philip Baum ⁽³⁾⁽⁴⁾ Cape Town, South Africa	Chairman and Independent Non-Executive Director	October, 2010
Nikolai Zelenski Moscow, Russia	Director and Chief Executive Officer	October, 2010
Sergey Zinkovich Moscow, Russia	Director and Chief Financial Officer	October, 2010
Alexey Mordashov ⁽³⁾ Cherepovets, Russia	Non-Executive Director	June, 2012
Mikhail Noskov Moscow, Russia	Non-Executive Director	June, 2012
Peter Lester ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Perth, Australia	Independent Non-Executive Director	October, 2010
David Morgan ⁽¹⁾⁽²⁾⁽³⁾ London, United Kingdom	Independent Non-Executive Director	October, 2010
Michael Nossal ⁽¹⁾⁽²⁾⁽⁴⁾ Melbourne, Australia	Independent Non-Executive Director	October, 2010

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Remuneration Committee.
- (3) Member of the Nomination Committee.
- (4) Member of the Safety and Sustainable Development Committee.

Philip Baum (Chairman and Independent Non-Executive Director)

Mr. Baum joined Nordgold as chairman of the Nordgold Board in October 2010. He is also chairman of the Nomination Committee and a member of the Safety and Sustainable Development Committee. He has a 33 year career, mostly with Anglo American plc, a natural resources business, and has extensive international experience in Africa, Europe, North and South America and Australasia in mining, minerals, heavy industry and financial services. He retired from Anglo American plc in 2009 as chief executive officer of its ferrous metals division and a member of its executive committee, a position he had held since 2003. Mr. Baum also serves as a director of Pata Finns Africa, a trustee of the Palaeontological Scientific Trust and the Tiger Kloof School, and as an alternate director of the San Sebastian Sanctuary. Mr. Baum holds a B.Com., LL.B. and a Higher Diploma in Tax Law from the University of the Witwatersrand (South Africa).

Nikolai Zelenski (Director and Chief Executive Officer)

Mr. Zelenski joined Severstal in 2004 and, prior to being appointed Chief Executive Officer of Nordgold, held positions as head of the gold division and head of strategy of Severstal Resources. Previously, Mr. Zelenski was an engagement manager at McKinsey & Company in the mining sector. Mr. Zelenski holds a master of technical sciences degree from the Saint Petersburg State Technical University (Russia), a Ph.D. in molecular genetics from the University of Texas (United States), and an MBA from Vanderbilt University (United States).

Sergey Zinkovich (Director and Chief Financial Officer)

Mr. Zinkovich joined Severstal in 2005 and, prior to being appointed Chief Financial Officer of Nordgold, held positions as head of the tax department of the mining division of the Severstal Group and served as chief

financial officer of the gold division of the Severstal Group. Previously, Mr. Zinkovich worked at BDO Unicon and held various financial management positions in the manufacturing industry. He graduated from the Belarusian State University with a Degree in Jurisprudence specialising in financial law (Belarus).

Alexey Mordashov (Non-Executive Director)

Mr. Mordashov has worked for Severstal, one of the world's leading vertically integrated steel and steel-related mining companies, since 1988. He started his career as a senior shop economist, becoming Chief Financial Officer in 1992. In December 1996, he was appointed as Severstal's chief executive officer. In June 2002, Mr. Mordashov was elected Chairman of Severstal's Board of Directors. Since 2002 he served as chief executive officer of Severstal Group and since December 2006 he has been the chief executive officer of Severstal. Mr. Mordashov serves on the Entrepreneurs Council of the Government of Russian Federation. In addition, Mr. Mordashov is a member of the Russian-German workgroup responsible for strategic economic and finance issues, and he is the head of the Russian Union of Industrialists and Entrepreneurs' (RSPP) Committee of Trade Policy and WTO. Since March 2006 he is a member of the EU-Russia Business Cooperation Council. Mr. Mordashov is a member of the Atlantic Council President's International Advisory Board. Mr. Mordashov is a member of the Supervisory Board of Non-Profit Partnership Russian Steel (since June 2010) and Deputy Chairman of World Steel Association (since October 2011), which is headquartered in Brussels, Belgium. Mr. Mordashov earned his undergraduate degree from the Leningrad Institute of Engineering and Economics. He also holds an MBA degree from Newcastle Business School of Northumbria University (Newcastle UK). Mr. Mordashov was granted an honorary doctorate from the Saint-Petersburg State University of Engineering and Economics in 2001 and from the University of Northumbria in 2003. Mr. Mordashov is a member of the Nomination Committee.

Mikhail Noskov (Non-Executive Director)

Mr. Noskov worked at the International Moscow Bank between 1989 and 1993. From 1994, he was Trade Finance Director of Credit Suisse (Moscow). He has worked for Severstal since February 1997 as Head of Corporate Finance and from 1998 as Finance and Economics Director. In June 2002, he was made Deputy CEO for Finance and Economics of the Severstal Group and from 2007 until 2008 he was Deputy CEO for Finance and Economics of Severstal. Mr. Noskov is currently the chief financial officer of Severgroup JSC, a private investment fund. Mr. Noskov is also a member of the board of directors of ZAO Sveza, ZAO National Media Group, Non-Governmental pension fund Gazfond, TUI Aktiengesellschaft and ZAO GK Video International, chairman of the board of directors of OAO Novy Impulse Center and an independent director and member of the board of directors of OAO Mostotrest. Mr. Noskov graduated from the Moscow Institute of Finance.

Peter Lester (Independent Non-Executive Director)

Mr. Lester joined Nordgold in October 2010 as an independent Non-Executive Director. He is also chairman of the Safety and Sustainable Development Committee and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is a mining engineer with extensive experience in senior operating, development and corporate roles. He serves as a non-executive director of Toro Energy Limited, a non-executive director of Castlemaine Goldfields Ltd. and as a director of Accessio Resources Pty Ltd. Prior to a recent takeover, he was an executive director of Citadel Resource Group which was developing the Jabal Sayid underground copper/gold mine in Saudi Arabia. Previously he was the executive general manager for corporate development for Oxiana and OZ Minerals which operated bare metal and gold mines in Australia and Laos. His activities have covered Australia, South East and Central Asia, the Middle East and the Americas. Mr. Lester has a Bachelor of Engineering (Mining-Hons) from the University of Melbourne and is a member of the Australian Institute of Company Directors and the Australian Institute on Mining and Metallurgy.

David Morgan (Independent Non-Executive Director)

Mr. Morgan joined Nordgold in October 2010 as an independent Non-Executive Director and is chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee. He is a member of the Institute of Chartered Accountants in England and Wales. He serves as chairman of the advisory boards of Conduit Ventures Limited and Imperial College Department of Chemistry, as deputy chairman of the supervisory board of SFC Energy AG, as non-executive director of Phosphonics Limited, as chairman of Econic

Technologies Limited and as the Senior Independent Director of Hargreaves Services plc. Previously, he was executive director of corporate development at Johnson Matthey plc, a chemical company specializing in precious metals, catalysts and fine chemicals. Mr. Morgan received his MA in mineralogy and petrology from Trinity College, Cambridge (England).

Michael Nossal (Independent Non-Executive Director)

Mr. Nossal joined Nordgold in October 2010 as an independent Non-Executive Director. Mr. Nossal is chairman of the Remuneration Committee and a member of the Audit Committee and the Safety and Sustainable Development Committee. He has been a member of the executive committee of MMG Limited (previously known as Minmetals Resources Limited) since January 2010 and serves as a director of a number of subsidiaries of MMG Limited. The principal business of MMG Limited is exploring, developing and mining base metals. From August 2006 to December 2009, he served as director and deputy chief executive officer for En+ Group Ltd, which manages aluminium, power and mining assets in Russia and prior to that had executive roles with WMC Resources Limited and Normandy Mining Limited. Mr. Nossal holds a BS from Monash University (Australia) and an MBA from the Wharton School of the University of Pennsylvania (United States).

Officers

In addition to Mr. Zelenski and Mr. Zinkovich, the following are the executive officers of Nordgold:

<u>Name and municipality of residence</u>	<u>Position</u>
Oleg Pelevin Moscow, Russia	Director of Strategy and Corporate Development
Vladimir Shvetsov Moscow, Russia	Director of Geology and Exploration
Sergei Stepanov Moscow, Russia	Chief Operating Officer
Evgeny Tulubensky Saint-Petersburg, Russia	Chief Legal Officer

Oleg Pelevin (Director of Strategy and Corporate Development)

Mr. Pelevin joined Severstal in 2004 and has served as a director of High River since November 2008. Previously, Mr. Pelevin served as a consultant at American Appraisal Russia and as the head of the investment department at Alphayurservis.

Vladimir Shvetsov (Director of Geology and Exploration)

Mr. Shvetsov joined Severstal in 2007 and has 34 years of experience in the geology industry. Previously, Mr. Shvetsov has served as chief executive officer of InterGeo Consulting and has held management positions at a number of geological enterprises.

Sergei Stepanov (Chief Operating Officer)

Mr. Stepanov joined Nordgold in November 2010 in his current role. Previously, Mr. Stepanov was director of coal production and refining for DTEK in Ukraine, and prior to that he was chief operating officer of the Severstal Group coal mining company Vorkutaugol. Mr. Stepanov studied economics and finance at Moscow State University Lomonosov.

Evgeny Tulubensky (Chief Legal Officer)

Mr. Tulubensky joined the Severstal Group in 2005 as a lawyer in its steel division and became chief legal officer for the gold division of the Severstal Group in 2008. Mr. Tulubensky has been a director of High River since 2008. Previously, Mr. Tulubensky worked as a consultant at Ernst & Young. Mr. Tulubensky obtained a law degree from Saint Petersburg State University in 2004 and an economics degree from Saint Petersburg State University of Engineering and Economics in 2008.

Ownership of Nordgold Shares by Directors and Executive Officers

The directors and executive officers of Nordgold beneficially own, or control or direct, directly or indirectly, as a group, 322,937,867 Nordgold Shares (including Nordgold GDRs), representing approximately 89.99% of the Nordgold Shares issued and outstanding as of October 17, 2012. The information as to Nordgold Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of Nordgold, has been furnished by the respective directors and executive officers individually.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of Nordgold is, or within the 10 years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order or similar order or an order that denied such company access to any exemption under securities legislation, in each case in effect for a period of more than 30 consecutive days, that (i) was issued while that person was acting in the capacity of a director, chief executive officer or chief financial officer of that company, or (ii) was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in that capacity.

No director or executive officer of Nordgold, or a shareholder holding sufficient securities of Nordgold to affect materially the control of Nordgold is, or has been within the 10 years prior to the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. In addition, no director or executive officer of Nordgold or a shareholder holding sufficient securities of Nordgold to affect materially the control of Nordgold has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of Nordgold, or a shareholder holding sufficient securities of Nordgold to affect materially the control of Nordgold, has been subject to:

1. any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
2. any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

Mr. Mordashov and Mr. Noskov are directors of members of the Severstal Group. As a result of these other directorship positions, these members of the Nordgold Board have duties to entities under common control with Nordgold and which contract with Nordgold from time to time. Mr. Mordashov is also the controlling shareholder of Nordgold. Save for the matters set out above, none of the members of the Nordgold Board or members of Nordgold's senior management has any potential conflicts of interests between his or her duties to Nordgold and his or her private interests or other duties.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion & Analysis

Remuneration Committee

Nordgold has established a Remuneration Committee, which operates pursuant to a mandate approved by the Board. The Remuneration Committee typically meets at least twice a year and is responsible for recommending executive officer remuneration policies, determining the executive directors' remuneration, recommending and monitoring the senior management's remuneration, and producing an annual remuneration report, to be approved by shareholders at the annual general meeting.

Members of the Remuneration Committee are appointed by the Board on the recommendation of the Nomination Committee and in consultation with the chairman of the Remuneration Committee. The Remuneration Committee currently consists of Michael Nossal (chair), David Morgan and Peter Lester, all of whom are "independent" within the meaning of Section 1.4 of National Instrument 52-110 — *Audit Committees* of the Canadian Securities Administrators. Nordgold is also subject to, and in compliance with, the UK Corporate Governance Code, which recommends that all members of the Remuneration Committee be "independent" non-executive directors (within the meaning of the UK Corporate Governance Code), and the Dutch Corporate Governance Code, which requires that all members of the Remuneration Committee be non-executive directors and allows for one such member to not be "independent" (within the meaning of the Dutch Corporate Governance Code).

The following experience of the members of the Remuneration Committee is relevant to their responsibilities in executive compensation and the members of the Remuneration Committee draw upon this experience, as well as the skills gained with this experience, to enable them to make decisions on the suitability of the Nordgold's compensation policies and practices:

Michael Nossal: Mr. Nossal joined Nordgold in October 2010 as an independent Non-Executive Director. Mr. Nossal is chairman of the Remuneration Committee and a member of the Audit Committee. He has been a member of the executive committee of MMG Limited (previously known as Minmetals Resources Limited) since January 2010 and serves as a director of a number of subsidiaries of MMG Limited. The principal business of MMG Limited is exploring, developing and mining base metals. Previously he served as director and deputy chief executive officer for En+ Group Ltd, which manages aluminium, power and mining assets in Russia, from August 2006 to December 2009 and prior to that had executive roles with WMC Resources Limited and Normandy Mining Limited. Mr. Nossal holds a BS from Monash University (Australia) and an MBA from the Wharton School of the University of Pennsylvania (United States).

David Morgan: Mr. Morgan joined the Board in October 2010 as an independent Non-Executive Director. He serves as Chairman of the advisory boards of Conduit Ventures Limited and Imperial College Department of Chemistry, as Deputy Chairman of the Supervisory Board of SF C Energy AG, as non-executive Director of Phosphonics Limited, as Chairman of Econic Technologies Limited and as Senior Independent Director of Hargreaves Services plc. Previously, he was Executive Director of Corporate Development at Johnson Matthey plc.

Peter Lester: Mr. Lester joined the Board in October 2010 as an independent Non-Executive Director. He has extensive experience in senior operating, development and corporate roles. He serves as a non-executive Director of Toro Energy Limited, a non-executive Director of Castlemaine Goldfields Ltd. and as a Director of Accessio Resources Pty Ltd. Previously he was an Executive Director of Citadel Resource Group and the Executive General Manager for corporate development for Oxiana and OZ Minerals.

Executive Officer Compensation

Compensation Objectives

The key goals of Nordgold's remuneration policy are to: (a) attract and retain executive officers; (b) align executive officers' motivation to shareholder interests; and (c) motivate top performance.

To implement these goals, Nordgold has built the following guiding principles into its reward system: (a) the remuneration of executive officers reflects the market in which Nordgold operates; (b) the remuneration of executive officers is linked to the creation of value to the shareholders; and (c) the remuneration of executive officers is aligned with performance results.

Compensation Decision-Making Process

Based on recommendations made by the Remuneration Committee, the Nordgold Board makes decisions regarding the salary, annual performance bonus and long-term incentive awards for Nordgold's Named Executive Officers and approves goals and objectives relevant to such compensation. The various elements of executive compensation, the relative weighting allocated to cash compensation versus options, and the mix of annual as opposed to long-term incentives, is not quantified by the Remuneration Committee on the basis of a formulaic approach. The Remuneration Committee reviews each compensation element in the context of the compensation mix (fixed versus variable) determined in accordance with Nordgold's executive remuneration policy.

Compensation Components

The remuneration of the Named Executive Officers is comprised of the following elements: (a) base-salary; (b) annual performance bonus; (c) long-term incentive; and (d) benefits.

Base Salary

The amount of base salary for Named Executive Officers is determined, subject to contractual requirements, with reference to the benchmark group discussed at "*Compensation of Executive Officers and Directors — Compensation Discussion & Analysis—Benchmarking*". Nordgold benchmarks are international, FTSE-listed and Russian companies of similar size and operational scale, with focus on mining / industrial sector. In order to establish fair compensation level Nordgold utilizes market survey information.

Base salaries are set based on a global assessment, rather than adhering to a formulaic approach, with consideration of the scope of the Named Executive Officer's role, impact of the role, individual contribution and performance result of each Executive Officer as determined by Nordgold's performance management system as well as experience and competencies. Evaluation of specific performance outputs agreed during the annual strategic objective setting process and development in the role, as well as positioning of the salary vs. market comparators, determine the level of annual salary increase. Base salaries are reviewed annually with reference to performance results and market movement.

Annual Performance Bonus

Named Executive Officers are eligible to receive an annual performance bonus, subject to the achievement of Nordgold and individual role-specific performance criteria. The bonus is based 50% on Nordgold performance objectives and 50% on individual performance objectives. Based on individual and corporate results the annual bonus amounts payable to Nordgold Executive Officers may be equivalent to on-target bonus potential, above the bonus potential, below the bonus potential or none.

Performance results reflecting the achievement of budget and business plan targets are rewarded with an on-target bonus payment. A 50% bonus is paid for results equal to 75% of the performance objective. No bonus is payable for performance below this threshold level. All bonuses are capped at 150% of the bonus potential amounts, which is paid upon achieving 125% or more of the performance target. Bonus payments are typically made after all financial results are finalized for the completed operational year.

The performance goals of Named Executive Officers for 2012 are linked to annual company and role-specific performance objectives. The Company performance target is common for Named Executive Officers and is linked to EBITDA. EBITDA results from operating activities adjusted for income tax expense, finance income and costs, depreciation and amortisation charges, impairment of non-current assets, other operating expenses and income, negative goodwill and the net result from the disposal of property, plant and equipment. As the 2012 financial year has not been completed, disclosure of specific EBITDA targets would be seriously prejudicial to Nordgold.

The role-specific objectives for Executive Officers cover the following performance areas: occupational safety; operational efficiency; resource portfolio; new mines construction investment program; and financing strategy.

The Remuneration Committee conducts regular performance-related reviews of the remuneration packages payable to the Named Executive Officers.

Long-Term Incentive

On May 15, 2012, the Board of Directors of Nordgold approved in principle the launch of the long term incentive plan (“**LTIP**”) for Named Executive Officers.

The principal objective of the long term incentive plan is to align management incentives with the creation of shareholder value and to reward sustained increases in operational performance over an extended period, with a focus on returns of share price growth and dividends (“**Total Shareholder Return**”). All Named Executive Officers are eligible for participation in the LTIP.

The plan provides for three year performance cycles, with a new cycle starting every calendar year. For every cycle of the plan, the Named Executive Officers are eligible for a cash LTIP award equivalent to 100%-250% of their annual base salary. The actual award for each program cycle is set by the Remuneration Committee. The actual awards are granted with reference to the participants’ annual performance results and the strategic objectives set for their respective functions for the forthcoming LTIP cycle. Typical program cycle vesting date is on the third anniversary of the grant date.

There are two performance conditions in the LTIP: 75% of the award in each cycle is linked to Total Shareholder Return relative to a comparator group; and the other 25% of the award in each cycle is linked to achieving a special Nordgold Share price (the “Absolute Share Price”).

The Total Shareholder Return performance measure relative to a group of 12 comparators aims to ensure that actual returns of share price growth and dividends are delivered to shareholders, and provides a measurable and objective reflection of the executive team’s performance against Nordgold’s competitors in the light of market conditions. The comparator group, comprised of Barrick Gold Corporation, Goldcorp Inc., Newmont Mining Corporation, Eldorado Gold Corporation, Polyus Gold International Limited, Randgold Resources Limited, Agnico-Eagle Mines Limited, Polymetal International plc, Petropavlovsk plc, Centerra Gold Inc., African Barrick Gold plc and SEMAFO Inc., will be periodically reviewed by the Remuneration Committee to ensure its relevance for benchmarking. The vesting rule applied to the Total Shareholder Return measure contains a threshold target of performance above median result of the comparator group.

The Absolute Share Price measure aims to ensure alignment of the Executive Team’s motivation with shareholders’ interests, offering an upside potential to participants for absolute share price performance at target or above. Full vesting for the Absolute Share Price portion of the award is achieved where the Absolute Share Price target is met. There is no vesting of the Absolute Share Price portion of the award if no growth of the Absolute Share Price was achieved over the relevant LTIP cycle.

Both annual and long term incentives contain clawback provisions.

Nordgold currently does not have any incentive plans in place pursuant to which Nordgold Shares are issuable, although it intends to implement performance based incentives through share incentives, consistent with market standards in the industry in which Nordgold operates.

Benefits

It is Nordgold policy not to provide any pension plans retirement benefit plans to Named Executive Officers.

Nordgold provides medical insurance for Named Executive Officers at Nordgold's cost. Nordgold provides life and accident insurance for Named Executive Officers. Nordgold also provides benefits allowances for flexible coverage of benefits as selected by Named Executive Officers. These allowances are provided as cash in fixed amounts on a monthly basis.

Compensation Risk Management

In performing its duties, the Remuneration Committee considers the implications of the possible risks associated with Nordgold's compensation policies and practices. This includes identifying any such policies or practices that may encourage executive officers to take inappropriate or excessive risks, identifying risks arising from such policies and practices that could have a material adverse effect on Nordgold and considering the possible risk implications of the Nordgold's compensation policies and practices and any proposed changes to them. It is the Remuneration Committee's view that Nordgold's compensation policies and practices do not encourage inappropriate or excessive risk-taking.

The Remuneration Committee believes that the fact that Nordgold has a controlling shareholder with a long term focus mitigates the risk of policies and practices which would encourage executive officers to expose Nordgold to inappropriate or excessive risks.

All variable pay has a direct link to performance against challenging individual and business targets. The performance link is also present in base pay, which is periodically reviewed based on individual performance and other factors. Accordingly, executive officers are discouraged from engaging in inappropriate or excessive risk-taking.

Benchmarking

To assist in determining competitive compensation for executive officers, the Remuneration Committee reviews data from surveys of international, FTSE-listed and Russian companies of similar size and operational scale, with focus on mining / industrial sector. Market data analysis provided by reputable international compensation survey providers is used to set base salary levels, annual variable compensation, long-term plan awards and benefit provision. The benchmark group utilized in 2012 included the following FTSE listed mining companies with the market capitalisation (12 month average) above 1,000M Pounds: Aquarius Platinum Limited plc, New World Resource Corp., Centamin Egypt Limited, Kenmare Resources plc, Petropavlovsk plc, Bumi plc, Hochschild Mining plc, African Barrick Gold plc and Lonmin plc. The data was analysed and provided by Deloitte LLP ("**Deloitte**"). See also "*Compensation of Executive Officers and Directors — Director Compensation*".

Compensation Consultants

During 2012, the human resources director of Nordgold, as authorized by Nordgold's chief executive officer, engaged Deloitte, for the first time, to provide and analyze benchmark group data in respect of the compensation of Nordgold's executive officers (see "*Benchmarking*").

<u>Year</u>	<u>Executive Compensation- Related Fees (US\$)⁽¹⁾</u>	<u>All Other Fees (US\$)</u>
2012	19,716	—
2011	—	—

Notes:

- (1) The values indicated in the table have been converted to US dollars, being the currency Nordgold uses in its financial statements, at a rate of 0.6340 pounds Sterling / 1.00 US dollar, being the average GBP / USD exchange rate for the period from January to September 2012.

Summary Compensation Table

Nordgold's acquisition of all of the issued and outstanding High River Shares is not expected to affect the significant elements of the compensation to be awarded to, earned by, paid to, or payable to Nordgold's Named Executive Officers.

The following table and notes below describe the total expected compensation of the Named Executive Officers for services rendered in all capacities to Nordgold and its subsidiaries for 2012.

Name and principal position	Year	Salary (US\$) ⁽¹⁾	Non-equity incentive plan compensation (US\$) ⁽¹⁾		All other compensation (US\$) ⁽¹⁾⁽²⁾	Total compensation (US\$) ⁽¹⁾
			Annual incentive plans	Long-term incentive plans		
Nikolai Zelenski Chief Executive Officer	2012	715,326	ND ⁽³⁾	ND	85,638 ⁽⁴⁾⁽⁵⁾	ND
Sergey Zinkovich Chief Financial Officer	2012	286,782	ND	ND	24,000 ⁽⁴⁾	ND
Sergey Stepanov Chief Operational Officer	2012	330,100	ND	ND	ND	ND
Oleg Pelevin Strategy Director	2012	311,386	ND	ND	ND	ND
Evgeny Tulubensky Legal and GR Director	2012	259,198	ND	ND	ND	ND

Notes:

- (1) All compensation is paid to Named Executive Officers in Russian roubles. The values indicated in the table have been converted to US dollars, being the currency Nordgold uses in its financial statements, at a rate of 31.32 Russian roubles / 1.00 US dollar, being the RUB/USD exchange rate used by Nordgold for the purposes of forecasting 2012 costs.
- (2) Other than Mr. Zelenski, none of the Named Executive Officers are entitled to perquisites or other personal benefits which, in the aggregate, are worth over \$50,000 or over 10% of their annual base salary.
- (3) “ND” means values that are not determinable. Such values are based on future events which are not determinable at this time.
- (4) US\$24,000 of this amount represents fees for acting as a Director of Nordgold.
- (5) US\$61,638 of this amount represents the value of benefits provided to Mr. Zelenski (see “—*Compensation Discussion & Analysis—Executive Officer Compensation—Compensation Components—Benefits*”).

Director Compensation

The remuneration policy of the Nordgold Board is determined at the general meeting of shareholders. With due observance of the remuneration policy, the Nordgold Board determines the remuneration of each individual member of the Nordgold Board in accordance with the relevant provisions under Dutch law and recommendations from the Remuneration Committee.

Each Director’s base salary is intended to be competitive and based on the individual Director’s responsibilities and performance. The target positioning for the Director’s base salary is between the median and upper quartile for comparators. The Directors are benchmarked against international, FTSE-listed and Russian companies of similar size, capitalization and operational scale, with a focus on the gold mining, general mining and industrial sectors (see “—*Compensation Discussion & Analysis—Benchmarking*”). Base salaries are reviewed annually with reference to individual and Nordgold’s performance and labour market movement.

The Executive Directors do not participate in the decision making of the Nordgold Board in relation to the remuneration of the Executive Directors. Any compensation arrangements in the form of Nordgold Shares, or depositary receipts thereof, or options would need to be approved by the general meeting of shareholders before being adopted by the Nordgold Board.

Under the terms of his appointment letter, Philip Baum is entitled to base compensation of £300,000 per annum, subject to an annual review by the Nordgold Board. If Mr Baum is re-elected at the annual general meeting of shareholders of Nordgold, he is entitled to a bonus of £150,000 upon each such reelection.

Under the terms of his appointment letter, Peter Lester is entitled to compensation of £100,000 per annum, subject to an annual review by the Nordgold Board.

Under the terms of his appointment letter, David Morgan is entitled to compensation of £110,000 per annum, subject to an annual review by the Nordgold Board.

Under the terms of his appointment letter, Michael Nossal is entitled to compensation of £100,000 per annum, subject to an annual review by the Nordgold Board.

Each Non-Executive Director is also entitled to reimbursement of reasonable expenses.

The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in Nordgold share, bonus or pension schemes, if any.

Under the terms of their appointment letters, Alexey Mordashov and Mikhail Noskov, as non-independent Non-Executive Directors, are not entitled to any fee from Nordgold for acting as Directors.

Nordgold's acquisition of all of the issued and outstanding High River Shares is not expected to affect the significant elements of the compensation to be awarded to, earned by, paid to, or payable to Nordgold's Directors.

The following table and notes below describe the total expected compensation of each Nordgold Director (other than the Executive Directors, whose compensation is disclosed above, see “—*Summary Compensation Table*”) for services as a director of Nordgold, and in any other capacities, if applicable, for 2012.

Name	Fees earned (US\$) ⁽¹⁾	Non-equity incentive plan compensation (US\$) ⁽¹⁾	All other compensation (US\$) ⁽¹⁾⁽²⁾	Total (US\$) ⁽¹⁾
Philip Baum	473,186	—	236,593	709,779
Peter Lester	157,729	—	—	157,729
Alexey Mordashov	—	—	—	—
David Morgan	173,502	—	—	173,502
Mikhail Noskov	—	—	—	—
Michael Nossal	157,729	—	—	157,729

Notes:

- (1) All compensation is paid to Nordgold Directors in pounds Sterling. The values indicated in the table have been converted to US dollars, being the currency Nordgold uses in its financial statements, at a rate of 0.6340 pounds Sterling / 1.00 US dollar, being the average GBP / USD exchange rate for the period from January to September 2012.
- (2) Table does not include any amounts paid as reimbursement for expenses.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors, executive officers, associates of such directors and executive officers, employees, former directors, former executive officers or former employees of Nordgold is indebted to Nordgold, its subsidiaries or any other entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by Nordgold, except for routine indebtedness.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

As a Dutch company whose global depositary receipts are listed on the LSE, Nordgold is required under Dutch law to annually disclose whether or not it applies the provisions of the Dutch Corporate Governance Code and, in the event that it does not apply a certain provision, to explain the reasons why. In addition, although the UK Corporate Governance Code does not apply to global depositary receipts, Nordgold has chosen to also voluntarily report whether or not it applies the provisions of the UK Corporate Governance Code and, in the event that it does not apply a certain provision, to explain the reasons why.

Nordgold endeavours to constantly enhance its corporate governance procedures so as to maximise shareholder value, ensure long term business prosperity and maintain the trust and goodwill of its stakeholders. Set out below is a description of Nordgold's approach to corporate governance.

Nordgold Board

Structure

Dutch law does not require a board of directors to have a one-tier structure consisting of executive and non-executive directors. Instead, it provides for a two-tier structure with separate management and supervisory boards. It is, however, established practice in the Netherlands to have a board structure that is similar to a one-tier structure.

Although all members of the board of a Dutch company are formally managing directors, the Articles of Association provide that certain directors can be designated as Executive Directors while other directors be designated Non-Executive Directors. Having adopted such a structure, Nordgold has a single board rather than separate management and supervisory boards. The Articles of Association provide for the appointment of Executive Directors and Non-Executive Directors (see “— *Position Descriptions — Executive Directors*” and “— *Position Descriptions — Non-Executive Directors*”), with the Executive Directors responsible for the day-to-day management of Nordgold, and the Non-Executive Directors responsible for supervising and generally assisting the Executive Directors. All duties are, however, subject to the overall responsibilities of the Nordgold Board.

Mandate

The regulations for the Nordgold Board (the “**Nordgold Board Mandate**”), attached hereto as Schedule 2, provide internal regulations regarding the decision-making process and the internal allocation of tasks and responsibilities of the Nordgold Board.

The Nordgold Board Mandate contains a non-exhaustive list of matters specifically reserved for the Nordgold Board, including: approving the business strategy, objectives and budget; proposing changes to Nordgold's capital structure; approving the annual and quarterly financial statements and other results announcements; overseeing Nordgold's and its subsidiaries' risk management and internal control systems and matters of governance; and approving all major capital projects, corporate or related actions and investments with respect to Nordgold and its subsidiaries.

Composition

The Nordgold Board is currently made up of eight directors, of whom two are Executive Directors (the Chief Executive Officer and the Chief Financial Officer) and six are Non-Executive Directors. The minimum number of members of the Nordgold Board is one Executive Director and one Non-Executive Director, and there is no maximum number of members.

Independence

The Nordgold Board Mandate provides that the majority of members of the Nordgold Board shall be Non-Executive Directors and at least half of the members shall be independent of Nordgold, based on whether the director is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or considered to appear to affect, the Nordgold Board member's judgement.

The Nordgold Board has determined that Mr. Philip Baum, Mr. Peter Lester, Mr. David Morgan and Mr. Michael Nossal are each "independent" within the meaning of Section 1.4 of NI 52-110.

The Nordgold Board has determined that Mr. Alexey Mordashov (both the controlling shareholder of the parent of Nordgold and chief executive officer of Severstal), Mr. Mikhail Noskov (the chief financial officer of ZAO Severgroup and a Non-Executive Director of Severstal), Mr. Nikolai Zelenski (Nordgold's Chief Executive Officer) and Mr. Sergey Zinkovich (Nordgold's Chief Financial Officer) each have a direct or indirect material relationship with Nordgold and are therefore not independent of Nordgold for purposes of NI 52-110.

The Nordgold Board considers it appropriate to have only half of its directors be independent, given the current ownership structure of Nordgold, in order for the controlling shareholder to be adequately represented on the Nordgold Board.

The Chairman of the Nordgold Board is an independent Non-Executive Director and is responsible for: the leadership and overall effectiveness of the Nordgold Board and individual Non-Executive Directors; promoting a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors; ensuring constructive relations between Executive Directors and Non-Executive Directors; ensuring that Non-Executive Directors constructively challenge and help to develop proposals on strategy; and arranging informal meetings with the Non-Executive Directors without Executive Directors (as such term is described below) or senior management present, to consider complex or sensitive issues. The independent Nordgold directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

Nordgold Board meetings are conducted in an open manner and constructive challenge and questioning by the independent directors is facilitated and encouraged. Regular communication is maintained by and between the independent directors outside of board meetings and the independent directors have the opportunity to meet without the presence of management, for example at site visits that take place regularly. All independent directors are invited to attend such site visits, which the Executive Directors do not routinely attend.

See also "*Position Descriptions — Executive Directors and Non-Executive Directors*" and the conflict of interest provisions in Sections 17 through 19 of the Nordgold Board Mandate, attached hereto as Schedule 2.

Meeting Attendance

During the period commencing January 1, 2011 and ending on the date of the Circular, the Nordgold Board held 19 meetings, of which Mr. Philip Baum attended 19, Mr. Nikolai Zelenski attended 18, Mr. Sergey Zinkovich attended 18, Mr. Peter Lester attended 17, Mr. David Morgan attended 19, and Mr. Michael Nossal attended 19. Mr. Alexey Mordashov joined the Nordgold Board on June 14, 2012 and attended 4 of the

5 Nordgold Board meetings held during the period commencing on that date and ending on the date of the Circular. Mr. Mikhail Noskov joined the Nordgold Board on June 14, 2012 and attended 5 of the 5 Nordgold Board meetings held during the period commencing on that date and ending on the date of the Circular. Mr. Alexey Kulichenko served on the Nordgold Board until June 14, 2012 and attended 6 of the 14 Nordgold Board meetings held during the period ending on that date and commencing on January 1, 2011. Mr. Vadim Larin served on the Nordgold Board until June 14, 2012 and attended 5 of the 14 Nordgold Board meetings held during the period ending on that date and commencing on January 1, 2011.

Position Descriptions

Chairman of the Nordgold Board

In accordance with the Nordgold Board Mandate, the Chairman is required to be a Non-Executive Director and cannot be a former Executive Director of Nordgold. Pursuant to a written position description, Nordgold's Chairman is, in general, responsible for the leadership and overall effectiveness of the Nordgold Board and setting the Nordgold Board's agenda. The Chairman reports to the Nordgold Board and is not responsible for the day-to-day management of Nordgold.

In addition to the duties noted at “— *Nordgold Board — Independence*”, “— *Orientation and Continuing Education*” and “— *Effectiveness and Evaluation*”, the Chairman is responsible for, among other things: ensuring the effective running of the Nordgold Board by ensuring meetings are held with appropriate frequency and that the Nordgold Board agenda reflects the important issues facing Nordgold and its subsidiaries; ensuring there is appropriate delegation of authority from the Nordgold Board to executive management; chairing the Nomination Committee (unless an independent Non-Executive Director has been appointed to do so); ensuring the Nordgold Board receives accurate, clear and timely information to support sound decision-making; ensuring, with the support of Nordgold's Secretary, compliance with Nordgold Board approved procedures and that such procedures are reviewed by the Nordgold Board at least annually; ensuring effective communication with shareholders, including discussing governance, remuneration and strategy with major shareholders; ensuring that all directors are aware of the views of the shareholders and the issues and concerns of major shareholders; and with the assistance of Nordgold's Secretary, promoting high standards of corporate governance, in compliance with the Dutch Civil Code and the Dutch Corporate Governance Code.

Chief Executive Officer

Pursuant to a written position description, Nordgold's Chief Executive Officer is, in general, responsible for all executive management matters of Nordgold and its subsidiaries. All members of executive management report directly to the Chief Executive Officer, and the Chief Executive Officer reports to the Chairman and to the Nordgold Board directly.

The Chief Executive Officer is responsible for, among other things: developing and proposing Nordgold's strategy, annual plans and commercial objectives to the Nordgold Board; leading the executive team in the day-to-day management of Nordgold and its subsidiaries to achieve commercial objectives and executing strategies approved by the Nordgold Board; managing Nordgold's risk profile in line with the extent and categories of risk identified as acceptable by the Nordgold Board and ensuring appropriate internal risk controls are in place; regularly reviewing the operational performance and strategic direction of Nordgold and its subsidiaries; ensuring, with the executive team, that Nordgold Board decisions are implemented effectively and that significant decisions made by the executive team are communicated to the Nordgold Board; maintaining a dialogue with the Chairman on important and strategic issues, as well as potential complex, contentious or sensitive issues facing Nordgold and its subsidiaries; making recommendations on remuneration policies, executive remuneration and terms of employment for senior employees; ensuring the development needs of the Executive Directors and senior management are identified and met and ensuring succession planning; ensuring effective communication with shareholders and that appropriate, timely and accurate information is disclosed to the market; and developing Nordgold's policies for Nordgold Board approval and implementing them.

Executive Directors and Non-Executive Directors

Nordgold's directors are classified as either executive or non-executive. Executive Directors are particularly responsible for the daily affairs and perform the day-to-day management of Nordgold. Non-Executive Directors are particularly responsible for the general affairs of Nordgold and supervise the policy and fulfilment of duties by Executive Directors. For the particular tasks and responsibilities of the Executive Directors and Non-Executive Directors, see Sections 9 and 10 respectively of the Nordgold Board Mandate, attached hereto as Schedule 2.

Committee Chairs

The Nordgold Board has not developed written position descriptions for the chairs of each its committees.

The role of the chair of each committee of the Nordgold Board is to: ensure that such committee effectively assumes and follows its terms of reference; set the agenda for committee meetings, in consultation with the Chief Executive Officer and other senior officers, as necessary; chair all committee meetings; encourage the input of all committee members at such meetings; and report to the Nordgold Board on committee matters.

Nordgold Board Committees

In line with the Dutch Corporate Governance Code and UK Corporate Governance Code, Nordgold has established an Audit Committee, a Remuneration Committee and a Nomination Committee. Nordgold has also established a Safety and Sustainable Development Committee.

Audit Committee

Nordgold has established an Audit Committee which operates pursuant to terms of reference approved by the Nordgold Board, attached hereto as Schedule 2. The Audit Committee typically meets at least three times a year and helps the Nordgold Board meet its responsibilities in relation to internal and external audits and controls, including: reviewing Nordgold's annual and quarterly financial statements; considering the scope of the annual audit and the extent of the external auditors' non-audit work; advising on the appointment of external auditors; and reviewing the effectiveness of Nordgold's internal controls.

Members of the Audit Committee are appointed by the Nordgold Board on the recommendation of the Nomination Committee and in consultation with the chairman of the Audit Committee. The Audit Committee currently consists of Mr. David Morgan (chair), Mr. Peter Lester and Mr. Michael Nossal, each of whom has been determined by the Nordgold Board to be "independent" within the meaning of Sections 1.4 and 1.5 of NI 52-110 and "financially literate" within the meaning of Section 1.6 of NI 52-110. In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

David Morgan: Mr. Morgan received his MA in Mineralogy and Petrology from Trinity College, Cambridge (England) and is a member of the Institute of Chartered Accountants in England and Wales.

Peter Lester: Mr Lester has a Bachelor of Engineering (Mining-Hons) from the University of Melbourne and is a member of the Australian Institute of Company Directors and the Australian Institute on Mining and Metallurgy.

Michael Nossal: Mr Nossal holds a BS from Monash University (Australia) and an MBA from the Wharton School of the University of Pennsylvania (United States).

Pursuant to its terms of reference, the Audit Committee is responsible for: (a) developing and implementing a policy on the supply of non-audit services by Nordgold's external auditor, taking into account any relevant ethical guidance on the matter; (b) overseeing the relationship with Nordgold's external auditor, including

proposing and reviewing their remuneration, including fees for audit or non-audit services; and (c) reporting to the Nordgold Board annually, and earlier if required, on Nordgold's relationship with its external auditor and, in particular, on the Audit Committee's views of the external auditor's independence (including whether the external auditor should also carry out non-audit work for Nordgold).

The Audit Committee has established a process whereby the proposed provision of any non-audit services by the Auditors is considered on a case-by-case basis before engagement is confirmed.

The following table sets forth the approximate amounts of fees paid and accrued to Nordgold's external auditors for the 2011 and 2010 fiscal years, respectively, for services rendered to Nordgold and its subsidiaries for the fiscal years 2011 and 2010:

<u>Fee Category</u>	<u>2011</u>	<u>2010</u>
	(US\$000)	(US\$000)
Audit fees ⁽¹⁾	\$1,432	\$2,013
Audit-related fees ⁽²⁾	164	—
Tax fees	—	—
All other fees ⁽³⁾	440	6,155
Total	<u>\$2,036</u>	<u>\$8,168</u>

Notes:

- (1) "Audit fees" include the aggregate fees paid to KPMG Accountants N.V. (the Netherlands) in 2011 and ZAO KPMG (Russia) in 2010 for audit services.
- (2) "Audit-related fees" include the aggregate fees paid to KPMG LLP (Canada) in 2011 for work in connection with the 2010 audit of High River.
- (3) "All other fees" for 2011 include the aggregate fees paid and accrued to (i) KPMG LLP for assistance with High River's transition from Canadian generally accepted accounting principles to International Financial Reporting Standards, (ii) to ZAO KPMG in connection with the preparation of Nordgold's annual report and (iii) fees paid and accrued to KPMG Inc. (South Africa) relating to a historical audit of Crew Gold required in connection with the prospectus for the Spin-Off Transaction. "All other fees" for 2010 include the aggregate fees paid and accrued to ZAO KPMG for advisory work in connection with the Spin-Off Transaction.

Nomination Committee

Nordgold has established a Nomination Committee, which operates pursuant to terms of reference approved by the Nordgold Board. The Nomination Committee meets when appropriate and is responsible for, among other things: periodically reviewing the Nordgold Board's structure; identifying potential candidates to be directors; and determining succession plans for the Chairman and Chief Executive Officer. See also " — *Nomination of Directors*" and " — *Effectiveness and Evaluation*".

Members of the Nomination Committee are appointed by the Nordgold Board. The Nomination Committee currently consists of Mr. Philip Baum (chair), Mr. Alexey Mordashov and Mr. David Morgan, a majority of whom are "independent" within the meaning of Section 1.4 of NI 52-110. The Nordgold Board considers it appropriate, given the current ownership structure of Nordgold, for the controlling shareholder to be on the Nomination Committee, as well as directors who are independent of both Nordgold and the controlling shareholder. The chair of the Nomination Committee is appointed by the Nordgold Board and is required to be either the Chairman or an independent Non-Executive Director.

Remuneration Committee

The Remuneration Committee operates pursuant to terms of reference approved by the Nordgold Board. The Remuneration Committee normally meets at least twice a year and is responsible for, among other things: recommending executive remuneration policies; determining directors' remuneration; recommending and monitoring senior management remuneration; and producing an annual remuneration report to be approved by

shareholders at the annual general meeting. Remuneration Committee members are appointed by the Nordgold Board on the recommendation of the Nomination Committee and in consultation with the Remuneration Committee's chair. Further information regarding the Remuneration Committee is set out under the heading "*Compensation of Executive Officers and Directors — Compensation Discussion and Analysis — Remuneration Committee*".

Safety and Sustainable Development Committee

The safety and sustainable development committee ("**SSD Committee**") operates pursuant to a mandate approved by the Nordgold Board. The SSD Committee normally meets at least twice a year and is responsible for monitoring and evaluating reports on the effectiveness of safety and sustainable development policies, management standards, strategy, performance and governance across Nordgold, and reports to the Nordgold Board on key issues. Members of the SSD Committee are appointed by the Nordgold Board. The SSD Committee currently consists of Mr. Peter Lester (chair), Mr. Philip Baum and Mr. Michael Nossal.

Nomination of Directors

Pursuant to its terms of reference, the Nomination Committee is responsible for: drafting selection criteria and appointment procedures for Nordgold Board members; identifying and nominating, for the approval of the Nordgold Board, candidates to fill Nordgold Board vacancies as and when they arise; periodically assessing the Nordgold Board structure, size and composition (including the skills, independence, knowledge and experience, and taking into account the need for progressive refreshing of the Nordgold Board); making recommendations to the Nordgold Board about suitable candidates for membership on each of the Audit Committee and Remuneration Committee, in consultation with the chair of the relevant committee; and identifying and recommending directors who are to be put forward for retirement by rotation.

In order to perform its role, the Nomination Committee evaluates the balance of skills, independence, knowledge and experience on the Nordgold Board, and in the light of this evaluation, prepares a description of the role and capabilities required for each appointment. In identifying suitable candidates the Nomination Committee: uses open advertising or the services of external advisers to facilitate the search; considers candidates from a wide range of backgrounds; considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Nordgold Board, including gender; and takes care that appointees have enough time available to devote to the position. The Nordgold Board Mandate provides that a Non-Executive Director cannot be a member of the supervisory board (i.e., a non-executive director of a company with a one-tier board structure) of more than five listed companies (including Nordgold) and, for these purposes, chairmanship of a Dutch company counts as two directorships.

When it is decided that a new appointment of a Non-Executive Director is to be made, the Nomination Committee circulates to members of the Nomination Committee and the Chief Executive Officer (and other directors, if felt appropriate) a short-list of nominees for comment, and for the addition of further potential candidates. The Nomination Committee may also engage a reputable firm of search consultants to recommend candidates. A revised short-list will then be considered by the Nomination Committee and selections therefrom are seen in the first instance by the Chairman and one other Nomination Committee member and the Chief Executive Officer. If the Chairman wishes to take the selection process further, the potential candidate(s) will be invited to meet the Nomination Committee. The Nomination Committee then decides whether to recommend an appointment to the Nordgold Board and the Nordgold Board decides whether to consequently propose such appointment to the general meeting of shareholders.

When it is decided that a new appointment of an Executive Director is to be made, the Chairman and the Chief Executive Officer submit a short-list of one or more candidates to the Nomination Committee. Some or all of the Nomination Committee's members then meet the candidate(s) selected for interview and the Nomination Committee's assessments are reviewed with the Chairman and Chief Executive Officer. The Nomination

Committee then decides whether to recommend an appointment to the Nordgold Board and the Nordgold Board decides whether to consequently propose such appointment to the general meeting of shareholders. The Chairman and Chief Executive Officer and/or the Nomination Committee may engage a search consultant to assist in the selection of external candidates for a specific appointment as an Executive Director and an officer of Nordgold.

The Nomination Committee is also responsible for ensuring that, on appointment to the Nordgold Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Nordgold Board meetings.

Nordgold is not required, either by contract or otherwise, to provide third parties with the right to nominate directors.

Orientation and Continuing Education

The Chairman is responsible for ensuring, with the support of Nordgold's Secretary, that new directors are provided with an appropriately structured induction programme and that the development and ongoing training needs of individual directors and the Nordgold Board as a whole are identified and met. The Chairman is responsible for reviewing the training and development needs of each director.

The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee each require that such committee be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

The Non-Executive Directors are responsible for ensuring that the members of the Nordgold Board, if and to the extent required, follow their induction and education or training program.

Each director has received training on their duties and responsibilities under Dutch and UK regulations. Each of the independent Non-Executive Directors has also been provided with relevant information on Nordgold and its operations. The Nordgold directors' ongoing training needs are kept under review and further training is provided when appropriate. Visits to Nordgold's operations in Guinea and Burkina Faso, together with those in the Yakutia and Buryatiya republics and the Amur region of Russia were undertaken by the independent Non-Executive Directors in 2011 to further assist with their induction. Further site visits by a number of the independent Non-Executive Directors have been undertaken in 2012 at Nordgold's operations in the Buryatiya republic of Russia and in Kazakhstan.

All directors have access to the advice and services of Nordgold's Secretary and, if necessary, the Non-Executive Directors may seek independent professional advice at Nordgold's expense. In addition, the Nordgold Board receives external strategic briefings as and when appropriate on matters such as potential merger and acquisition activity and the market in which Nordgold operates.

Effectiveness and Evaluation

Pursuant to its terms of reference, the Nomination Committee is responsible for: periodically assessing and reporting to the Nordgold Board on the functioning of individual Nordgold Board members; assessing whether the Non-Executive Directors are spending enough time to fulfil their duties; and making recommendations to the Nordgold Board whether to re-appoint a Nordgold Board member at the end of their term of office.

The Chairman is responsible for: ensuring the frequency and depth of evaluation of the performance of the Nordgold Board and its committees is in compliance with best practices; ensuring that appropriate action, if required, is taken on the results of any such evaluation; and confirming that an individual's performance continues to be effective when they are proposed for re-election.

Each committee of the Nordgold Board is required to, at least once a year, review its own performance, composition and mandate and recommend any changes it considers necessary to the Nordgold Board for approval.

As the Nordgold Board only started to meet in the final quarter of 2010, no performance evaluation of the Nordgold Board, its committees or individual directors was conducted during 2011. A review of the effectiveness of the Nordgold Board and its committees was undertaken in March 2012, based on the completion of questionnaires by directors. The results have been collated by the Secretary and were considered fully by the Nordgold Board at a meeting to be held in May 2012. The exercise resulted in a frank and honest exchange of views on the operation of the Nordgold Board and a number of improvement actions were agreed. The Nordgold Board will consider the use of an externally facilitated evaluation process once the Nordgold Board has been together for three years in order to elicit full value from this process.

Ethical Business Conduct

Code of Business Conduct and Ethics

The Nordgold Board has adopted a written code of business conduct and ethics (the “**Code of Conduct**”) to aid Nordgold’s directors, officers and employees in making ethical and legal decisions when conducting its business, performing day-to-day duties and fulfilling responsibilities. The Code of Conduct has been designed to endorse and promote Nordgold’s commitment to honest and ethical conduct, promote compliance with applicable laws and governmental rules and regulations, to ensure the protection of Nordgold’s business interests and to deter wrongdoing. The Code of Conduct applies to Nordgold employees, consultants, officers and directors and such persons must sign an acknowledgement indicating that they have received, read and understand the Code of Conduct and agree to be bound by it. A copy of the code may be obtained from Nordgold’s Secretary at TMF Corporate Secretarial Services Limited 400 Capability Green, Luton, LU1 3AE, United Kingdom, Tel: +44 (0)15 8243 9276, Fax: +44 (0)15 8243 9207.

Any irregularities regarding ethical business conduct are to be referred to a member of the Audit Committee, external legal counsel or management. The Nordgold Board monitors the code through review and analysis of such irregularities submitted to it by the Audit Committee, external legal counsel or management as applicable. There is an informal mechanism to monitor the functioning of the Code of Conduct, whereby breaches would be brought to the attention of the Board through ongoing monitoring of the operations of Nordgold and subsequent reporting to the Nordgold Board by management and, in particular, the internal control department.

Each member of the Nordgold Board must immediately report any (potential) conflict of interest that is of material significance to Nordgold to the Chairman and to the other members of the Nordgold Board. A member of the Nordgold Board with such (potential) conflict of interest must provide the Chairman and the other members of the Nordgold Board with all information relevant to the conflict, including information concerning his or her wife or husband, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The Nordgold Board shall decide, without the Nordgold Board member concerned being present, whether there is a conflict of interest. See also the conflict of interest provisions in Sections 17 through 19 of the Nordgold Board Mandate, attached hereto as Schedule 2.

Whistleblowing Procedures

At the date of this report, Nordgold has not adopted whistleblowing procedures. However, an external whistleblowing service provider has been selected and the form and content of such a policy is actively being considered, and is expected to be completed during 2012.

Share Dealing Code

Nordgold has adopted an internal code on securities dealing in relation to Nordgold Shares and other financial instruments, the value of which is determined by the value of the Nordgold Shares, by the directors, persons discharging managerial responsibilities and persons related to them and employees (the “**Share Dealing Code**”). The Share Dealing Code applies to the directors and other relevant employees of Nordgold. The Share Dealing Code includes rules relating to: notifications by or on behalf of persons associated with Nordgold who are required to make notifications to the Dutch Authority for the Financial Markets of transactions in the Nordgold Shares and related securities; the obligations of employees, managers and directors with respect to the ownership of, and transactions in, the Nordgold Shares and related securities; and if relevant, the period during which such persons may not effect transactions in the Nordgold Shares and related securities. Nordgold has adopted a memorandum on procedures for dealing with inside information outlining the procedures applicable to persons working for Nordgold who could have access to inside information on a regular or incidental basis and has informed the persons concerned of the rules on insider trading and market manipulation, including the sanctions which can be imposed in the event of a violation of those rules.

RISK FACTORS

Any investment in Nordgold GDRs is subject to a number of risks. Prior to accepting the Offer and electing the GDR Offer, High River Shareholders should carefully consider the risk factors associated with any investment in the Nordgold GDRs, Nordgold’s business and the industry in which Nordgold operates, together with all other information contained in this Offer and Circular including, in particular, the risk factors described below. The following factors constitute the material risks faced by Nordgold and the industry in which Nordgold operates. Additional risks and uncertainties relating to Nordgold that are not currently known to Nordgold, or that it currently deems immaterial, may also have an adverse effect on Nordgold’s business, financial condition and/or results of operations. If this occurs, the price of the Nordgold GDRs may decline and investors could lose all or part of their investment. Each High River Shareholder should consider carefully whether an investment in the Nordgold GDRs is suitable for them in light of the information in this Offer and Circular and their personal circumstances.

Risks Relating to the Gold Mining Industry Generally

Nordgold’s results of operations are significantly affected by changes in the market price for gold.

The market price for gold can fluctuate widely. These fluctuations are caused by numerous factors beyond Nordgold’s control, including: financial market expectations regarding the rate of inflation; the strength of the US dollar (the currency in which the gold price trades internationally) relative to other currencies; speculative positions taken by investors or traders in gold; changes in the demand for gold use in jewellery, for industrial uses and for investment; changes in the supply of gold from production, disinvestment, scrap and hedging; changes in interest rates; actual or expected gold sales by central banks; gold sales by gold producers in forward transactions; global or regional political or economic events; and costs of gold production.

The price of gold is often subject to sharp, short-term changes resulting from speculative activities. While the overall supply of and demand for gold can affect its market price, because of the considerable size of aboveground stocks of the metal, in comparison to other commodities, these factors typically do not affect the price in the same manner or degree as the supply of and demand for other commodities tend to affect their market price.

The gold price has reached a high of US\$1,792 per ounce in 2012. The gold price ranged from US\$810 to US\$1,213 per ounce in 2009, from US\$1,058 to US\$1,421 per ounce in 2010 and from US\$1,319 to US\$1,895 per ounce in 2011. Thus far in 2012, the gold price has ranged from US\$1,540 to US\$1,792 per ounce. The market price of gold on October 17, 2012 was US\$1,749 per ounce, compared with the 2012 average price for

gold of US\$1,659 per ounce. These prices are significantly above the historic average price of gold and may decline significantly in the future. Future prolonged reductions or declines in world gold prices could have a material adverse effect on Nordgold's revenue and profitability and on the price of the Nordgold GDRs.

In the case of a significant and prolonged reduction in the price of gold, Nordgold may determine that it is not economically feasible to continue commercial production at some or all of its operations or the development of some or all of its current prospects, as applicable. In such a circumstance, Nordgold may curtail or suspend some or all of its exploration and production activities and/or be required to draw down (without replacement) and/or restate downwards its reserves, which could have a material adverse effect on Nordgold's revenue and profitability and on the price of the Nordgold GDRs.

Moreover, Nordgold has historically sold its gold production at market prices and has not entered into forward sales, derivative or other hedging arrangements to establish a price in advance for the sale of its future gold production. In general, hedging in this manner reduces the risk of exposure to a fall in the gold price. As Nordgold does not currently enter into transactions to hedge against the future price at which its gold production is sold and does not expect to in the near future, Nordgold is not protected against decreases in the gold price and if the gold price decreases significantly, Nordgold's revenues may be materially adversely affected.

Gold mining companies face many risks related to their operations (including their exploration and development activities) that may adversely affect their cash flows and overall profitability.

Gold mining is susceptible to numerous events that may have an adverse impact on a gold mining business. These events include, but are not limited to: environmental hazards, including discharge of metals, pollutants or hazardous chemicals; industrial accidents; underground fires; labour disputes; unexpected geological formations; unanticipated ground and water conditions; fall of ground accidents; failure of mining pit slopes and tailings dam walls; legal and regulatory restrictions and changes to such restrictions; and other natural phenomena, such as floods or adverse weather conditions.

These risks and hazards could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, particularly at Nordgold's underground mines, environmental damage, theft, business interruption and delays in mining, asset write-downs, monetary losses, certain licences being withdrawn, environmental damage and possible legal liability, and may result in actual production differing, potentially materially, from estimates of production, including those contained in this Offer and Circular, whether expressly or by implication. There can be no assurance that the realisation of operating risks and the costs associated with them will not materially adversely affect the business, results of operations or financial condition of Nordgold as well as the value of the Nordgold GDRs.

Exploration of gold mining sites can be uncertain and costly.

Exploration activities are speculative and can be unproductive. These activities also often require substantial expenditure to: establish gold reserves through drilling and metallurgical and other testing techniques; determine appropriate recovery processes to extract gold from the ore; and construct, renovate or expand mining and processing facilities. Once gold deposits are discovered it can take several years to determine whether gold reserves exist. During this time the economic viability of production may change. As a result of these uncertainties, the exploration programmes and acquisitions engaged in by Nordgold may not result in the expansion or replacement of the current production with new gold reserves or operations. This could adversely affect Nordgold's business, operating results and financial position and the price of the Nordgold GDRs.

Past and potential acquisitions of gold mine assets are based on assumptions which could prove inaccurate.

Nordgold considers from time to time the acquisition of gold reserves, development properties and operating mines, either as stand-alone assets or as part of companies. In 2007, Nordgold acquired a minority

interest in Celtic Resources, with mine interests in Kazakhstan, which it increased to a 100% interest in 2008, and also acquired interests in the Aprelkovo and Neryungri mines in the Russian Federation. In 2008, Nordgold acquired a majority interest in High River, with mines in the Russian Federation and Burkina Faso, which it has since increased to a 75.1% interest. In July 2010, Nordgold acquired a controlling 50.2% interest in Crew Gold, with mining operations in Guinea, and increased its interest to 93.4% in September 2010 and finally to 100% in January 2011. Nordgold's decisions to acquire these and other properties have historically been based on a variety of factors including historical operating results, estimates of and assumptions about future reserves, cash and other operating costs, estimation of potential optimisation and cost reduction measures and their effect, the gold price and projected economic returns, the age and quality of processing plant and available technology, the ability to integrate the acquisitions' operations and financial procedures into Nordgold's operations, and evaluations of existing or potential liabilities associated with the property and its operations.

For example, Nordgold's decision to invest in Crew Gold was based in part on its plan for optimisation of operations and implementation of upgrades to promote consistent output and eliminate bottlenecks. However, there can be no assurance that Nordgold will be able to meet its expectations from the operational acquisition of Crew Gold or from any other acquisition in the future, either in terms of earnings or costs. Failure to meet these expectations could adversely affect Nordgold's business, operating results and financial position and the price of the Nordgold GDRs.

The acquisition of new gold mine assets can be hindered by competition and scarcity of targets.

There is a limited supply of desirable mineral concessions and available properties with the potential to host economic mineral deposits, which leads to intense competition for the available properties. Because (i) Nordgold faces competition for new mineral concessions and properties from other exploration and mining companies, some of which may have greater financial resources than Nordgold, and (ii) the current owners of desirable properties may be unwilling to sell the property to Nordgold, Nordgold may be unable to acquire attractive new mineral concessions and/or properties on terms that it considers acceptable, or at all, which could adversely affect Nordgold's business, operating results and financial position and the price of the Nordgold GDRs.

Economic returns and development costs could differ materially from Nordgold's expectations.

Nordgold's results of operations depend, in part, on the actual economic returns and the actual costs of developing mines, which may differ significantly from Nordgold's current estimates. The development of Nordgold's mining projects may be subject to unexpected problems and delays. Nordgold's decision to develop a mineral property is typically based, in the case of an extension or a new development, on the results of a feasibility study. Feasibility studies derive estimates of expected or anticipated project economic returns. These estimates are based on assumptions about: future gold prices; anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; anticipated recovery rates of gold from the ore; anticipated capital expenditure and cash operating costs; and the anticipated return on investment.

Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies and estimates. There are a number of uncertainties inherent in the development and construction of an extension to an existing mine, or in the development and construction of any new mine. These uncertainties include, in addition to those discussed immediately above: the timing and cost, which can be considerable, of the construction of mining and processing facilities; the availability and cost of skilled labour, power, water, consumables (such as cyanide, lubricants and fuel) and transportation facilities; unexpected labour shortages or strikes; natural phenomena (such as inclement weather conditions including heavy rain, snow or extreme cold), water availability, floods and earthquakes; inability to reach the mines due to remote locations and harsh climatic conditions; equipment breakdowns and the need to upgrade outdated machinery periodically; the availability and cost of appropriate refining arrangements; the need to obtain necessary environmental and other governmental permits, and the timing of those permits; and the availability of funds to finance construction and development activities. Moreover, Nordgold has not yet completed a feasibility study for one of its largest

projects, Gross, but is currently conducting a pre-feasibility study for the project. At Bissa, another of Nordgold's projects, management provided funds to complete the feasibility study (which was published in September 2010), and Nordgold was granted the mining permit at the end of June 2011. Nordgold started the mine construction in September 2011 and aims to start gold production in early 2013. The management team will undertake a disciplined review of the investment programme at Bissa in order to develop the site in a way that ensures its efficient operation with appropriate capital expenditures.

The costs, timing and complexities of mine development and construction can increase because of the remote location of many mining properties. New mining operations could experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production could occur. Accordingly, Nordgold's future development activities may not result in the expansion or replacement of current production with new production, and any new production sites or facilities may be less profitable than currently anticipated or may not be profitable at all.

Failure by Nordgold to acquire and/or develop additional mineral reserves will cause its mineral reserves and production to decline materially from their current levels over time.

To realise future production growth, extend the lives of its mines and ensure the continued operation of the business, Nordgold must continue to realise its existing identified mineral reserves, convert mineral resources into mineral reserves, develop its resource base through the realisation of identified mineral potential, undertake successful exploration and/or acquire new mineral reserves and mineral resources.

Nordgold's mineral reserves decline as gold is produced. Mineral reserves are increased when Nordgold discovers or acquires rights to new deposits or operations or increases mineral reserves of operating mines via additional exploration. Once mineralisation is discovered, it may take a number of years to complete the geological surveys to assess whether production is possible and, even if production is possible, the economic feasibility of production may change during that time. Substantial capital expenditure is required to identify and delineate mineral reserves through geological surveying, drilling and sampling to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Any acquisition that Nordgold may choose to complete may change the scale of Nordgold's business and operations and may expose Nordgold to geographic, political, operating, financial and geological risks. Nordgold's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms and integrate the acquired entity successfully.

The volume of production from properties generally declines as mineral reserves are depleted. Nordgold's future production growth is dependent upon its success in finding or acquiring and developing additional mineral reserves. There can be no assurance that Nordgold will be able to identify future mineral reserves or continue to extend the mine life of its existing operations. In particular, given the relatively short term of mineral reserves at the Irokinda and Zun-Holba mines, the addition of new mineral reserves through exploration and drilling is especially important at those mines. There can be no assurance that Nordgold's ability to find new mineral reserves in the future will be adequate to support the existing level of production at those mines. If Nordgold is unsuccessful in securing new mineral reserves, Nordgold's total mineral reserves and production will decline, which would materially adversely affect Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Nordgold is subject to a significant number of laws and governmental regulations, and the costs of compliance or changes to applicable laws and regulations may negatively affect Nordgold's business, financial condition and results of operations.

Nordgold's exploration, development and operational activities are subject to extensive laws and regulations governing various matters. These include, but are not limited to, laws and regulations relating to taxation,

environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by the various applicable governments, exploration, development of mines, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards, including mine safety, and historic and cultural preservation.

In addition, Nordgold is required to seek and to comply with the terms of governmental licences, permits, authorisations and other approvals in connection with its exploration, construction, and operating activities, for example, in relation to its prospecting licences, prospecting licences reconnaissance, mining licences, environmental management, water supply and discharge and use of hazardous chemicals and explosives. Obtaining the necessary governmental permits can be a complex and time-consuming process and may involve costly undertakings. The duration and success of permit applications are contingent on many factors that are outside Nordgold's control. Nordgold currently has all of the material permits required for the conduct of its current operations.

Licences can be revoked for even insignificant violations of the terms of the licences; however, such revocations are not customary. In the past Nordgold has violated provisions of certain licences, including minor technical noncompliance with license terms, such as failing to re-register a permit upon a change in personnel and noncompliance with certain contractual and lease agreements. Nordgold believes these violations are not significant and has either corrected or is in the process of correcting them. In addition, Nordgold has been subject to inspections carried out by governmental authorities with respect to such violations. However, Nordgold is not aware of any decisions or sanctions related to the revocation or termination of the licences from governmental authorities applied as a result of such violations.

The costs associated with compliance with these laws, regulations and licences are substantial, and possible additional future laws and regulations, changes to existing laws and regulations (including, but not restricted to, the imposition of higher licence fees, mining royalties or taxes) or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities, could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on, or suspensions of, Nordgold's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of Nordgold's past and current operations, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions.

Nordgold's activities employ processes and chemicals that may be harmful to the environment and may be subject to compliance, clean-up and other costs which could materially adversely affect Nordgold's business, financial condition and results of operations.

Mining activities are generally subject to environmental and safety hazards as a result of the processes and chemicals used in the extraction and production methods. In particular, Nordgold transports, uses and disposes of cyanide and other hazardous substances at its mines, which gives rise to the risk of spillage or seepage in areas where there could be damage or harm caused to the environment and/or to the public. In addition, environmental hazards may exist on Nordgold's properties, or may be encountered while its products are in transit, which are currently unknown to it or may arise irrespective of such compliance. Furthermore, the storage of tailings may present a risk to the environment, property and persons. There remains a risk of leakage from or failure of Nordgold's tailings dams, as has been experienced at Berezhitovy and Irokinda, including as a result of theft and vandalism during the operating life of the mines or after their closure. While Nordgold's mines comply with the requirements of the nations in which they are located, they fall short of international standards.

Nordgold may be liable for losses associated with environmental hazards and rehabilitation, have its licences and permits withdrawn or suspended, face negative reputational consequences or be forced to undertake extensive remedial clean-up action or to pay for government-ordered remedial clean-up actions, even in cases

where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, reputational consequences, actions or payments may have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Nordgold's operations are subject to extensive environmental laws and regulations.

The jurisdictions in which Nordgold operates have adopted environmental regulations requiring industrial companies to undertake programs to reduce, control or eliminate various types of pollution and to protect natural resources. Nordgold must actively monitor specific air emission levels, ambient air quality, quality of nearby surface water, level of contaminants in soil and creation of solid waste. Nordgold must also submit quarterly reports on emission levels and annual reports on water monitoring to environmental authorities. In addition, the environmental authorities conduct additional testing to validate Nordgold's results. If Nordgold exceeds certain emissions levels, it is required to make additional payments to the regulatory authorities. In addition, failure to comply with environmental regulations and the terms of Nordgold's subsoil use contracts may subject Nordgold to significant civil and criminal penalties, including the loss of mining, land-use and other contracts, permits and licences as well as subject Nordgold's management to criminal sanctions.

As the risk of environmental pollution is greater when using heap leaching and cyanidation, compared with gravity concentration and flotation enrichment, Nordgold's use of these technologies requires greater efforts to comply with its environmental obligations.

Upon the cessation of mining operations, gold mining companies are obliged to close their operations and rehabilitate the lands that they mined. Estimates of the total ultimate closure and rehabilitation costs for gold mining operations are significant and are based principally on current legal and regulatory requirements that could change materially. Nordgold makes regular contributions into liquidation funds to be used upon the cessation of mining operations for environmental clean-ups of the territories covered by its subsoil use contracts. In the event that these funds are insufficient to meet the cost of Nordgold's clean-up obligations, however, Nordgold is obliged to fund any such shortfall.

Environmental laws and regulations in the jurisdictions in which Nordgold operates are continually changing and are generally becoming more restrictive. Nordgold currently complies with all national standards and environmental regulatory requirements at each of its mines, but it does not currently comply with internationally recognised codes and guidelines at each of its mines. While Nordgold aims to adhere to international best practices across its asset base, there can be no assurance that it will be able to meet international best practices at all of its mines. If Nordgold's environmental compliance obligations were to change as a result of changes in the laws and regulations or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions were to arise in its operations, Nordgold's expenses and provisions would increase to reflect these changes. If material, these expenses and provisions could adversely affect its business, operating results and financial position and the price of the Nordgold GDRs.

Potential opposition to mining could lead to disruption of Nordgold's existing operations and exploration prospects.

As a mining business, Nordgold may come under pressure in the jurisdictions in which it operates to demonstrate that, as it seeks to generate satisfactory returns on investment to holders of Nordgold Shares (including Nordgold GDRs), other stakeholders — including employees, communities surrounding operations and the countries in which Nordgold operates — benefit and will continue to benefit from these commercial activities, and/or that Nordgold operates in a manner that will limit damage to the interests of those stakeholders. Such pressure may be especially high in those areas where Nordgold's operations constitute a major part of local business activities, as in the case of Buryatzoloto. In addition, non-governmental organisations (NGOs), some of which oppose globalisation and resource development, are often vocal critics of the mining industry, including its

use of cyanide and other hazardous substances. Such pressures tend to be applied most strongly against companies whose activities are perceived to have a high impact on the social and physical environment of surrounding communities. The potential consequences of these pressures include reputational damage, legal suits and social spending obligations. While Nordgold attempts to maintain good relations with local communities in the areas in which it operates, it cannot rule out the possibility of local opposition arising in the future in respect of its existing operations or prospects or in relation to obtaining or renewing mineral rights permits for current or future projects.

If Nordgold experiences opposition in connection with its existing operations or were to experience new opposition to any future plans, it could interfere with Nordgold's ability to operate its mines or develop its prospects and therefore have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Risks Relating to Nordgold's Operations

Nordgold's stated mineral reserves and mineral resources are only estimates based on a range of assumptions and there can be no assurance that the anticipated tonnages or grades will be achieved.

The mineral resource and mineral reserve estimates presented in this Offer and Circular have been prepared in accordance with the definitions in the JORC Code or the CIM Standards by Wardell Armstrong International, Micon International Limited or Snowden Mining Industry Consultants. No assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that mineral reserves or mineral resources can be mined or processed profitably. Actual mineral reserves, mineral resources or mineral potential may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. In addition, there can be no assurance that further on site drilling or other exploratory work will result in the affirmation of previous estimates or that mineral recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on site conditions or during production. The estimated mineral resources described in this Offer and Circular should not be interpreted as a statement of the commercial viability, potential or profitability of any future operations. Lower market prices, increased production costs, reduced recovery rates and other factors may render Nordgold's mineral reserves or mineral resources uneconomic to exploit and may result in a reduction of its mineral reserve estimates from time to time. Mineral reserves data is not indicative of future results of operations. If Nordgold's actual mineral reserves and mineral resources are less than current estimates or are rendered uneconomic, or if Nordgold fails to develop its mineral resource base through the realisation of new mineral potential, Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs may be materially adversely affected.

The cost of electricity, particularly self-generated electricity, can be unstable. An increase in power costs will make production more costly and alternative power sources may not be available.

Power is one of Nordgold's single largest operating expenses. The mines of Aprelkovo, Irokinda, Zun-Holba and Berezitovy currently purchase power from the state-controlled regional energy agencies, which charge consumers a rate based on tariffs that are modified from time to time. The Suzdal mine is supplied power through a local mining company which has its own hydro-generation facility. To a certain extent, these tariffs have been regulated, and any deregulation of the electricity industry in the Russian Federation or Kazakhstan could result in increases in the tariffs. The mines of Neryungri, Lefa and Taparko currently purchase diesel and heavy fuel oil exclusively from GazPromNeft, Rosneft, Total and Shell, respectively, to supply their own electrical needs, and any increase in the costs of these supplies could result in overall higher fuel costs. If power costs increase, revenue and possibly production capacity could be negatively affected, which may result in a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Title to Nordgold's mineral rights may be challenged, which may prevent or severely curtail its use of the affected properties.

Although Nordgold believes it has valid access to all its mineral rights, because Nordgold operates in emerging markets, Nordgold's title to its mineral rights may be challenged or impugned in any of the jurisdictions in which Nordgold operates, and title insurance is generally not available. All of Nordgold's assets are potentially subject to this risk. The governments of the Russian Federation, Kazakhstan, Burkina Faso and Guinea are the sole authorities able to grant mineral rights in Nordgold's countries of operation. The limited land registry and recording systems in these jurisdictions may severely constrain Nordgold's ability to ensure that it has obtained secure title to individual exploration licences or mineral rights. Nordgold's title may be affected by, among other things, undetected defects. In addition, Nordgold may be unable to conduct its activities or operations as permitted or to enforce its rights with respect to its properties. Nordgold's properties in Yakutia in the Russian Federation, which include the Neryungri mine and the Gross deposit, were governed by perpetual land use rights which were converted into lease rights under their respective lease agreements. Nordgold has begun the process of registering these leases but, as of the date of this Offer and Circular, registration has not yet been finalised as finalisation requires actions by governmental authorities and is not within Nordgold's control. Nordgold's mineral rights to its properties in Guinea may be challenged by the Government of Guinea, as the government has issued a new mining code which imposes new regulations on Nordgold that differ from those previously in force. Nordgold has been involved with discussions with the government of Guinea on the assets of Crew Gold. See "*— Risks relating to Burkina Faso and Guinea — The Government of Guinea has issued a new mining code and may review the terms of existing mining permits and licences*". While Nordgold is not aware of and does not expect any challenges of its land rights in respect of those properties, a successful challenge to Nordgold's mineral rights may result in Nordgold being unable to proceed with the development or continued operation of a mine or project which, in turn, may have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Nordgold does not maintain full insurance coverage on all risks.

Nordgold maintains the minimum level of insurance required by each of the jurisdictions in which it operates and some voluntary property insurance policies purchased at mine level. Nordgold has insured its property and equipment to compensate for losses arising from accidents. Nordgold also maintains insurance in respect of environmental damages. However, Nordgold does not have full insurance coverage for its mining, processing and transportation facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on Nordgold's property or relating to Nordgold's operations.

As a participant in exploration and mining activities, Nordgold may become subject to liability for risks that cannot be insured against, or against which it may elect not to be insured because of high premium costs. Losses from uninsured risks may cause Nordgold to incur costs that could have an adverse effect on Nordgold's business and financial condition, and no assurance can be given that such insurance will thereafter continue to be available, that it will be available at commercially reasonable premiums or that Nordgold will obtain or maintain such insurance.

Moreover, the insurance which Nordgold does maintain in respect of certain risks may not provide sufficient coverage for losses related to these or other risks or hazards. Nordgold does not have coverage for certain environmental losses and other risks, as such coverage cannot be purchased at a commercially reasonable cost. The lack of, or insufficiency of, insurance coverage could adversely affect Nordgold's cash flow and overall profitability and the price of the Nordgold GDRs.

Fluctuations in currencies may adversely affect Nordgold's business, results of operations and financial condition.

Nordgold's revenue is almost entirely in US dollars, while portions of Nordgold's costs are incurred in roubles, tenge, CFA francs and Guinean francs, and the functional currency of Nordgold is the euro. Nordgold's reporting currency is also US dollars, and currency fluctuations between the US dollar and Nordgold's functional currencies would cause foreign currency translation gains and losses. In 2009, Nordgold experienced a US\$81.6 million net foreign exchange loss due to the revaluation of financial assets and liabilities denominated in Nordgold's functional currencies, particularly tenge and rouble. In 2010, the net foreign exchange loss was US\$47.2 million. In 2011, the net foreign exchange loss was US\$11.6 million. In the first six months of 2012, the net foreign exchange loss was US\$17.7 million.

Nordgold does not currently undertake any hedging activities in relation to currency fluctuation risk and, accordingly, is fully exposed to any adverse fluctuations in the relevant exchange rates. As a result, if any of the rouble, tenge, CFA franc or Guinean franc were to strengthen against the US dollar, this could have a material adverse effect on Nordgold's business, results of operations and financial condition. If inflation in the Russian Federation, Kazakhstan, Burkina Faso or Guinea were to increase without a corresponding devaluation of the respective currencies relative to the US dollar, Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs could be materially adversely affected.

Nordgold's business requires substantial ongoing capital expenditure.

The mining business is capital intensive and the development and exploitation of gold reserves, the conversion of mineral resources and the acquisition of machinery and equipment require substantial capital expenditure. In line with its strategy, Nordgold seeks to implement expansion and improvement plans and to develop exploration prospects, which will involve significant capital expenditure. Furthermore, Nordgold must continue to invest significant capital to maintain or increase its mineral reserves and the amount of gold that it produces. Extensive capital expenditure is currently planned at Nordgold's development sites of Bissa in Burkina Faso (US\$174 million budgeted for 2012) and Gross in the Russian Federation (US\$64 million budgeted for 2012), which is expected to be funded from Nordgold's cash flow. Some of Nordgold's expansion plans and exploration prospects may require greater investment than currently planned, and it may not be able to acquire necessary funding for capital expenditure when needed, on acceptable terms or at all, which could prevent Nordgold from undertaking such expansion or exploration. Any inability to fund necessary capital expenditure for such expansion or exploration could have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Nordgold's production, processing and product delivery rely on infrastructure being adequate and remaining available.

Nordgold's mining, processing, development and exploration activities depend on adequate infrastructure. A number of Nordgold's current operations and prospects are remotely located, difficult to access and subject to extreme weather conditions, resulting in long delivery times. Nordgold has experienced disruptions to its power supply in the past. Nordgold requires reliable roads, power sources and water supplies to access and conduct its operations and the availability and cost of this infrastructure affects capital and operating costs and Nordgold's ability to maintain expected levels of production and sales. Unusual weather or other natural phenomena, sabotage, theft or other interference in the maintenance or provision of such infrastructure could impact development of a project, reduce mining volumes, increase mining or exploration costs or delay the transportation of raw materials or inputs to the mines and projects and of gold doré to the market. Any such issues arising in respect of the infrastructure supporting or on Nordgold's sites could materially adversely affect Nordgold's results of operations and financial condition. Furthermore, any failure or unavailability of Nordgold's operational infrastructure (for example, through equipment failure or disruption to its transportation arrangements) could adversely affect the production output from its mines or impact its exploration activities and development of a mine or project.

Nordgold does not have a history of operating independently.

From its creation until completion of the Spin-Off Transaction, Nordgold relied on the Severstal Group for the provision of certain services and strategic support. For example, Nordgold's operations have not, in the past, necessitated a large standalone function due to the support of the larger Severstal Group. Nordgold has had to develop new standalone functions in certain areas, while in other areas, it may continue to rely on the Severstal Group for the provision of certain services pursuant to individual service agreements including consulting services and the sublease of office space and premises (the "**Service Agreements**").

There can be no guarantee that the Severstal Group will be able to provide the services pursuant to the terms of the relevant Service Agreements to an adequate standard. In addition, there can be no guarantee that the services provided by the Severstal Group will not be subject to interruption or periods of unavailability. Any such unavailability or interruption could result in business interruptions for Nordgold, which may have a material adverse effect on Nordgold's business, results of operations and financial condition. In addition, while Nordgold has established the scope and estimated cost of the services it requires, including from the Severstal Group, if further services have to be obtained and/or additional corporate functions fulfilled, or if its cost estimates are incorrect, Nordgold may need to incur further, potentially significant, expense in order to implement its business objectives. Changes in Nordgold's cost base may have a material adverse effect on Nordgold's results of operations and financial condition and the price of the Nordgold GDRs.

The Nordgold Board believes that Nordgold has taken reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its ongoing obligations under the Disclosure and Transparency Rules, the listing rules of the FSA made under section 73A of the *Financial Services and Markets Act 2000* and the Dutch *Financial Supervision Act* and the rules promulgated thereunder. However, these procedures, systems and controls have only recently been implemented and after Nordgold's procedures have been in place for a longer period of time, Nordgold could determine that its procedures should be adjusted. In addition, a control system, no matter how well designed and operated, can only provide reasonable, not absolute assurances.

Nordgold depends on its personnel and third party service providers.

Nordgold's business depends in significant part upon the contributions of a number of Nordgold's key personnel, in particular its senior management team and its team of engineers and geologists. There can be no certainty that the services of its key personnel will continue to be available to Nordgold. Moreover, Nordgold competes with mining and other companies to attract and retain personnel at all levels with appropriate technical skills and operating and managerial experience necessary to continue to operate its business. Nordgold's future success will be dependent on its ability to attract and retain qualified personnel. Factors critical to both retaining Nordgold's present staff and attracting additional qualified personnel include Nordgold's ability to provide these individuals with competitive compensation arrangements. If Nordgold is not successful in retaining or attracting highly qualified individuals in key management positions and highly skilled engineers and geologists, its business may be materially harmed.

The long-term success of Nordgold's operations also depends upon its ability to localise as many of the key roles in Nordgold as possible and ensure a pipeline of local talent in order to avoid the higher costs associated with employing expatriates and to meet the expectations of the applicable government and local communities. In Burkina Faso and Guinea, for example, it may be difficult for Nordgold to hire sufficiently skilled and qualified people or to obtain all of the necessary expertise locally or at reasonable rates due to the shortage of appropriately qualified individuals. If qualified people or the necessary expertise cannot be obtained at satisfactory rates or at all, this could result in delays to or higher costs in respect of Nordgold's ongoing operations and the development of its projects.

In addition, Nordgold depends on certain key third party service providers for the goods and services they provide, which include repairs, drilling, blasting and communications technologies. An interruption of key

contracted services or the provision of necessary supplies, such as fuel or cyanide, could result in production slowdowns or stoppages. In the event that these services were interrupted or terminated, Nordgold would be required to draw down on existing stockpiles, which may not be sufficient to support continued production until such services resume or alternate providers are engaged.

Nordgold's business depends on good relations with its employees. A breakdown in these relations and/or restrictive labour and employment laws could have a material adverse effect on Nordgold.

Although Nordgold believes its labour relations with its employees are good, there can be no assurance that a work slowdown or a work stoppage will not occur at any of Nordgold's operating units or exploration prospects. At the Taparko and Aprelkovo mines, there are collective bargaining agreements in place as well as labour unions; employees at the Suzdal operations also have a collective bargaining agreement; and at Lefa there is a labour union. In August 2010, Nordgold experienced an illegal strike at the Lefa mine which arose quickly on the basis of a minor grievance. Any future work slowdowns, stoppages, disputes with employee unions or other labour-related developments or disputes, including renegotiation of collective bargaining agreements, could result in a decrease in Nordgold's production levels and adverse publicity and/or increase costs, which could have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Nordgold may experience difficulty in obtaining future financing.

Although Nordgold has sufficient funding sources to meet its current business needs and requirements, future acquisitions of mineral properties and development and exploration of mineral properties which Nordgold may acquire may depend upon Nordgold's ability to obtain financing through joint ventures, debt financing, equity financing or other means. The recent turmoil affecting the banking system and financial markets has resulted in major financial institutions consolidating or going out of business, the tightening of credit markets, significantly lower liquidity in most financial markets and extreme volatility in fixed income, credit, currency and equity markets. There is no assurance that Nordgold will be successful in obtaining any required financing as and when needed, on acceptable terms or at all, which could prevent Nordgold from further development and exploration or additional acquisitions.

Nordgold's principal operations are located in the Russian Federation, Kazakhstan, Burkina Faso and Guinea, areas that have experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for Nordgold to obtain financing, in particular debt financing, from lenders or other investors. Failure to obtain additional financing on a commercial and timely basis may cause Nordgold to postpone development plans, forfeit rights in properties or reduce or terminate operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Nordgold's business, financial condition, results of operations and future prospects.

The treatment of occupational health diseases and the potential liabilities related to occupational health diseases may have an adverse effect upon the results of Nordgold's operations and its financial condition.

Nordgold provides occupational health services to its employees at its mine clinics and it continues to improve preventative occupational hygiene initiatives. The primary areas of focus in respect of occupational health within Nordgold's operations are noise induced hearing loss and occupational lung diseases, which include pulmonary tuberculosis in silica dust-exposed individuals. Nordgold's occupational health programmes include pre-employment, periodic and exit health examinations for all employees. Increases in the costs associated with providing such occupational health services and treatments could have an adverse effect on Nordgold's business, results of operations and its financial condition and the price of the Nordgold GDRs.

Risks Relating to Operating in Emerging Markets

Investors in companies whose assets are located in emerging markets, such as the Russian Federation, Kazakhstan and West Africa, should be aware that these markets are subject to greater risk than more developed

markets, including in some cases significant legal, regulatory, economic and political risks. Investors should also note that emerging economies are subject to rapid change and that the information set out in this Offer and Circular may become outdated relatively quickly.

Moreover, financial or political turmoil in any emerging market country tends to adversely affect prices in credit, equity and foreign exchange markets of all emerging market countries as investors move their money to more stable and developed markets. As it has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in the Russian Federation, Kazakhstan, Burkina Faso and Guinea and adversely affect their economies. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Russian, Kazakh, Burkina Faso and Guinean economies remain relatively stable, financial turmoil in any other emerging market country could adversely affect Nordgold's business, financial condition, results of operations and future prospects.

Accordingly, High River Shareholders should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of these risks, investing in Nordgold GDRs is appropriate for them. Generally, investment in a company whose assets are located in emerging markets involves significant risks, and investors should consider the significance of the risks involved and are urged to consult with their own legal and financial advisors before making an investment in Nordgold GDRs.

The legal framework in emerging market nations is not developed.

Emerging market nations continue to develop their legal frameworks in accordance with international standards and the requirements of a market economy. Within the last twenty years in the Russian Federation, Kazakhstan, Burkina Faso and Guinea, laws relating to foreign investment, subsoil use, licensing, companies, taxes, customs, currency, capital markets, pensions, insurance, banking and competition have been enacted or are still developing. Consequently, certain areas of judicial practice are not yet fully developed and are often difficult to predict and can result in arbitrary rulings.

Moreover, the delineation of authority and jurisdiction between national, regional and local authorities in emerging market nations is, in many instances, unclear and contested, particularly with respect to the division of authority over regulatory matters. Lack of consensus between national, regional and local authorities often results in the enactment of conflicting legislation at various levels that may lead to further political instability, for example, in the areas of privatisation, securities, corporate legislation and licensing. Land use and title systems are not developed to the extent found in more developed market economies and can rely on complex traditional ownership systems. As a result, the title of land that Nordgold might invest in may be unclear or in doubt. Moreover, the validity of Nordgold's right to title or use of its properties may be successfully challenged or invalidated due to technical violations or defects in title. Such instability creates uncertainties in the operating environment in the emerging market nations, which could hinder Nordgold's long term planning efforts and may prevent Nordgold from carrying out its business strategy effectively and efficiently.

Political and social conflicts or instability could create an uncertain operating environment.

Ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, terrorist attacks. The failure of the state and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest which may have political, social and economic consequences, such as increased support for a renewal of centralised authority and increased nationalism, including restrictions on foreign involvement in the economy of the countries in which Nordgold operates, and increased violence. If such labour and social unrest escalates, significant political consequences could arise, including the imposition of a state of emergency in some or all regions in which Nordgold operates. Moreover, any terrorist attacks and the resulting heightened security measures could cause disruptions to domestic commerce and could have a material adverse effect on economic confidence in the Russian Federation, Kazakhstan, Burkina Faso or Guinea generally, which could have a material adverse effect on Nordgold's business, results of operations, financial condition and future prospects.

Nordgold could be subject to arbitrary government action.

Government authorities in emerging market countries often have a high degree of discretion and at times appear to act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that may not be in full accordance with the law or that may be influenced by political or commercial considerations. For example, Guinea's government has been reviewing the terms of Nordgold's mining concession in Guinea, which has resulted in Crew Gold having to pay additional amounts to the government and could result in further financial or other burdens being imposed on Nordgold. Nordgold is currently engaged in negotiations with the Government of Guinea and is discussing the possible settlement of all claims relating to Nordgold's mining concession in Guinea. See "*— Risks Relating to Burkina Faso and Guinea — The Government of Guinea has issued a new mining code and may review the terms of existing mining permits and licences*". Moreover, government authorities also have the power in certain circumstances, by regulation or government act or any means of political discretion, to interfere with the performance of, nullify or terminate contracts.

Unlawful, selective or arbitrary governmental actions could include denial or withdrawal of licences, sudden and unexpected tax audits, forced liquidation, criminal prosecutions and civil actions. Although unlawful, selective or arbitrary government action may be challenged in court, such action, if directed at Nordgold or its shareholders, could have a material adverse effect on Nordgold's business, results of operations, financial condition and future prospects.

The taxation systems in emerging market countries are at an early stage of development and experience. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to Nordgold's operations and investment in emerging markets.

As tax legislation in emerging market nations has often been in force for only a relatively short time, tax risks in those countries are substantially greater than typically found in countries with more developed tax systems. Tax legislation is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Nordgold pays subsoil users' and other taxes, including royalties, commercial discovery bonuses, corporate income tax, value added tax, security tax, land tax, vehicle tax, property tax and customs duties, and has been making, and expects to continue to make, contributions to various social and governmental funds. Tax regulation and compliance is subject to review and investigation by the authorities who may impose extremely severe fines, penalties and interest charges.

Tax laws in emerging markets are not always clearly determinable and have not always been applied in a consistent manner. In addition, tax laws continue to evolve. The uncertainty of application and the evolution of tax laws create a risk of unexpected additional and substantial payments of tax by Nordgold, which could have a material adverse effect on Nordgold's financial position and results of operations and on the price of the Nordgold GDRs.

Inflation and government efforts to combat inflation may contribute significantly to economic uncertainty in emerging markets and could harm Nordgold's business.

Emerging markets have in the past experienced high rates of inflation. Inflation, along with government measures to combat inflation and public speculation about possible future governmental measures, has significant negative effects on emerging economies, contributing to economic uncertainty. Certain of Nordgold's costs of operations, such as wage costs, maintenance costs, construction costs and utilities costs are sensitive to rises in general price levels in the Russian Federation, Kazakhstan, Burkina Faso and Guinea.

Government measures to control inflation often include maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth and development. Alternatively, government actions, including interest rate decreases, intervention in the foreign exchange markets and actions to adjust or fix the value of any of the rouble, tenge, CFA franc or Guinean franc, may trigger increases in inflation.

Due to the fact that it sells its gold on the spot market, Nordgold may not be able to increase the prices that it receives for gold in order to preserve operating margins when inflation is accompanied by real appreciation of any of the rouble, tenge, CFA franc or Guinean franc against the US dollar. Accordingly, high rates of inflation in the Russian Federation, Kazakhstan, Burkina Faso or Guinea could increase Nordgold's costs and decrease Nordgold's operating margins, which could have a material adverse effect on Nordgold's business, financial condition, results of operations and future prospects and the value of the Nordgold GDRs.

Nordgold may be affected by the relative underdevelopment of the physical infrastructure in emerging economies.

The physical infrastructure in emerging economies, including rail and road networks, airports, power generation and transmission, communication systems and building stock, is old and has not been adequately funded and maintained. Electricity and heating shortages in some regions of the Russian Federation and Kazakhstan have seriously disrupted the local economies. There is even less established infrastructure in Burkina Faso and Guinea.

The poor condition or further deterioration of the physical infrastructure in the Russian Federation, Kazakhstan, Burkina Faso or Guinea may harm the national economy, disrupt access to communications, increase the cost of doing business or disrupt business operations, any or all of which could have a material adverse effect on Nordgold's business, financial condition, results of operations and future prospects and the value of the Nordgold GDRs.

Crime and corruption could disrupt Nordgold's ability to conduct its business and could materially adversely affect Nordgold's financial condition and results of operations.

Nordgold operates in a number of emerging markets, including the Russian Federation, Kazakhstan, Guinea and Burkina Faso. All companies operating in these jurisdictions are subject from time to time to the illegal activities of others, corruption or claims of illegal activities. In emerging markets generally, the bribery of officials remains at a high level relative to developed markets. Social instability caused by criminal activity and corruption could increase support for renewed centralised authority, nationalism or violence and thus materially adversely affect Nordgold's ability to conduct its business effectively. Organised criminal activity has increased significantly in the Russian Federation and Kazakhstan since the dissolution of the Soviet Union in 1991, particularly in large metropolitan centres. Criminal activity and corruption are prevalent in Guinea and Burkina Faso as well. Such activities have not had a significant effect on Nordgold's operations; however, there can be no assurance that they will not in the future, in which case they could restrict Nordgold's operations, and Nordgold's business, financial condition, results of operations and future prospects and the value of the Nordgold GDRs could be adversely affected by illegal activities by others, corruption or by claims, even if groundless, implicating Nordgold in illegal activities.

Judicial systems in emerging market economies may offer less certainty as to the judicial outcome or less effective forms of redress or a more protracted judicial process than is the case in mature economies.

Emerging legal systems are less developed than those in more established economies, which may result in risks such as: potential difficulties in obtaining effective legal redress in their courts, whether in respect of a breach of law or regulation, or in an ownership dispute; a higher degree of discretion and arbitrary or unpredictable actions on the part of governmental authorities; a lack of judicial or administrative guidance on interpreting applicable rules and regulations; inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; relative inexperience of the judiciary and courts in such matters; inconsistencies of legal frameworks within various branches or subdivisions of government; substantial gaps in the regulatory structure due to delay or absence of implementing legislation; lack of independence of certain members of the judiciary; court systems which are understaffed and underfunded; or bankruptcy procedures that are not well developed and are subject to abuse. In addition, the commitment of local business people,

government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to arbitrary revision or cancellation and legal redress may be uncertain or delayed. All of these weaknesses could affect Nordgold's ability to enforce its rights under contracts, or to defend itself against claims by others, which could have a material adverse effect on Nordgold's business, financial condition, results of operations and future prospects and the value of the Nordgold GDRs.

Risks Relating to the Russian Federation

A description of the material risks related to Nordgold's operations in the Russian Federation appears below.

The Russian Federation's property law is subject to uncertainty and contradiction and title to some of Nordgold's mineral properties or production facilities may be challenged.

The legal framework relating to the ownership and use of land and other real property in the Russian Federation is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in some of the more developed market economies, such as those of North America and Western Europe. During the Russian Federation's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalisation. However, it is possible that, due to the lack of experience in enforcing these provisions and due to political changes, these protections would not be enforced in the event of an attempted expropriation or nationalisation, or in the event that Nordgold's business is reorganised. It is often difficult to determine with certainty the validity and enforceability of title to land in the Russian Federation and the extent to which it is encumbered. Moreover, in order to use and develop real property in the Russian Federation, approvals, consents and registrations of various federal, regional and local governmental authorities are required, and this can be a lengthy and cumbersome process. Further, it is not always clear which governmental body or official has the right to lease or otherwise regulate the use of real property. In addition, building and environmental regulations often contain requirements that are impossible to fully comply with in practice. Failure to obtain or comply with the required approvals, consents, registrations or other regulations may lead to severe consequences including in respect of any current construction activities. If the title to real property owned or leased by Nordgold is found not to be in compliance with all applicable approvals, consents, registrations or other regulations, Nordgold may lose the right to use such real property, which could have a material adverse effect on Nordgold's business, financial condition, results of operations and future prospects and the value of the Nordgold GDRs.

There is uncertainty as to whether the Russian Strategic Investments Law and the Russian Competition Law apply to certain transfers of assets and shares to, and within, Nordgold.

The Federal Law "On the Procedure for making Foreign Investments in the Companies of Strategic Importance for the Defence and Security of the State" No. 57-FZ dated 29 April 2008, as amended (the "**Russian Strategic Investments Law**"), which came into effect in May 2008, requires the prior consent of a committee headed by the Prime Minister for transactions which, among other things, result in a foreign investor obtaining more than 50% of the voting shares of a company operating in a sector determined to be of strategic importance for the defence and security of the Russian Federation. Companies which are deemed to be strategically important include companies that are involved in "production of explosives for industrial purposes and distribution thereof". Failure to obtain such consent, if required, could result in the transaction being treated as null and void or quorum and voting rights relating to the shares not being recognised. A transaction may be contested in court for failure to obtain such consent for up to three years from the date of closing. Recent amendments to the Russian Strategic Investments Law which came into force in December 2011 introduced an exemption for transfers between foreign entities that are controlled by Russian nationals.

Two Nordgold companies, OOO Neryungri-Metallik, which owns the Neryungri mine and the Gross deposit, which accounted for 9.7% of Nordgold's gold production in 2011, and ZAO Mine Aprelkovo, which owns the Aprelkovo mine, which accounted for 4.0% of Nordgold's gold production in 2011, possess licences (the "**Licences**") for "production of explosives for industrial purposes" and were transferred from another Severstal Group company to Nordgold. Subsequently, the shares of Nordgold were transferred from Lybica Holding B.V. ("**Lybica**") to Rayglow Limited ("**Rayglow**") and onwards, in March 2012, from Rayglow to Canway as a result of the Spin-Off Transaction. Nordgold did not and does not intend to seek prior consent for such transactions, because Nordgold believes OOO Neryungri-Metallik and ZAO Mine Aprelkovo are not "strategic" companies, as the Licences do not allow distribution of explosives, only production. In any case, even if they were "strategic" companies, Nordgold believes that the transfers fall within an exemption in the Russian Strategic Investments Law and, thus, that prior consent was not required for intra-group transfers. Moreover, the transfers from Lybica to Rayglow and further to Canway as a result of the Spin-Off Transaction fall under recently introduced exemption as each of Lybica, Rayglow and Canway was controlled by Alexey Mordashov at the time of the transfers.

However, the Russian Strategic Investments Law is a relatively new law and there is no regulatory guidance as to whether it will be interpreted in a manner supportive of Nordgold's interpretation. Additionally, general weaknesses relating to the Russian legal system and a history in Russia of arbitrary government action create further uncertainty. As a consequence, there can be no assurance that a Russian regulators in charge of compliance with the Russian Strategic Investments Law will not take a view in the future that the transfers in question required approval under the Russian Strategic Investments Law. Any such adverse interpretation could have a material adverse effect on Nordgold's business, results of operations, financial condition or prospects and the trading price of the Nordgold GDRs.

Furthermore, pursuant to the Federal Law No. 135-FZ "On the Protection of Competition" dated 26 July 2006, as amended (the "**Russian Competition Law**"), intra-group transfers are subject to merger control with certain exemptions (as described under "*Regulation — The Russian Federation — Competition and Mergers Control*"), and subject to the prior consent of the Federal Antimonopoly Service of the Russian Federation (the "**FAS**"). If such consent has not been obtained prior the actual transfer of the shares, the FAS will be entitled to apply to the Russian courts to challenge the acquisition, provided that such acquisition has restricted or may restrict competition within the Russian markets. The FAS is entitled to challenge such an acquisition within one year of the date on which the FAS learned, or should have learned, that the acquisition was completed without its prior consent. A successful challenge, however, would require establishing that the acquisition has restricted or may restrict competition within the Russian markets. As intra-group transfers, the acquisitions of shares in Nordgold by Rayglow and further by Canway as part of the Spin-Off Transaction were also subject to merger control and the prior consent of the FAS. However, as the acquisitions were made by one entity controlled by Mr. Mordashov from another entity controlled by Mr. Mordashov, Nordgold does not believe there are sufficient grounds for the FAS to successfully challenge them as restricting competition and, on this basis, and due to the fact that the transfers were of shares in a Dutch company by a Dutch company to a Cypriot company and onwards to a Dutch company, believes it is unlikely that the FAS would seek to challenge the transfers. Nevertheless, a challenge by the FAS, regardless of whether successful, could have an adverse impact on Nordgold and create uncertainty as to the ownership and control of a significant stake in Nordgold. This could have a material adverse effect on the value of the Nordgold GDRs.

Several subsidiaries of Nordgold have net assets lower than the amount of their respective charter capitals or lower than the minimum amount required by law and may be subject to liquidation.

Russian law provides for certain requirements that should be complied with in the course of establishing and reorganising a Russian company, or during its operation. In particular, Russian law requires that a limited liability company (i) reduce its charter capital if the value of its net assets, taken in accordance with Russian accounting standards, is lower than its charter capital as at the end of the second and each subsequent financial year following incorporation or (ii) be liquidated if the value of its net assets, taken in accordance with Russian

accounting standards, is lower than the minimum amount of its charter capital specified by Russian law as at the end of the second and each subsequent financial year following incorporation, and authorities may apply for a company's liquidation for so long as these requirements remain unsatisfied. Under current law, such a company fails to comply with this requirement "within a reasonable period of time", a court may order its liquidation and also the company's creditors may claim for early performance of the company's obligations and any damages. Four of Nordgold's subsidiaries, accounting for 10.5% of Nordgold's assets as of December 31, 2011 (and 8.6% of Nordgold's assets as of June 30, 2012), are Russian limited liability companies subject to this requirement. The four Nordgold subsidiaries subject to this requirement are Altay Gold LLC, LLC "Rudnik Berezitovy", North Gold Mining LLC and Severstal Gold LLC. As at the end of 2011, the following two companies (each of which has existed for more than 3 years) breached this requirement: (i) Altay Gold LLC (accounting for 0.2% of Nordgold's assets) which is the holding company for Nordgold's interest in the Prognoz silver deposit; and (ii) Severstal Gold LLC (accounting for 0.2% of Nordgold's assets), which is the managing company of Nordgold. Nordgold is considering plans to bring the entities into compliance in the future. Accordingly, there is the risk that the Russian tax or other authorities may apply to order to liquidate these two companies and/or the creditors may claim for acceleration of the obligations of such companies and payment of damages to creditors. In addition, Russian law requires that a limited liability company must not distribute profits to its participants if, at the date of the company's decision on profit distribution, the value of its net assets is, or will be in the event the profits are distributed, less than the company's charter capital and the reserve fund. Given this, Altay Gold LLC, LLC "Rudnik Berezitovy" and North Gold Mining Company LLC are also prohibited from distributing profits to their participants while in breach of the net assets requirement. Nordgold believes that none of its members should be subject to liquidation on such grounds because none of those violations are significant, cause any damage to any person, or have any other negative consequences. Although Nordgold has started the process of remedying the breach of the net assets requirement for LLC "Rudnik Berezitovy" and is considering remedying such breach for Altay Gold LLC and North Gold Mining Company LLC by injecting in each of these Group companies funds such that their net assets would become higher than their respective charter capitals, or at least would become positive, there can be no assurance that the prior technical violations would not be used in a manner that could have a material adverse effect on Nordgold's business, results of operations, financial condition or prospects and the trading price of the Nordgold GDRs.

Shareholder liability under Russian legislation could cause Nordgold to become liable for the obligations of its applicable subsidiaries.

As of June 30, 2012, Nordgold's subsidiaries in the Russian Federation did not have any external debt obligations, other than obligations arising in the ordinary course of business and loan agreements with Sberbank in the total amount of RUB 11,000,000 where certain subsidiaries have acted as Nordgold's guarantors and a bank overdraft in the total amount of US\$585,400. Under Russian law, Nordgold may be primarily liable for the obligations of its Russian subsidiaries jointly and severally with such entities if (i) Nordgold has the ability to make decisions for such Russian subsidiaries as a result of its ownership interest, the terms of a binding contract or in any other way, (ii) Nordgold has the ability to issue mandatory instructions to such Russian subsidiaries or joint venture entities and that ability is provided for by the charter of the relevant Russian subsidiary or in a binding contract and (iii) the relevant Russian subsidiary concluded the transaction giving rise to the obligations pursuant to Nordgold's mandatory instructions. In addition, Nordgold may have secondary liability for the obligations of its Russian subsidiaries if (i) Nordgold has the ability to make decisions for the relevant Russian subsidiary as a result of its ownership interest, the terms of a binding contract, or in any other way and (ii) the relevant Russian subsidiary becomes insolvent or bankrupt due to Nordgold's fault (i.e., Nordgold has used its ability referred to in (i) above, knowing that this would result in insolvency or bankruptcy of the relevant Russian subsidiary). If, at any time in the future, Nordgold's Russian subsidiaries were to incur significant obligations outside of the ordinary course of business, and Nordgold were to be held liable for these obligations, this liability could result in significant losses, and could have a material adverse effect on Nordgold's business, financial condition, results of operations and future prospects and the value of the Nordgold GDRs.

In the event that the title to any company acquired by Nordgold through privatisation, bankruptcy sale or by other means is successfully challenged, Nordgold may lose its ownership interest in that company or its assets.

Certain of Nordgold's mining assets in the Russian Federation consist of companies that have been acquired directly or indirectly from others who acquired them through privatisation, and Nordgold may seek to acquire additional companies that have been privatised or that have undergone bankruptcy proceedings. Privatisation and bankruptcy legislation in the Russian Federation is vague, internally inconsistent and in conflict with other elements of Russian legislation. Although the statute of limitations for challenging transactions entered into in the course of privatisations and as a result of bankruptcy proceedings is generally three years, privatisations and acquisitions of companies that have undergone bankruptcy proceedings may still be vulnerable to challenge, including through selective action by governmental authorities motivated by political or other extra-legal considerations. If any of Nordgold's acquisitions is challenged as having been improperly conducted and Nordgold is unable successfully to defend itself, Nordgold may lose its ownership interests, which could have a material adverse effect on Nordgold's business, financial condition, results of operations and future prospects and the value of the Nordgold GDRs.

Risks Relating to Kazakhstan

A description of the material risks related to Nordgold's operations in Kazakhstan appears below.

The Kazakh state may be entitled to exercise priority rights over Kazakh assets acquired by Nordgold and transfers of shares in Nordgold's subsidiaries completed prior to listing on the LSE.

Nordgold's Kazakh operating subsidiaries have obtained their mining rights in Kazakhstan pursuant to subsoil use contracts from the Kazakh State. The Kazakh Law "On Subsoil and Subsoil Use" dated 24 June 2010 (the "**Kazakh Subsoil Law**") provides the Kazakh State (through its national operating holding companies, national companies or other authorised bodies) with a priority right to acquire previously awarded subsoil use rights and related objects associated with subsoil use, including participatory interests or shares in (i) any legal entity holding subsoil use rights and (ii) any legal entity that directly and indirectly determines or influences decisions adopted by the relevant subsoil user if the principal activity of such legal entity is related to subsoil use in Kazakhstan.

In effect, this priority right permits the Kazakh State to purchase any subsoil use rights and object associated with subsoil use being offered for sale or transfer on terms no less favourable than those offered by other purchasers, and in case of transfers without payment, at a market value determined in compliance with the relevant Kazakh appraisal legislation, unless the relevant transferor has received a prior waiver from the Kazakh Government in relation to Kazakh State's exercise of its priority rights. If a prior waiver for the acquisition or transfer has not been received, the Kazakh Government may invalidate the transfer. In addition, if terms of the acquisition or transfer subsequently effected are different from the terms set forth in the transferor's waiver application, there is a risk that the Kazakh Government may consider the transaction as performed without necessary approvals and invalidate the acquisition or transfer. In addition, a transfer of a subsoil use right or an object associated with subsoil use performed without necessary approvals/waivers from the competent authority is a ground for termination of the relevant subsoil use contract.

Nordgold cannot be certain that all previous acquisitions and transfers of Nordgold's Kazakh assets that took place prior to Nordgold's acquisition of them have complied with the Kazakh State's priority rights (including the terms of the relevant waivers of the state's priority rights), because Nordgold has no access to information regarding actions taken in relation to the Kazakh State's priority rights by previous unrelated third party acquirors and transferors of these assets.

Nordgold does not expect that the Kazakh Government will take retrospective action in relation either (i) to prior waivers of the Kazakh State's priority rights for completed acquisitions or (ii) to the transfer to Nordgold of

the Kazakh assets. However there can be no assurance that the Kazakh authorities will not seek to invalidate one or more of the past acquisitions or transfers of the Kazakh assets owned by Nordgold.

In the event that the Kazakh state exercised its priority rights under the Kazakh Subsoil Law in respect of any transfer of Kazakh assets or equity interests by, within or to Nordgold, or terminates one of Nordgold's subsoil use contracts in Kazakhstan, such exercise or termination may have a material adverse effect on Nordgold's business, results of operations and financial condition, and the value of the Nordgold GDRs.

Nordgold is exposed to the risk of adverse sovereign action by the Kazakh Government.

The Kazakh Government has been known to take adverse sovereign action in relation to private companies operating in Kazakhstan. There is a risk that the Kazakh Government could raise complaints, with or without merit, regarding Nordgold's operation of its Kazakh mines. In addition, the Kazakh Government has the right to initiate reviews of subsoil use contract terms and to unilaterally terminate, potentially without compensation, subsoil use contracts in respect of deposits of "strategic importance". Any such actions by the Kazakh Government could have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Shareholder liability under Kazakh legislation could cause Nordgold to become liable for the obligations of its Kazakh subsidiaries.

Currently, Nordgold's subsidiaries in Kazakhstan do not have any external debt obligations other than obligations arising in the ordinary course of business. Under Kazakhstan law, Nordgold may be jointly and severally liable for the obligations of its Kazakh subsidiaries, if Nordgold has the ability to make decisions for such Kazakh subsidiaries or as a result of its ownership interest or the terms of a binding contract, if (i) the relevant Kazakh subsidiary concluded the transaction giving rise to the obligations pursuant to Nordgold's mandatory instructions or (ii) the relevant Kazakh subsidiary becomes insolvent or bankrupt due to Nordgold's fault (i.e., Nordgold has used its ability in (i) above, knowing that this would result in the insolvency or bankruptcy of the relevant Kazakh subsidiary). If, at any time in the future, Nordgold's Kazakh subsidiaries were to incur significant obligations outside of the ordinary course of business, and were to be held liable for these obligations, this liability could result in significant losses, and could have a material adverse effect on Nordgold's business, financial condition, results of operations, future prospects and the value of the Nordgold GDRs.

Risks Relating to Burkina Faso and Guinea

A description of the material risks related to Nordgold's operations in West Africa appears below.

Guinea has a history of political and economic instability.

Guinea has had a history of authoritarian rule since achieving independence from France in 1958 and has experienced three civil wars in the past decade. While the election in December 2010 was aimed at transitioning Guinea from military rule to a democratically elected government, Guinea's uncertain and unpredictable political and economic environment give rise to significant risks. There are risks of continued political and economic instability as a result of Guinea's past political upheaval, which could lead to civil unrest, military intervention, labour and social unrest, extreme fluctuations in currency exchange rates, high rates of inflation, expropriation and nationalisation of assets, increased illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation of funds, stricter currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, Guinea. Continued political and economic instability in Guinea could have a material adverse effect on Nordgold's Guinean operations.

The Government of Guinea has issued a new mining code and may review the terms of existing mining permits and licences.

On 9 September 2011, the Republic of Guinea issued a new mining code which is intended to repeal and replace the existing mining code. Although it is not clear that the new mining code will remain in its current form, the government has begun applying the provisions of the new code and has indicated that re-negotiation of existing mining concessions and increased economic interest in existing mining companies may be appropriate. The new code entitles the Republic of Guinea to a free 15% interest in the share capital of a company to which it has granted title and the right to acquire an additional 20% in the share capital of the mining company on terms to be negotiated with each company. One company with mining operations in Guinea, Rio Tinto plc, has agreed to give up 35% of its Guinean mining interests to the Government of Guinea, and another is in negotiations with the Government of Guinea with respect to its mining interests in Guinea. The new code also includes a new fiscal and customs regime applicable to mining activities and provides for the renegotiation of existing mining concessions. Given how recently the new code was issued, it is uncertain how it will be applied to Nordgold's ownership through Crew Gold of Société Minière de Dinguiraye ("SMD"), which holds the Lefa mining concession, to the mining concession itself and to Nordgold's activities in Guinea.

Historically, political instability and regime change in Guinea have resulted in uncertainty as to the resolution of issues raised by former Guinea government officials regarding the Lefa mining concession. In 2009, the government conducted a review of the terms of the Lefa mining concession. As a result of this review, Crew Gold was required to pay a cash deposit of US\$5 million to cover the expected closing costs of the Lefa mine at the expiration of its mining concession; the initial request by Guinea's former environmental minister had been for a cash deposit of US\$170 million. Crew Gold never accepted this initial request as realistic or based in law.

In addition, Crew Gold had been in discussions with the former Government of Guinea regarding the valuation of, and the original amount paid in 2006 for, Crew Gold's acquisition from the Government of Guinea of the remaining 15% interest in SMD. These discussions resulted in the former Minister of Mines proposing an agreement in which 7.5% of the share capital of SMD would be transferred to the Government, a payment to the Government would be made in the amount of US\$1.5 million and the Lefa mining concession would be extended by 13 years. Nordgold was considering the reasonableness of these proposals when the new Government took office. If this arrangement had been agreed to, the Government would have been entitled to 7.5% of the profits from SMD's operations due to its ownership interest in SMD. If the provisions of the new mining code were to apply, the Government would be entitled to 15% of those profits due to the 15% Government ownership requirement with an additional amount subject to negotiation.

In correspondence regarding the above proposal, the former Minister of Mines also indicated that he believed that Nordgold should have obtained approval from him before acquiring its indirect interest in SMD (when it acquired control of Crew Gold in 2010), citing Article 62 of the Guinean Mining Code. The new Minister of Mines has reiterated this claim. Nordgold believes that no prior approval requirement was applicable to its acquisition of Crew Gold and has received legal advice confirming this position. The reasons for the Minister of Mines' claim are unclear, but Nordgold believes that there is no legal basis for his assertion that prior approval was required. If the Minister of Mines successfully asserted his claim, it is unclear what the remedy would be, but such remedy could interfere with Nordgold's ownership rights over SMD. As the Lefa mine, which is owned through SMD, accounts for approximately one half of Nordgold's proven and probable reserves, any such interference with Nordgold's ownership rights and, in particular, the denial of those rights without compensation could have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Nordgold was engaged in negotiations with the Government of Guinea, including the new Minister of Mines, at the time the new mining code was issued and was discussing the possible settlement of all claims relating to the Lefa mining concession, but terms had not been finalised. It is unclear what impact the new mining code will have on these negotiations. For further information on the new mining code, see "*Regulation – Republic of Guinea – The New Mining Code*".

Given the uncertainty as to the application and interpretation of the new mining code, its impact on Nordgold's ownership interests in SMD and the terms of the Lefa mining concession and the introduction of the new fiscal and customs regime, there can be no assurance that the actions of the Government of Guinea, or the impact of the new legislation, will not have a significant negative impact on Nordgold's ownership interest in SMD, or result in an increase in taxation or the costs of doing business in Guinea, any of which could have a material adverse effect on Nordgold's business, results of operations and financial condition and the price of the Nordgold GDRs.

Constitutional reforms have been proposed in Burkina Faso, which, if enacted, could lead to socio-political unrest.

Since the adoption of Burkina Faso's current constitution in 1991 following a decade of dictatorial rule, Burkina Faso has experienced a period of relative political stability and relatively normal functioning of its democratic institutions. However, the possibility that constitutional reforms will be implemented has increased recently. In particular, the current presidential majority has expressed its desire to amend Burkina Faso's constitution to eliminate the term limit for the country's president. If this constitutional reform is implemented, the current president of Burkina Faso would no longer be prohibited from running in the next presidential election in 2015. Opposition political parties and the public have opposed this plan to amend the constitution. As a result, there is a risk that if the constitution were amended to eliminate the current presidential term limit, this could lead to socio-political unrest, which, in turn, could have a material adverse effect on Nordgold's Burkina Faso operations.

The Guinea and Burkina Faso mining industries have been subject to labour unrest.

Guinea has a history of labour unrest in the mining industry. For example, output at the United Company RUSAL plc's Friguia alumina refinery in Guinea was almost completely halted by a 16-day strike over pay in April 2010. In early 2007, the Lefa mine was affected by two national strikes. In August 2010, Nordgold experienced a brief illegal strike at the Lefa mine which arose quickly on the basis of a minor grievance. In addition, wildcat strikes and blockades by residents are common in Guinea, with mining firms often being targeted in protests at the lack of basic infrastructure and utilities.

The Burkina Faso mining industry has also experienced labour unrest, in particular in relation to demands by workers for improving living and working conditions. In addition, workers frequently express dissatisfaction regarding the substantial difference in the treatment of local workers and expatriates. Such labour unrest could have a material adverse effect on Nordgold's operations in Burkina Faso and Guinea.

Nordgold faces certain risks in dealing with malaria and a wide range of infectious diseases, which may have an adverse effect on its results of operations.

Malaria and a wide range of infectious diseases pose significant health risks to employees at Nordgold's operations in Burkina Faso and Guinea. Malaria is a major cause of morbidity and mortality in young children and pregnant women and is a leading cause of absenteeism in Nordgold employees. Waterborne diseases and conditions (such as diarrhoea, dysentery and typhoid) are prevalent in rural areas and exacerbated by poor nutrition, lack of clean water and inadequate health services. While Nordgold has comprehensive malaria control programmes at its mine sites in Burkina Faso and Guinea, if such diseases are uncontrolled, they could have an adverse effect upon productivity and profitability levels of Nordgold's operations located in these regions. In addition, if HIV and AIDS were to become prevalent in Burkina Faso and Guinea, any such development could have an adverse effect upon the available labour force, and the productivity and profitability of Nordgold's operations in these regions.

Risks Relating to Nordgold's Structure

Mr. Alexey Mordashov exercises significant control over Nordgold and, as a result, investors may not be able to influence the outcome of important decisions in the future.

Immediately following the completion of the Offer, Mr. Mordashov will control at least 76.2% of the issued share capital of Nordgold. As a result, Mr. Mordashov, whose interests may differ from or be adverse to those of the holders of Nordgold GDRs, will be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors, the approval of significant corporate transactions, the issuance of Nordgold Shares or other equity securities and the payment of any dividends. There are no agreements in place between Nordgold and Mr. Mordashov to ensure that the latter will not abuse his control of Nordgold. In addition, Severstal, which is beneficially owned by Mr. Mordashov, will be the provider of a number of services to Nordgold and, accordingly, is important to Nordgold from an operational perspective. Furthermore, Nordgold has entered into, and will continue to enter into, arrangements or transactions with Severstal or companies controlled by Severstal or in which Severstal owns a controlling interest, which may be on terms that are not solely determined by market prices.

The concentration of ownership may delay or deter a change of control of Nordgold (including deterring a third party from making a takeover offer for Nordgold), deprive holders of Nordgold GDRs of an opportunity to receive a premium for their Nordgold GDRs through a sale of Nordgold and affect the market price and liquidity of the Nordgold GDRs.

A substantial portion of Nordgold's assets were obtained through the acquisition of interests in public companies, and limited due diligence was conducted in connection with such acquisitions.

Nordgold holds the Irokinda, Zun-Holba, Berezitovy and Taparko mines, its interest in the Prognoz silver deposit and other exploration projects through its interest in High River, which was acquired primarily in market transactions. Some of Nordgold's assets in Kazakhstan were originally obtained through market purchases of shares in a listed entity, Celtic Resources. Most recently, Nordgold acquired Crew Gold, a company previously listed on the TSX and the Oslo Stock Exchange, through a series of market transactions. As with most public company acquisitions, Nordgold was only able to perform limited due diligence at the time of acquisition of each of these entities, and did not have the benefit of sellers' indemnities for undisclosed liabilities. Although Nordgold has performed a detailed review of each of these entities following acquisition of control over them, there can be no assurance that liabilities will not materialise of which Nordgold is not currently aware or for which it does not have recourse to sellers' indemnities. Such liabilities could include claims by third parties to challenge the validity of transactions entered into by the previous owner of the acquired assets, for which Nordgold had no direct responsibility. Any such liabilities could have a material adverse effect on Nordgold's operations and, consequently, on the value of the Nordgold GDRs.

Nordgold may face potential third party challenges or regulatory review in relation to the acquisition of certain of its businesses.

Nordgold's interests in High River and Crew Gold were acquired in a competitive environment which included competitive bids from third parties, in circumstances where each target entity was experiencing financial difficulties which decreased their value. There can be no assurance that Nordgold's acquisition of interests in High River or Crew Gold would not subsequently be challenged, either by the third parties against whom Nordgold was bidding or by the former shareholders whose shares were acquired in the context of each target's financial difficulties and the related impact on the price of each target's shares. Moreover, there can be no assurance that regulators, would not investigate Nordgold's acquisition of interests in those entities. Although Nordgold is not aware of any such proceedings, and believes that because these acquisitions were made under market terms, it is unlikely any challenge or investigation would ultimately result in the rescission of the sales contracts, any subsequent costs associated with such challenges or investigations, including the potential subsequent rescission of the sales contracts

for Nordgold's interests in those entities, could have a material adverse effect on Nordgold's operations and, consequently, on the value of the Nordgold GDRs.

Nordgold may become subject to unanticipated tax liabilities that may have a material adverse effect on Nordgold or the holders of Nordgold GDRs.

Nordgold is subject to the tax laws of several jurisdictions, including the United Kingdom, Canada, the Netherlands, the Russian Federation, Kazakhstan, Burkina Faso and Guinea. The combined effect of the application to Nordgold of the tax laws of more than one of these jurisdictions and/or their interpretation by the relevant tax authorities could, under certain circumstances, produce contradictory results (including recognition of taxable permanent establishments and different application of transfer pricing rules) and/or materially and adversely affect Nordgold's business, financial conditions and operating results.

Nordgold is incorporated under Dutch law and on this basis is subject to Dutch tax laws as a Dutch resident tax payer. Nordgold, as well as, in certain cases, the holders of Nordgold Shares, may rely on the residency for tax purposes of Nordgold being solely in the Netherlands, including for the purposes of application of agreements for the avoidance of double taxation concluded by the Netherlands and other jurisdictions (tax treaties).

Tax liabilities of Nordgold and the non-Russian subsidiaries of Nordgold are determined on the assumption that such company is not subject to Russian profits tax because it does not have a permanent establishment in the Russian Federation. Generally, in most jurisdictions a foreign legal entity may be required to pay income tax if it is a tax resident of such jurisdiction or if its activities constitute a permanent establishment in such a jurisdiction. The concept of permanent establishment and tax residency for legal entities introduced by domestic and international law is subject to interpretation. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of Nordgold and certain of the non-Russian subsidiaries of Nordgold may be challenged in the Russian Federation.

Crew Gold, although incorporated in Canada, has taken the position that it either is, or for other reasons may be treated as, tax resident in the United Kingdom. Should the UK tax residency status of Crew Gold be confirmed one of its subsidiaries could also be deemed to be UK tax resident although it currently declares itself to be Canadian tax resident. If the Canadian tax authorities were to take the position that such entities have left Canada for tax purposes, they may be liable for departure and secondary exit taxes.

If Nordgold's tax position was successfully challenged by the applicable tax authorities, or if there were changes in tax laws or the interpretation or application thereof (which could in certain circumstances have retroactive effect) or in the manner in which Nordgold conducts its activities, Nordgold could become subject to unanticipated tax liabilities. If, for example, Nordgold's sole residency in the Netherlands for tax purposes was successfully challenged by the tax authorities of any other jurisdiction, including the Russian Federation or the United Kingdom, or if there were changes in relevant tax treaties (including the termination or suspension of a tax treaty) or tax laws or the interpretation or application of such tax treaties or tax laws (which could in certain circumstances have retroactive effect), Nordgold, as well as holders of Nordgold GDRs, could become subject to unanticipated tax liabilities and holders of Nordgold GDRs could become subject to different tax treatment in respect of the acquisition, holding, redemption or disposal of Nordgold GDRs.

Tax treatment for non-Dutch investors in a Dutch company may vary.

Tax treatment of non-Dutch investors in a Dutch company will vary and depend on the country and/or state of citizenship, domicile or residence of the investor, the applicable law in the country and/or state of citizenship, domicile or residence of the investor, the applicability of any double taxation agreement between the Netherlands and the country and/or state of citizenship, domicile or residence of the investor and the terms of that double taxation agreement. For a general description of the Canadian tax consequences of the acquisition, holding and disposal of Nordgold GDRs reference is made to Section 18 of the Circular, "*Certain Canadian Federal Income*

Tax Considerations". Such section does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Nordgold GDRs. Each prospective investor should consult a professional tax adviser regarding tax consequences of acquiring, holding and disposing of the Nordgold GDRs under the laws of their country and/or state of citizenship, domicile or residence.

Risks Relating to the Nordgold GDRs

There has been limited prior public trading market for the Nordgold GDRs, and an active trading market may not be sustained in the future.

Nordgold can give no assurance that an active trading market for the Nordgold GDRs can be sustained. If an active trading market is not maintained, the liquidity and/or market price of the Nordgold GDRs could be adversely affected.

The market price of publicly traded companies can be highly volatile.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Nordgold GDRs may be highly volatile. The market price of the Nordgold GDRs may fluctuate significantly in response to a number of factors, many of which are beyond Nordgold's control, particularly gold price fluctuations as well as variations in operating results in Nordgold's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by Nordgold of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; additions or departures of key personnel; any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts; future issues or sales of Nordgold GDRs; and stock market price and volume fluctuations. Furthermore, the limited trading market for the Nordgold GDRs could cause fluctuations in the market value of the Nordgold GDRs to be exaggerated, leading to price volatility in excess of that which would occur in a more active trading market. Any of these factors could result in a material decline in the market price of the Nordgold GDRs and could result in investors in the Nordgold GDRs losing their entire investment in the Nordgold GDRs.

Rights of holders of Nordgold Shares will be governed by Dutch law and may differ in some respect from the rights of shareholders under the laws of other countries.

Nordgold is a public limited liability company incorporated under the laws of the Netherlands. The rights of the holders of Nordgold Shares will be governed by the Articles of Association and by Dutch law. These rights may differ in some respects from the rights of shareholders in corporations organised outside of the Netherlands. For a comparison between the rights High River Shareholders to the rights of Nordgold Shareholders see "*Comparison of Rights of High River Shareholders and Holders of Nordgold GDRs*". In addition, it may be difficult for investors to prevail in a claim against Nordgold under, or to enforce liabilities predicated upon, the securities laws of jurisdictions outside of the Netherlands. See "*Enforcement of Judgements*". Furthermore, holders of Nordgold GDRs will not have the same rights as holders of Nordgold Shares, but will have rights and obligations governed by the terms and conditions of the Nordgold GDRs set forth in the GDR Deposit Agreements. For a summary of the terms and conditions of the Nordgold GDRs, see "*Description of Nordgold GDRs*".

Nordgold's ability to pay dividends will depend upon its freely distributable reserves and distributions by its subsidiaries.

Under Dutch law, Nordgold may make distributions to holders of Nordgold Shares and other persons entitled to distributable profits only up to the amount of the part of Nordgold's net assets which exceeds the nominal value of the issued share capital of Nordgold and its reserves which must be maintained by virtue of the law. Nordgold's subsidiaries own effectively all of Nordgold's assets and conduct all of Nordgold's operations.

Consequently, Nordgold's ability to pay dividends to holders of Nordgold Shares and other persons entitled to distributable profits is dependent on the generation of cash flow by Nordgold's subsidiaries and their ability to make cash available to Nordgold, by dividend or otherwise. Each subsidiary's ability to pay dividends will depend on the law of the jurisdiction in which such subsidiary is incorporated. In the event that Nordgold does not receive distributions from its subsidiaries, its ability to pay dividends would be limited.

Any offer for the Nordgold GDRs will be subject to the shared jurisdiction of the UK Takeover Panel and the Dutch Authority for the Financial Markets.

Any offer for the Nordgold GDRs will be subject to both the City Code on Takeovers and Mergers (the "UK Takeover Code") and the Dutch public offer rules as contained in the Dutch Financial Supervision Act and the related Decree on public offers (*Besluit openbare biedingen Wft*) (the "Dutch Public Offer Rules"). Since Nordgold is incorporated in the Netherlands and the Nordgold GDRs are admitted to trading in the UK, the UK Takeover Code will apply in respect of the offer price (although the Dutch Public Offer Rules also contain provisions in respect of consideration in case of a mandatory offer), disclosure requirements and procedural matters applicable to an offer for the Nordgold GDRs, and the Dutch Public Offer Rules will apply in relation to matters relating to information to be provided to trade unions and employees and company law matters, including the convening of a meeting of holders of Nordgold Shares in the event of a public offer. There can be no certainty as to how the interplay of the UK Takeover Code and the Dutch Public Offer Rules will operate in practice, and holders of Nordgold GDRs may be adversely affected in the event that a takeover offer is made for Nordgold.

Future sales of Nordgold GDRs, or the possibility of future sales, could depress the market price of the Nordgold GDRs.

Any sales of substantial amounts of Nordgold GDRs in the public market, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Nordgold GDRs and could impair Nordgold's ability to raise capital through the sale of additional Nordgold GDRs.

Holders of Nordgold Shares may not be able to exercise pre-emptive rights and as a result may experience substantial dilution upon future issuances of Nordgold Shares or Nordgold GDRs.

The issue of additional Nordgold Shares, including in the form of additional Nordgold GDRs, may result in the dilution of stakes held by existing holders of Nordgold Shares and Nordgold GDRs. Nordgold Shareholders generally will have a pre-emptive right with respect to any issue of Nordgold Shares or the granting of rights to subscribe for Nordgold Shares, unless explicitly provided otherwise in a resolution by the general meeting of Nordgold Shareholders or, to the extent it is designated by the general meeting of Nordgold Shareholders or the Articles of Association for this purpose, by a resolution of the Nordgold Board. The Nordgold Board has been designated by the general meeting of holders of Nordgold Shares as the corporate body competent to limit or exclude pre-emptive rights, subject to the limited authority the Nordgold Board has in respect of the issue of Nordgold Shares (and the granting of rights to subscribe for Nordgold Shares) for a period of 18 months starting on June 14, 2012. See "*Description of Nordgold Shares — Nordgold Shares — Pre-Emptive Rights*". However, certain Nordgold Shareholders may not be able to exercise pre-emptive rights unless the applicable local securities law requirements in such jurisdictions have been complied with.

Holders of Nordgold GDRs must rely on the GDR Depositary to exercise their rights.

Holders of Nordgold GDRs will not have the rights attaching to the underlying Nordgold Shares or the rights that Dutch law and Nordgold's Articles of Association confer on the holders of Nordgold Shares and must rely on the GDR Depositary to either exercise those rights for the benefit of the holder of Nordgold GDRs or authorise the holder of the Nordgold GDRs to exercise those rights for such holder's own benefit. Holders of Nordgold GDRs will generally have the right under the GDR Deposit Agreements to instruct the GDR

Depository to exercise the voting rights for the Nordgold Shares represented by the Nordgold GDRs only. See “Description of Nordgold GDRS — Voting Rights”. Therefore, there are practical limitations upon the ability of holders of Nordgold GDRs to exercise their voting rights due to the additional procedural steps involved in communicating with them. In addition to a notice on the Nordgold website, Nordgold Shareholders will receive notice directly from Nordgold and will be able to exercise their voting rights either personally or by proxy. Holders of Nordgold GDRs, by comparison, will not receive notice directly from Nordgold. Rather, in accordance with the GDR Deposit Agreements, Nordgold will provide copies of relevant notices and voting materials containing voting instructions to the GDR Depository (provided that no US, English or Dutch legal prohibition exists). The GDR Depository will then, as soon as practicable after receipt from Nordgold, distribute to holders of Nordgold GDRs such notices and voting materials. In order to exercise their voting rights, holders of Nordgold GDRs must then instruct the GDR Depository how to vote the Nordgold Shares represented by the Nordgold GDRs they hold. As a result of this additional procedural step involving the GDR Depository, the process for exercising voting rights may take longer for holders of Nordgold GDRs than for holders of Nordgold Shares, and although Nordgold will make all reasonable efforts to cause the GDR Depository to extend voting rights to the holders of Nordgold GDRs in a timely manner, Nordgold cannot assure the holders of Nordgold GDRs that they will receive voting materials in time to enable them to return voting instructions to the GDR Depository in a timely manner. Nordgold Shares underlying the Nordgold GDRs for which the GDR Depository does not receive timely voting instructions will not be voted. However, under Dutch law, holders of listed depository receipts, including the Nordgold GDRs, have the right to ask the holder of the underlying Nordgold Shares (i.e., the GDR Depository) to allow the holder of the depository receipts to exercise the voting rights on the underlying Nordgold Shares in a general meeting of Nordgold Shareholders themselves. The holder of the underlying Nordgold Shares will grant a proxy to the requesting holder of listed depository receipts, including the Nordgold GDRs, for a specific general meeting of Nordgold Shareholders specified in the proxy. Only in exceptional circumstances referred to in the Dutch Civil Code can such proxy be limited, excluded or revoked.

The Nordgold Shares underlying the Nordgold GDRs are not listed and are illiquid and will remain illiquid.

The Nordgold Shares are neither listed nor traded on any stock exchange, and Nordgold does not intend to apply for the listing or admission to trading of the Nordgold Shares on any stock exchange. As a result, a withdrawal of Nordgold Shares by a holder of Nordgold GDRs, whether by election or due to other circumstances, will result in that holder obtaining securities that are significantly less liquid than the Nordgold GDRs and the price of those securities may be discounted as a result of such withdrawal.

Risks Relating to the Offer

High River Shareholders who elect to receive Nordgold GDRs as consideration under the Offer will receive a fixed number of Nordgold GDRs under the Offer and this consideration will not be adjusted to reflect market fluctuations. Consequently, the Nordgold GDRs issuable under the Offer may have a market value that is lower than expected.

High River Shareholders who elect to receive Nordgold GDRs as consideration under the Offer will receive a fixed number of Nordgold GDRs, rather than Nordgold GDRs with a fixed market value. Because the consideration under the Offer will not be adjusted to reflect any changes in the market value of the Nordgold GDRs, the market value of Nordgold GDRs may vary significantly from the value at the dates referenced in this Offer and Circular to the actual dates that Depositing Shareholders become entitled to receive Nordgold GDRs pursuant to the Offer. For example, during the six month period ending on July 17, 2012 (the last trading day prior to the date of the announcement of the intention to make the Offer), the trading price of Nordgold GDRs on the LSE varied from a low of US\$4.55 to a high of US\$7.80 and ended that period at \$5.00. Variations may occur as a result of changes in, or market perceptions of changes in, the business, operations or prospects of Nordgold, market assessments of the likelihood that the Offer will be consummated, regulatory considerations, general market and economic conditions and other factors over which Nordgold has no control.

High River Shareholders who elect to receive cash as consideration under the Offer will receive a fixed amount in Canadian dollars under the Offer and this consideration will not be adjusted to reflect exchange rate fluctuations. Consequently, the cash issuable under the Offer may have a value in a currency other than Canadian dollars that is lower than expected.

Subject to the election to receive United States dollars as described in Section 6 of the Offer, “*Take Up and Payment for Deposited Shares*”, all cash consideration under the Offer will be paid in Canadian dollars. Currency exchange rates may fluctuate and the prevailing Canadian dollar-United States dollar or other currency exchange rate on the Effective Date may be significantly different from the exchange rate on the date of this Offer and Circular or the actual dates that Depositing Shareholders become entitled to receive such a cash payment. These changes may significantly affect the value of the cash consideration to a High River Shareholder intending to convert the Canadian dollars received under the Offer into another currency.

The issuance of Nordgold GDRs under the Offer and the resale of Nordgold GDRs received in connection with the Offer may cause the market price of Nordgold GDRs to decline.

As of October 17, 2012, 37,896,313 Nordgold GDRs were issued and outstanding. Based on the number of High River Shares issued and outstanding on October 17, 2012, Nordgold expects that in connection with the Offer it will issue a maximum of 59,733,575 Nordgold GDRs (assuming that all High River Shareholders deposit their High River Shares under the Offer and elect to receive Nordgold GDRs as consideration). The issuance of these new Nordgold GDRs and their sale in the public market from time to time could have the effect of depressing the market price for Nordgold GDRs. Although the issuance of Nordgold GDRs under the Offer should increase the liquidity in the market for such Nordgold GDRs and offer benefits of larger market capitalization, there may be greater volatility of market prices in the near term pending the creation of a stable shareholder base.

REGULATION

Republic of Guinea

The Guinean Mining Code

The Guinean Mining Code of 1995 (the “**Old Mining Code**”) provides that deposits of minerals or fossil substances located below or on the surface of the ground, as well as underground water and geothermal resources, in the Republic of Guinea belong to the State of Guinea. However, the Old Mining Code provides that holders of the mining titles described below have ownership rights to extracted substances.

On September 9, 2011, the Republic of Guinea issued a new mining code (the “**New Mining Code**”), which is intended to repeal and replace the Old Mining Code. Although it is not clear the New Mining Code will remain in its current form, the Government of Guinea has begun applying the provisions of the New Mining Code. The sections which follow highlight the key provisions of the New Mining Code relevant to Nordgold and describe the provisions of the Old Mining Code which were relevant to the establishment of Nordgold’s mining rights in Guinea.

The New Mining Code

The New Mining Code builds on the Old Mining Code and makes provisions for prospecting licences, exploitation permits and mining concessions, while introducing a number of amendments and additions. Among other changes, the New Mining Code entitles the Government of Guinea to a free 15% interest in the share capital of a company to which it has granted title, which interest may not be diluted by rights issues. The Government of Guinea is further entitled to acquire an additional 20% in the share capital of the mining company on terms to be negotiated with each company.

The New Mining Code also introduces a section on transparency and anti-corruption that is intended to comply with recent international commitments undertaken by the Government of Guinea.

- *Transparency:* Mining title holders must be duly identified and must provide details of shareholding and management. Any instruments recording the grant, extension, renewal or farm-out, withdrawal or waiver of mining titles must be published.
- *Anti-corruption:* The New Mining Code explicitly prohibits the bribery of government or elected officials and establishes as a condition of receiving a mining licence that mining title holders sign a code of good conduct. Violation of bribery provisions may result in penalties up to and including the revocation of the violator's mining title. Holders of mining titles must submit an anti-corruption monitoring plan to the Ministry of Mines each calendar year.

Mining Tax Regime/Duty and Customs Exemptions

The New Mining Code has almost completely revised the fiscal and customs regime applicable to mining activities in Guinea. The fixed fees to which mining titles and permits for trade are subject are no longer determined by the Guinean Minister of Finance and Minister of Mines, but are set out in an appendix to the New Mining Code. In addition, the annual surface taxes are similarly set out in the New Mining Code and vary according to the title at the time it was granted or renewed. Taxes on mining substances are set out in the New Mining Code and vary according to the substance exploited. The tax rate applicable to SMD is 5% per ounce of gold based on the daily London fixing.

The New Mining Code provides mineral extraction companies with differing duty and customs exemptions based on the type of licence held and phase of exploration, development or exploitation of the licensed area.

Exploration and Development Phases

Holders of prospecting licences are exempt from VAT for imports of certain professional materials and equipment, VAT for services provided by direct sub-contractors, minimum flat tax, tax on industrial and commercial profits and corporation tax, patent contributions (*contributions sur les patentes*), vocational training contributions, registration fees and stamp duty, uniform land tax, tax on securities income and apprenticeship taxes.

Holders of prospecting licences and their direct sub-contractors are also eligible for temporary admission rules allowing the import of certain equipment and materials during the exploration period. However, they are subject to a 10% withholding tax throughout the exploration period on payment of fees and services provided by foreign companies and insurance contracts concluded with non-Guinean companies.

The New Mining Code differs from the Old Mining Code in that holders of exploitation permits benefit from the same exemptions during construction as during the exploration phase, and are exempt from VAT on imported equipment.

Exploitation Phase

As with the Old Mining Code, holders of mining titles in the exploitation phase are exempt from the minimum flat tax, vocational training contribution, uniform land tax and apprenticeship tax during the first three years following the date of first production. Under the New Mining Code, holders of exploitation permits or mining concessions are subject to VAT; patent contributions; tax on industrial and commercial profits corporate tax (without a tax holiday) and tax on securities income at a rate of 10%; registration duties for deeds relating to company creation; duties for share capital increases through new contributions, capital contributions, capitalisation of profits or reserves and mergers; a 6% payroll tax; withholding non-salary income; withholding payroll taxes and a unified vehicle tax excluding site-based mobile plant and vehicles. Holders of mining titles during the exploitation phase are also liable for environmental taxes and royalties established according to the Guinean Environment Code.

During the exploitation phase, expenses incurred by holders of an exploitation permit or mining concession are eligible for certain deductible allowances in calculating the tax on industrial and commercial profits and corporate tax. These deductible allowances include overhead costs, finance costs, losses from previous years, depreciation, provisions for rehabilitating mining sites, depletion allowances, contributions to the Local Development Fund and foreign exchange losses.

The New Mining Code introduces a flat 6% customs duty on the import of equipment and materials (including raw materials and petroleum products) appearing on the list of a company's fixed assets, if intended for on-site processing of ore into semi-finished or finished products, and increases the customs duties on extraction equipment to 8%, including raw materials and consumables.

Prospecting Licences

Under the New Mining Code, prospecting licences are still granted by the Minister of Mines on recommendation from the Government Centre of Mining Promotion and Development ("CMPD"), but introduces the requirement of a favourable opinion from the Technical Committee for Titles. Where multiple applications are made for the same site, the New Mining Code requires a bidding process in accordance with rules to be defined and approved by the National Mining Board. Tenders must be concluded within one year of the presentation of the ore body for tender by the Minister of Mines. Prospecting licences for semi-industrial exploitation are reserved exclusively for Guinean nationals, companies formed with capital entirely held by Guineans and to nationals of countries with which Guinea has reciprocity arrangements.

The terms and validity of prospecting licences remain the same as under the Old Mining Code; however, a prospecting licence may be extended for an additional year if after the second renewal the holder of the licence has been unable to finalise a feasibility study for reasons verified by the Mining Authority. If at the end of the additional year the holder has been unable to finalise the feasibility study, the licence will be cancelled.

The New Mining Code provides that the Government of Guinea retains the right to negotiate production sharing agreements for prospecting licences, the terms and conditions of which will be defined and appended to the relevant licence.

Exploitation Permits

Under the New Mining Code, industrial and semi-industrial exploitation permits are granted as a right to companies organised under Guinean law, by a decree issued by the Council of Ministers and further to a proposal from the Minister of Mines and favourable opinion from the National Mining Board. Prospecting licence holders must demonstrate that they have complied with obligations under the New Mining Code and must submit an application at least three months in advance of the expiration of the relevant prospecting licence.

If there is no valid prospecting licence for an ore body, the exploitation permit will be granted pursuant to a bidding process in accordance with rules to be defined and approved by the National Mining Board. Calls for tenders must be issued by the Technical Committee for Titles in consultation with the National Mining Board.

Industrial prospecting licences may be granted for a maximum term of 15 years under the New Mining Code, while semi-industrial prospecting licences are limited to five years. Prospecting licences may be renewed several times, each time for a maximum term of five years.

Holders of exploitation permits must begin development of the ore body within one year of the date the permit is issued, and failure to do so may result in a fine of US\$100,000 per month, with the penalty increasing by 10% per month as compared to the previous months from the fourth month of delay until the sixth month. The Government of Guinea reserves the right to withdraw or cancel the title within eighteenth months of the grant date.

Mining Concessions

Investments equal to or greater than US\$1 billion are eligible for a mining concession under the New Mining Code, and are granted as a right to companies organised under Guinean law, by a decree issued by the Council of Ministers and further to a proposal from the Minister of Mines and favourable opinion from the National Mining Board. Applicants must demonstrate that they have complied with obligations under the New Mining Code and must submit an application at least three months in advance of the expiration of the relevant prospecting licence.

If there is no valid prospecting licence for an ore body, the mining concession will be granted pursuant to a bidding process in accordance with rules to be defined and approved by the National Mining Board. Calls for tenders must be issued by the Technical Committee for Titles in Consultation with the National Mining Board.

Under the New Mining Code the duration and renewal of mining concessions remains the same, though the holder of a mining concession must submit a new feasibility study as a condition to renewing the concession.

The New Mining Code also provides for the renegotiation of existing mining concessions. In the event of incompatibility between the provisions of a mining concession and certain provisions of the New Mining Code, the Government of Guinea and the title holders of the mining concessions will work together to harmonise the existing concessions with the New Mining Code without delay.

Transfer of Mining Rights

As was the case in the Old Mining Code, prior approval by the Minister of Mines is required for the direct assignment and transfer of exploitation permits and mining concessions. However, the New Mining Code introduces the following more stringent change of control provisions:

- Any direct or indirect change of control in any holder of an interest in a title must be submitted for approval or validation by the Minister of Mines.
- Any direct or indirect acquisition or partial or cumulative acquisition that is equal to or greater than 5% of the share capital of the title-holding company must be submitted for approval by the Minister of Mines.
- The definition of a change of control shall be the subject of a joint order to be issued by the Ministers of Mines and of Finance.

In addition, the New Mining Code introduced the National Mining Board, a new governing body which must approve or provide a favourable opinion for all decisions on assignment or transfer of any official acquisition of a mining title.

Any change to the share ownership of a company holding a mining title must be published on the website of the Minister of Mines and the Official Gazette, and all assignment, transfer and merger instruments must be registered in accordance with the Guinean Tax Code.

Revocation

The New Mining Code has introduced new grounds for the revocation of mining titles, in addition to amending existing grounds. The grounds on which a licence, permit or concession may be revoked are as follows:

- exploration work is suspended for over six months or exploitation work is suspended more than 12 months or such work is severely restricted without legitimate reasons and in a manner that is detrimental to public interest;
- the feasibility study submitted demonstrates that an economically and commercially exploitable ore body located within the prospecting licence perimeter has not been put into exploitation within a maximum of five years for concessions and four years for exploitation permits;

- a suspension of exploitation works for 12 months (as opposed to 18 months under the Old Mining Code);
- loss of the financial guarantees or technical capacity that ensured, at the time the title was issued, the holder's satisfactory performance of mining operations;
- the assignment or transfer of mining rights without the prior authorisation required;
- the assignment or transfer of mining rights derived from an prospecting licence either in whole or in part;
- recurrent instances of tax fraud due to untrue financial statements and balance sheets; and
- non-observance of the provisions of the New Mining Code regarding conflicts of interest and the Code of Good Conduct.

The formal notice period has been shortened to one month for prospecting licences and from three months to 45 days for exploitation permits and mining concession.

Environmental Regulation

The New Mining Code contains more detailed environment provisions than the Old Mining Code, including the following:

- In order to obtain a prospecting licence, applicants must provide an environmental impact notice.
- In order to obtain an exploitation permit or mining concession, a company must provide an environmental and social impact assessment with an Environment and Social Management Plan (*Plan de Gestion Environnemental et Social*), a Risk Assessment (*Etude de Dangers*), a Health and Safety Plan (*Plan Hygiène Santé et Sécurité*) and a Resettlement of Displaced Populations Plan (*Plan de Réinstallation des Populations Déplacées*).
- Holders of exploitation permits or mining concessions must open a fiduciary account for environmental rehabilitation in accordance with their Environmental and Social Management Plan and as a guarantee that the operating site will be properly closed and rehabilitated. The terms and conditions of the accounts operation shall be set by a joint decree of the Minister of Mines, the Environment Minister and the Finance Minister. The funds assigned for this purpose shall be deducted from taxes on industrial and commercial profits.

The Old Mining Code

The Old Mining Code set forth three major types of mining titles:

- *Prospecting licences* granted exclusive rights to explore for all the substances specified in the permit.
- *Exploitation permits* granted exclusive rights for, and free disposal of, all the mineral substances specified in the permit for areas that comprised ore deposits and the surface installations, generally as defined by the relevant feasibility study.
- *Mining concessions* were grants reserved for large ore deposits that entailed significant investments and infrastructure requirements as defined by the relevant feasibility study.

Under the Old Mining Code, the Guinean Ministry of Mines was responsible for issuing prospecting licences and exploitation permits, but only the President of Guinea could issue mining concessions.

Holders of mining titles were required to:

- carry out operations in such a manner as to ensure sustainable development of national mineral resources. For such purposes enterprises were required to follow standard technical procedures accepted by the mining industry;
- carry out operations in such a way as to ensure environmental protection in accordance with the Guinean environmental code, including taking all steps necessary to prevent pollution of the environment, to treat wastes and discharges and to preserve forests and water resources;
- indemnify the Government of Guinea or any other person for damages and injury caused by them under prevailing statutory and regulatory provisions;
- give preference to Guinean enterprises for all construction, supply or service contracts, provided that such enterprises offered comparable prices, quantities, qualities and delivery schedules;
- give preference to Guinean workers, giving them access to every job they were capable of performing. Mine and quarry title holders were obliged to set up a training programme and make sure that as much of its personnel as possible was Guinean; and
- carry on business in such a way as to encourage the transfer of technology and skills to Guinean enterprises and human resources.

Mining Tax Regime/Duty and Customs Exemptions

Mining titles or permits for trade in mine or quarry substances and their renewal, extension, continuation, assignment, transfer and sublease were subject to payment of a fixed fee at rates determined by joint order of the Guinean Minister of Finance and the Guinean Minister of Mines.

Mining titles were subject to annual payment of a surface tax, the rates of which were fixed by joint order of the Minister of Finance and the Minister of Mines.

The Government of Guinea provided mineral extraction companies with certain duty and customs exemptions, including:

- during the exploration, construction, expansion and first two years, or production phases, a temporary exemption for duty and customs taxes was provided for designated lists of equipment;
- during the exploration, construction, expansion and first two years, or production phases, equipment, materials, heavy vehicles and tools were subjected to a duty and customs registration fee of 0.5% of the cost, insurance and freight value;
- during exploitation, processing plants (processing ore in semi-finished or finished products) were subject to a full exemption from duty and customs taxes (from the third to fifth year of production, the duties and customs taxes were 7.6%, and after the fifth year, the duties and customs taxes rose to 10%); and
- for extractive operations, a 5.6% duty and customs tax was levied on the free-on-board value of materials, equipment, heavy vehicles, consumables (including fuel), diesel oil and lubricants not used in the processing of the ore in finished or semi-finished products (from the third to fifth year of production, the duties and customs taxes were 7.6%, and after the fifth year, the duties and customs taxes rose to 10%).

Prospecting Licences

The Government of Guinea granted SMD, an indirect wholly owned subsidiary of Nordgold, one prospecting licence conferring exclusive rights to prospect for specified minerals in set areas totalling 93 square

kilometres in Guinea for the time specified. This prospecting licence is contiguous with the area covered by the SMD/DGM Convention de Base described below under “— *Mining concessions - SMD/DGM Convention de Base*”.

Prospecting licences were issued by order of the Guinean Minister of Mines on recommendation of the CMPD, to applicants who applied in accordance with the requirements of the Guinean Mining Code. The application consisted of a letter addressed to the Minister of Mines following identification of the prospecting area by a geologist.

If two applications are made for the same site, priority was given to the applicant offering the better conditions and guarantees to the Government of Guinea. When conditions and guarantees were similar, priority for the grant of the prospecting licence was given to the first applicant.

Prospecting licences conferred on their holders the exclusive right to prospect for mining substances for which the permit had been issued. During the life of the permit, only its holder had the right to an exploitation permit or concession for the deposits found within the prospecting site.

The administrative order granting a prospecting licence set a minimum work program that the licence holder was required to carry out during the term of the licence, and the minimum financial effort the holder was expected to devote to prospecting during each year of the licence and renewals thereof. Holders of prospecting licences were required to start prospecting work within six months of the permit being issued and continue this work diligently and according to recognised standards.

Holders of prospecting licences had the right to dispose freely of all products extracted in the course of their prospecting and assays, provided they did not proceed to operations and provided that they declared these products to the Guinean Direction Nationale des Mines.

The area for which an individual prospecting licence was issued could not exceed 500 square kilometres, unless a derogation was granted. Prospecting licences were issued for a maximum term of three years. A prospecting licence could be renewed twice, for maximum periods of two years for each renewal.

A prospecting licence was renewed by operation of law if the holder had met all of its obligations and its application for renewal set out a minimum program of work building on the results of the preceding period and representing a financial effort at least equal, for the corresponding time period, to that set in the administrative order granting the previous prospecting licence. With each renewal, the area of the prospecting licence was reduced by half.

An applicant who had made a discovery of a deposit that was economically exploitable could be granted either an exploitation permit or a mining concession to exploit the deposit.

Exploitation Permits

An exploitation permit conferred on its holder the exclusive right to search, prospect, develop and freely dispose of the minerals within the relevant site.

Exploitation permits were issued by order of the Guinean Minister of Mines on recommendation of the CMPD and in conjunction with a mining agreement and a document of reference annexed to the administrative order. Exploitation permits were issued to holders of prospecting licences who had:

- met all their obligations under the Guinean Mining Code throughout the term of their prospecting licences;
- made an application in accordance with the provisions of the Guinean Mining Code; and

- provided proof in a feasibility study of the existence of an economically exploitable deposit within the perimeter of the prospecting licence.

Issuance of an exploitation permit replaced the rights of the prospecting licence within the perimeter of the exploitation permit, but the prospecting licence continued to be valid for the remainder of its term in the areas outside of such perimeter.

When no valid prospecting licence was in existence, exploitation permits were issued at the discretion of the Guinean Minister of Mines, based on the technical and financial capacity of the applicant, the interest of the proposed operating program, the value of the applicant's technical choices and the amount of its commitment. When more than one application had been made providing equal guarantees, commitments, technical value and equivalent capacity, priority was given to the first applicant.

If a substance was discovered other than the one for which the prospecting licence was issued, the holder had pre-emptive rights for an exploitation permit for its development. These rights were required to be exercised within 18 months after the date that the Government of Guinea was advised of such discovery.

The area for which exploitation permits were issued was defined in the administrative order granting the permit. It was limited to the deposits as designated in the feasibility studies. The perimeter of the exploitation permit was required generally to be entirely situated within the perimeter of the site granted in the preceding prospecting licence.

The term of an exploitation permit was renewable for several periods of five years or more, upon application of the holder and under the same conditions as its original grant, when the holder had met all obligations incumbent upon him upon the issuance or renewal of the title and all those arising from the Guinean Mining Code and the document of reference or the mining agreement.

Mining Concessions

Overview

A mining concession was issued by Guinean Presidential decree on recommendation of the Guinean Minister of Mines, subject to the conditions of a mining convention, or a so-called Convention de Base, annexed to the administrative order, and conferred on its holder the exclusive right to carry out all kinds of prospecting and development of deposits of mineral substances for which the concession is granted, within the limits of its perimeter, and without limits as to depth.

Mining concessions are issued by priority to holders of prospecting licences who had:

- met all obligations under the Guinean Mining Code during the term of such permits;
- made an application that includes a feasibility study in accordance with the Guinean Mining Code; and
- supplied proof of the existence of commercially exploitable deposits within the area defined in their prospecting licence.

When no valid prospecting licence existed, mining concessions were issued taking into account the technical and financial capacity of the applicant, the size of the proposed operations and the value of technical choices operated.

Mining concessions could only be issued where one or more deposits were discovered upon evidence duly constituted by a feasibility study, and for which operations required sizable works and investments.

When more than one application for a mining concession was received providing equal guarantees, commitments, technical value and equivalent capacity, priority was given to the first applicant.

The area for which a mining concession was issued was defined in the administrative order granting the concession. It was required to correspond as closely as possible to the boundaries of the deposits, as defined in the feasibility study, unless derogation was permitted. Granting of a mining concession cancelled any prospecting licence or exploitation permit previously issued to the holder for the area defined in the concession. Unless otherwise prescribed by the administrative order, the obligations incumbent upon the holder of a prospecting licence or exploitation permit were reduced or increased to take into account the reduction or increase of the area that was covered under such permits.

Mining concessions were issued for a maximum term of 25 years. The term of a concession could be renewed, upon application of the holder and under the same conditions as its original issuance, one or more times for a maximum period of 10 years for each renewal, provided the holder met all the obligations incumbent upon the holder under the administrative order, renewals, documents of reference and the Guinean Mining Code.

Convention de Base

All mining concessions were based on an agreement called a Convention de Base (*foundation agreement*) with the Government of Guinea. This document was based on the terms of a pre-feasibility study and a feasibility study.

The Convention de Base defined the rights and obligations of the respective parties and set out the legal, financial, tax, economic and labour conditions which governed the mine operation for the duration of the agreement. A Convention de Base was expected to constitute a guarantee to the holder of the operating permit or concession that the agreed conditions will remain unvaried. The Convention de Base signed by the Guinean Minister of Mines and prospective title holders bound the parties after being ratified by the Guinean Parliament and then promulgated by the President of Guinea. According to the Old Mining Code, once in effect the Convention de Base could only be amended by written agreement of the parties. Amendments take effect only when the above-described procedural steps had been followed, including ratification by the Guinean Parliament and promulgation by the President of Guinea.

SMD/DGM Convention de Base

In 1984, the Government of Guinea created a protocol for exploring and exploiting gold, diamonds and other minerals on the Dinguiraye Concession and in the surrounding regions. A subsidiary of Guinor Gold Corporation, which is now a subsidiary of Crew Gold, became involved in the concession in 1986 when the interests of certain parties were transferred to it.

In 1989, a Convention de Base (the “**SMD/DGM Convention de Base**”) was issued to SMD. The parties to the SMD/DGM Convention de Base are Delta Gold Mining Ltd (“**DGM**”), an indirect wholly owned subsidiary of the Crew Gold, and the Government of Guinea. Under the SMD/DGM Convention de Base, the Government of Guinea agreed to grant long-term mining licences to SMD, and DGM agreed to oversee and manage the exploration and mining operations of SMD, with an obligation to actively explore and develop any resources discovered. The SMD/DGM Convention de Base sets out the objectives of SMD as the exploration for and mining of gold, diamonds and other associated minerals and the development of mines and processing plants in the concession area.

Under the SMD/DGM Convention de Base, the Government of Guinea granted SMD an exclusive, irrevocable mining concession for gold, diamonds, and associated minerals totalling 1,559.3 square kilometres in the Dinguiraye area of Guinea. The concession has a duration of 25 years and expires in 2024, with an automatic renewal of five years under the same conditions and subsequent five-year renewals based on negotiations between the parties. The terms of the SMD/DGM Convention de Base were confirmed in an agreement executed by the Government of Guinea and Crew Gold in November 2004.

The SMD/DGM Convention de Base also requires a 5% royalty and 0.4% levy for infrastructure projects to be paid by SMD on the sales of minerals and establishes the tax rate on net profits at 30%. The convention also exempts SMD from specified import and export duties. The Guinean Customs department is currently reviewing import duties with a view to potentially increase them in advance of the dates stated in the SMD/DGM Convention de Base.

While the SMD/DGM Convention de Base states that VAT owing to a mine would be refunded, the Government of Guinea is currently not up to date with these refunds. Royalty payments were previously offset against VAT but are currently required to be paid by Crew Gold without offset.

Crew Gold has also been in discussions with the Government of Guinea for approximately two years regarding the valuation of, and the original amount paid in relation to, Crew Gold's acquisition from the Government of Guinea of the remaining 15% interest in SMD in June 2006. Recently, the Minister of Mines proposed a resolution to these discussions in the form of a protocol to extend the duration of the SMD/DGM Convention de Base to March 21, 2034. In consideration for this extension, DGM, as party to the SMD/DGM Convention de Base, would give the Government of Guinea a 7.5% interest in the share capital of SMD and would pay to the Government of Guinea a bonus fee of US\$1.5 million, US\$0.5 million of which would be dedicated to community projects. The Company was considering the reasonableness of this proposal when a new Government took office. The new Minister of Mines has contacted the Company reiterating these proposals and stating its intention to renew negotiation on this subject.

See *“Risk Factors — Risks relating to Burkina Faso and Guinea — The Government of Guinea has issued a new mining code and may review the terms of existing mining permits and licences”*.

Transfer of Mining Rights

In accordance with Article 62 of the Old Mining Code, any contract or agreement by which a mining title holder promised to make over, cede or transfer or by which he did actually make over, cede or transfer, all or some of the rights and obligations arising out of a mining title, was required to receive prior approval from the Minister of Mines.

In the case of the acquisition of a controlling interest in Crew Gold by Nordgold, in November 2010 the now former Minister of Mines of Guinea alleged that such acquisition without prior formal approval of the Minister of Mines violated Article 62. The new Minister of Mines has reiterated this claim. Nordgold has taken advice from Guinean counsel and responded to the former Minister of Mines that, since the acquisition of a controlling interest in Crew Gold did not result in a direct transfer of mining rights, which remain held by DGM, an indirect subsidiary of Crew Gold, there was no violation of Article 62.

Revocation

Mining titles granted under the Old Mining Code could be revoked by the issuing authority (i.e., the Guinean Ministry of Mines in relation to prospecting licences and exploitation permits and the President of Guinea in relation to mining concessions) on any of following grounds:

- when the prospecting, operation or development period was suspended for more than six months in the case of exploration, and more than 18 months in the case of operations, or severely restricted without legitimate grounds and in such a way as to be detrimental to the public interest;
- when the feasibility study showed the existence of an economically and commercially operable deposit within the perimeter set out in a prospecting licence but no development followed within 36 months from the date of the grant;
- for violation of one of the provisions of the Guinean Mining Code;

- mining costs and expenses of the title holder were less over a total of two consecutive years than the whole of the minimum program for works or the minimum amount of expenses forecast for such period by the mining title or documents of reference of the concession, except in cases of justifiable force majeure, providing they did not exceed 18 months;
- failure by the holder to keep regular registers in respect of extraction, sales and shipping and in accordance with standards established by the prevailing regulations, or refusal to produce such registers to the qualified agents of the Guinean Direction Nationale des Mines;
- development activities undertaken when a prospecting licence was held;
- failure to pay taxes or duties;
- prospecting or development activities were carried out outside the perimeter of the mining title or for substances not designated therein;
- loss of financial guarantees or technical capacity; and
- assignment, transfer or sub-leasing of mining rights without prior authorisation.

Environmental Regulation

Environmental regulation in Guinea is governed primarily by Decree No045/PRG/87 of 10 March 1989 (the “**Guinean Environment Code**”). The Guinean Environment Code, administered by the Guinean Conseil National de l’Environnement (“**National Environment Council**”), sets out specific protective measures in relation to (i) soil and sub-soil; (ii) continental water (that is inland water); (iii) marine water; (iv) air; (v) human settlements; (vi) fauna and flora; (vii) waste; (viii) toxic or dangerous chemicals; and (ix) noises and smells. In general, it is the responsibility of all mining facilities to minimise the damage they do to the environment. The Guinean Environment Code imposes specific sanctions for breach of its provisions.

In relation to mining activities, the Guinean Environment Code and the Old Mining Code provided that a holder of mining rights was required to submit a rehabilitation plan for agricultural and forestry purposes for approval by the Guinean Minister of Mines and the Guinean National Environment Council. If the mining rights holder failed to comply with such plans they were liable for fines and criminal prosecution. A rehabilitation plan was normally submitted at the time that mining rights were awarded.

SMD is obligated under the SMD/DGM Convention de Base to protect the environment and reforest any areas disturbed at the end of the project.

The Government of Guinea, through the Minister of Environment, has been reviewing the requirements for reclamation upon ultimate closure for all mines in Guinea. A closure fund in Guinea will be required to cover the related existing balance sheet liability for the mines. While the SMD/DGM Convention de Base calls for the closure process to be funded by the Crew Gold at the end of the mines life, the Government of Guinea has requested a cash deposit to cover the expected liability and in Lefa’s case the agreed deposit amount was US\$5.0 million, which was paid in 2009.

Burkina Faso

The Burkina Faso Mining Code

In Burkina Faso, the mining sector is open to free enterprise. However, all mining activity on any part of the national territory of Burkina Faso is subject to the prior issue of mining titles or authorisations by the competent authorities, since the surface and sub-surface of the land are, by operation of law, State property.

The different types of mining titles are as follows:

- exploration permits;

- permits for exploitation on an industrial scale for large or small mines; and
- permits for non-industrial, semi-mechanised exploitation.

Mining titles are accompanied by a mining agreement between the State and the permit holder, which supplements the Burkina Faso Mining Code in order to determine the rights and obligations attached to the mining titles.

Exploration Permits

Exploration permits are granted by the Minister of Mines to all persons (natural or legal) who have submitted an application which complies with the mining regulations. The application must be accompanied by a work programme which the applicant proposes to carry out during the first year of the validity of the permit, as well as the corresponding budget.

The exploration permit confers upon the permit holder, within the scope of its surface and sub-surface perimeter, the exclusive right to explore for minerals requested, as well as to dispose of the products extracted for the purpose of the exploration in accordance with the conditions provided for in the Burkina Faso Mining Code. The holder of an exploration permit may request and obtain an extension of the exploration permit to include other mineral substances within the scope of its perimeter.

The exploration permit is valid for three years from the date of grant. It is renewable by law twice for consecutive three year periods subject to compliance with the laws and obligations provided for in the mining regulations.

The holder of an exploration permit must carry out the exploration programme which such holder has submitted at the beginning of each year to the Mining Administration and must spend on these works the minimum amount per square kilometre provided for in the mining regulations. Any derogation from the exploration programme must be submitted to and must be the subject of a declaration by the Mining Administration.

The holder of an exploration permit has the right to the free use of products extracted as a result of the exploration and of any tests which may form part of the exploration on the condition that the exploration works do not assume the character of exploitation works and that the permit holder makes a declaration to the Mining Administration.

Exploitation Permits

There are two types of exploitation permit: exploitation permits on an industrial scale and permits for nonindustrial, semi-mechanised exploitation. Both types of permits confer on the permit holder, within the surface and subsurface scope of its perimeter, the exclusive right of exploitation of the mineral substances which are found there.

Permits for exploitation on an industrial scale of a large or small mine are granted by law to a holder of an exploration permit who has complied with the obligations placed on such holder pursuant to the Burkina Faso Mining Code and who has presented an application which complies with the regulations at least three months before the expiration of the period of validity of the exploration permit by virtue of which the application is made. The decision is taken by order by the Council of Ministers on the proposal of the Minister of Mines, after review by the Minister of the Environment and the National Mining Commission.

The application for an exploitation permit on an industrial scale for a large or small mine must be accompanied by a file comprising a feasibility study, a development plan and a plan for the exploitation of the deposits.

The exploitation permit on an industrial scale for a large mine is valid for 20 years from the date of grant. It is renewable by law for consecutive 5 year periods until the exhaustion of the deposits. For small mines, permits are valid for 10 years only.

Permits for non-industrial, semi-mechanised exploitation are granted by the Mining Administration following consultation with the competent administrative authorities and the relevant local communities.

Such a permit is valid for 5 years. It is renewable by periods of 3 years (by order of the authority which issued the permit and on the same terms) if the permit holder has complied with the obligations placed on him and has presented an application which is compliant with the mining regulations. The maximum surface area for which a permit for non-industrial, semi-mechanised exploitation may be granted is 100 hectares.

The Rights and Obligations Attached to Mining Titles

The State guarantees to holders of mining titles:

- the right to freely dispose of their real or personal property, tangible or intangible, and to organise their business which is, in particular, safeguarded against any measure of nationalisation, expropriation or requisition;
- the protection of private property in all legal and commercial aspects, its features and splitting up, its transferral and the contracts to which it is subject;
- the free transfer of moneys necessary for mining activities, of profits to be distributed to partners not from the Economic Community of West African States (“UEMOA”), of profits and funds resulting from the sale of shares, and savings realised by employees;
- the free circulation and free marketing of finished and semi-finished products, as well as all substances and products originating from exploitation activities.

Mining permit holders are obliged:

- not to carry out any prospecting, exploration or exploitation work on the surface at less than 100 metres from prohibited or protected zones;
- to indemnify owners of land and goods located there and other occupants of land which is necessary for prospecting, exploration or the exploitation of mineral substances and for related industries;
- to co-operate with other operators in the creation or use of infrastructure which present a common interest;
- to use, as far as possible, local services and raw materials as well as products made in Burkina Faso;
- to give priority to the employment of local personnel with a view to permitting their accession to all jobs depending on their professional qualifications;
- to develop and apply internal rules relating to public health and safety at work;
- to immediately declare to the Minister of Mines, any discovery of archaeological value; all treasures and all other items judged to be of value and to conduct works in a manner so as not to damage such items;
- to submit to the State at the expiration of any exploration permit or at the expiration of its possible period of renewal, a definitive report, as well as all reports, all maps, all drilling cores, all aerial surveys and any raw data which the title holder has acquired in the course of the period of exploration;
- to give to the State, 10% of the shares in the exploitation company, and to maintain this level of ownership in the event of an increase in share capital.

The Withdrawal of Mining Titles

Holders of mining titles can have their rights withdrawn, without indemnification or compensation, in the following situations:

- the holder of an exploration permit engages in exploitation activities within the area defined by the permit;
- for holders of industrial exploitation permits, exploration activity is postponed or suspended, without authorisation, for more than two years and, with authorisation, for more than six years;
- for holders of permits for non-industrial, semi-mechanised exploitation, preparation for exploitation or exploitation is delayed or suspended, without authorisation, for 6 months, and, with authorisation, for a year;
- the unauthorised sale or transfer of mining titles;
- the non-payment of taxes;
- the non-compliance with the annual minimum unitary expenditure requirements under the mining regulations;
- the default of the permit holder;
- failure to comply with the obligations relating to the analysis or notice of environmental impact and to a public investigation;
- a serious breach of the rules relating to public health and safety at work. In the event of a withdrawal of a mining title, the permit holder has a right to appeal.

The Tax Treatment of Mining Activities

Mining exploration and exploitation activities are subject to the payment of various taxes and royalties. However, they benefit from several tax benefits.

Mining Taxes and Royalties

All holders of a mining title are liable for the payment of fixed duties and proportional duties.

Fixed duties are fixed on a lump sum basis and paid only once by all applicants at the time of grant, renewal, or upon the transfer of mining titles.

Proportional duties are made up of area taxes and proportional royalties. The area taxes are fixed on the basis of the surface area occupied, of the nature of the substances sought, for exploration permits, and of the type of exploitation, for exploitation permits. The proportional royalties are due annually. The proportional royalties are calculated as a percentage of the value of the revenue generated by the sale of the extracted products. Their rate is fixed according to the type of product.

Tax Benefits

Tax benefits consist of exemptions and the stability of the tax regime.

Exemptions

The mining regulations give to the holders of title deeds to land many exemptions which vary according to the level of activity.

During the exploration phase, the holders of exploration permits, within the framework of their operations, are exempted from the payment of all taxes and duties of any kind. They also benefit from a reduction in import duties.

During the period of preparatory works, holders of exploitation permits are exempted from VAT for a period of two years (which is renewable once) for materials, machinery and equipment, as well as spare parts which are listed in an annex to the exploitation permit.

Exploitation permit holders are also exempted, for the entire preparatory phase, from all customs duties, with the exception of community duties (*droits communautaire*) and statistical royalties (*redevance statistique*), in connection with the importation of equipment, raw materials, fuel and lubricants for use in the production of energy and the operation of vehicles and equipment relating to the preparatory works, as well as spare parts.

During the exploitation phase, permit holders benefit from a reduction in the tax rate on income and on income derived from securities.

They benefit from a temporary maximum exemption of seven years on the minimum lump sum tax on industrial and commercial professions, patents taxes, employers tax and training tax and the tax on mortmain property.

They are also exempted from the payment of registration duties on all actions relating to the increase of share capital.

They are obliged to pay an import tax at the cumulative rate of 7.5% provided for goods in Category I of the tariff nomenclature of UEMOA.

Notwithstanding this special customs regime, the holder of an exploitation permit or the beneficiary of an exploration authorisation can request the benefit of Temporary Admission, which is a customs duty relief mechanism that allows its beneficiaries to introduce public works equipment into the customer territory of the UEMOA on a partially duty-free basis, with the commitment to re-export the equipment or to store it in warehouses after it is used.

The holder of an exploitation permit is authorised to create, free of the tax on industrial and commercial profits, a reserve for the restoration of the mining site.

The Stability of the Tax and Customs Regime

During the period of validity of the mining permit, the rates and base levels of taxes and duties remain unchanged from the rates and levels effective as of the date of the permit, and no new duty or taxation of any nature whatsoever will be applied to the permit holder during this period, with an exception for mining duties, taxes and royalties.

Respect for Environmental Law

Activities regulated by the Burkina Faso Mining Code must be carried out in such manner as to ensure the preservation and management of the environment and the rehabilitation of sites which have been exploited.

Any holder of a mining permit must, before undertaking any work on site which may affect the environment and, following consultation with the population concerned, prepare and submit for the approval of the Minister of Mines and the Minister of the Environment, a study on the impact on the environment or a notice of environmental impact.

The study on the impact on the environment must be accompanied by a programme of preservation and management of the environment, including a rehabilitation plan for the sites to be exploited.

Any modification must be the subject of prior authorisation from the Mining Administration.

Kazakhstan

Regulation of Mineral Rights

The majority of Kazakhstan's current subsoil use contracts were concluded in accordance with the Decree of the President of the Republic of Kazakhstan No. 2828 of January 27, 1996 On Subsoil and Subsoil Use (the "**1996 Subsoil Law**").

On June 24, 2010, Kazakhstan adopted a new Law On Subsoil and Subsoil Use (the "**2010 Subsoil Law**"), which came into effect on July 6, 2010. The 2010 Subsoil Law replaced the 1996 Subsoil Law and the Law On Oil of June 28, 1995. The 2010 Subsoil Law included changes to the structure and responsibilities of Kazakh State bodies that had been established as a result of Presidential Decree No. 936 issued on March 12, 2010 (the "**936 Decree**"). Prior to March 12, 2010, the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (the "**MEMR**") had acted as the main governmental authority for the supervision of the mining and oil industries, or the competent body (the "**Competent Body**"). The MEMR was vested with the authority to represent the Kazakh State in granting subsoil use rights, executing and monitoring compliance with subsoil use legislation and dealing with regulatory approvals applicable to merger and acquisition transactions in the Kazakhstan mining industry. Pursuant to the 936 Decree, the MEMR was reorganised and its functions in the metal mining industry were assigned and transferred to the Ministry of Industry and New Technologies (the "**MINT**") and Ministry of Oil and Gas. As a result, today there are two Competent Bodies for subsoil use rights in Kazakhstan: the Ministry of Oil and Gas for the oil and gas industry and the MINT for the metal mining industry.

The 1996 Subsoil Law

Under the 1996 Subsoil Law, subsoil and any useful minerals contained therein are owned by the Kazakh State. The state, in turn, grants individuals and entities subsoil use rights for the exploration and extraction of mineral deposits.

Prior to August 1999, subsoil use rights in Kazakhstan were granted on a licence-and-contract basis. Under this system, the Kazakh Government granted subsoil use licences to licensees who were then required to enter into a contract for subsoil use with a designated Kazakh ministry or other government agency. Subsoil use contracts would typically set out in detail the licensees rights and obligations and were based on a template of the 1997 Model Contract. The licence-and-contract system has subsequently been superseded by the developments described below.

The 1997 Model Contract

The 1996 Subsoil Law also made it necessary to use so called 'Model contracts' as templates when drafting and negotiating a subsoil use contract. In relation to this the Government of the Republic of Kazakhstan approved the Model Contract for Performance of Subsoil Use Operations introduced by Governmental Decree No. 108 dated January 27, 1997 (the "**1997 Model Contract**"). The 1997 Model Contract described the general rights and obligations of the parties and might be applied to exploration, production, combined exploration and production contracts and contracts of another type.

The 1999 Amendments to the 1996 Subsoil Law

In August 1999, the 1996 Subsoil Law was amended by Law No. 467-I Concerning the Introduction of Amendments and Additions to Several Legislative Acts on Subsoil and Petroleum Operations in the Republic of Kazakhstan (the "**1999 Amendments**"). The 1999 Amendments simplified the process of granting subsoil use

rights, allowing the so-called Competent Body (currently, the MINT for the metal minerals industry) to grant subsoil use rights by entering into contracts without first having issued a licence. In practice, subsoil use rights are typically granted following a tender process. In addition to simplifying the process for granting subsoil use rights, the 1999 Amendments expressly provided that all valid subsoil use licences issued under the former system remained valid and the suspension, revocation, termination or invalidation of licences issued prior to August 1999 remain governed by the 1996 Subsoil Law in effect prior to the 1999 Amendments.

The 2001 Model Contract

In 2001, the new Model Contract for Performance of Subsoil Use Operations (the “**2001 Model Contract**”) was approved by Governmental Decree No. 1015 dated July 31, 2001. The 2001 Model Contract, in addition to other things, established new obligations for subsoil users, such as the mandatory use of Kazakhstani equipment, goods, works and services, and the obligation to make payments for the education of Kazakhstani employees. Please see “— *Terms and Conditions of Subsoil Use Contracts*” for further details.

The 2004 Amendments to the 1996 Subsoil Law

The 1996 Subsoil Law was further amended by Law No. 2-III on the Introduction of Amendments and Additions to Certain Legal Acts on Subsoil Use and Subsoil Operations dated December 1, 2004 (the “**2004 Amendments**”). The 2004 Amendments provide the Republic of Kazakhstan with a priority right in connection with any transfer of subsoil use rights and/or any transfer of equity interest in any subsoil user and give the state a right of first refusal in respect of any such transfers on terms no less favourable than those offered by other prospective purchasers. The 2004 Amendments provided that this priority right applies to future contracts as well as retroactively to all existing contracts. While the 2004 Amendments did not contain detailed procedures that the Republic of Kazakhstan must follow in order to exercise its priority right, the Inter-Agency Commission on state priority right matters (the “**IAC**”) was established by government decree to consider the priority right of the state in situations where subsoil use rights and/or equity interests in any subsoil user are offered for sale or transfer and to make recommendations to the Kazakh Government, which, in turn, was to make the ultimate decision as to whether or not to exercise the state’s priority right.

Other provisions in the 2004 Amendments include a requirement that subsoil users purchase goods and services from Kazakh producers (provided such goods and services comply with the applicable national and/or international standards). The 2004 Amendments also require subsoil users to conduct tenders for the purchase of goods and services in the territory of the Republic of Kazakhstan (and upon the consent of the competent authority, abroad) and prohibit subsoil users from holding a tender for purchasing goods and services only among foreign entities in circumstances where comparable Kazakh goods and services are available.

The 2004 Amendments specifically provided that the functions of the licensing body with respect to the licences for subsoil use that were issued prior to August 1999 and remained in force were to be performed by the Competent Body.

The 2007 Amendments to the 1996 Subsoil Law

The Subsoil Law was further amended by Laws No. 213-III of January 9, 2007, No. 178-III of January 12, 2007 and No. 2-IV of October 24, 2007 (collectively, the “**2007 Amendments**”). The 2007 Amendments included a right of the Competent Authority to terminate unilaterally the subsoil use contracts in cases where the relevant subsoil users had substantially breached their obligations under such contracts or did not perform the instructions of the Competent Body to remedy breaches of the subsoil use contract obligations.

The 2007 Amendments also gave the Competent Body the ability to unilaterally ‘refuse further performance’ of a subsoil use contract (on the Government’s initiative) if the subsoil user’s activity on fields of strategic significance for the Republic of Kazakhstan results in a substantial change in Kazakhstan’s economic

interests which constitutes a threat to national security. While the 2007 Amendments did not set forth a definition of fields having strategic meaning, the Kazakh Government was given the power to approve a list of fields having strategic meaning. The list was approved on August 13, 2009 pursuant to Government Decree No. 1213.

The 2009 Amendments to the 1996 Subsoil Law

The 1996 Subsoil Law was further amended by Laws No. 135-IV of February 13, 2009, No. 188 of July 17, 2009 and No. 233-IV of December 29, 2009 (collectively, the “**2009 Amendments**”). The 2009 Amendments included an exception setting forth those companies that are not required to observe the requirement to purchase goods and services in accordance with the Kazakh the subsoil regulations. Under the 2009 Amendments, this exception applied to subsoil users carrying out operations on common minerals, as well as subsoil users where 50% or more directly or indirectly belong to the national operating holding and national subsoil company.

Other provisions of the 2009 Amendments stipulated that the priority right of the Republic of Kazakhstan was to be exercised by the state represented by the Kazakh Government or upon the government decree by a national operating holding company or a national subsoil company.

The 2009 Amendments regulated local content issues, including provisions providing that where expenses from the purchase of goods and services were incurred in defiance of the requirements stipulated by the law, these expenses were not to be included in the amount to be reimbursed by the State.

The 2010 Subsoil Law

The 2010 Subsoil Law replaced the 1996 Subsoil Law. In so doing, the 2010 Subsoil Law retained the above-discussed provisions of the 1996 Law, as amended, except as otherwise stated below.

The 2010 Subsoil Law sets forth more detailed procedures to be followed in awarding contracts for subsoil use. The law provides for the conclusion of any contract for combined exploration and production on the basis of a decision by the Kazakh Government and then only in relation to the subsoil areas and fields that are of strategic meaning or a complicated geological structure. However, the 2010 Subsoil Law does not describe the process for the conclusion of a contract for combined exploration and production, in particular, for the timing for the conclusion of the contract.

In addition, the 2010 Subsoil Law has introduced a number of new provisions regarding the process of the alienation or transfer of the subsoil use right or associated objects. The 2010 Subsoil Law included additions to the list of assets for transfers that require a permit of the Competent Body following a waiver of the state’s priority right. As a result, in addition to a permit for the subsoil use right, a permit is now required for the transfer of the so-called objects associated with the subsoil use right. Objects associated with the subsoil use right include:

- a participating share in a subsoil user;
- a participating share in the entity having the ability to directly or indirectly make a decision and/or influence the decision of the subsoil user, if the relevant legal entity’s principal activity is connected with subsoil use in the Republic of Kazakhstan;
- securities confirming the right of ownership of the shares, or convertible into the shares of the subsoil user; and
- securities confirming the ownership of shares, or convertible into shares, of the legal entity having the ability to directly or indirectly make a decision and/or influence the decisions of the subsoil user if the principal activity of the legal entity is connected with subsoil use in the Republic of Kazakhstan.

In addition to the deemed transfers of subsoil use rights that existed under the 1996 Subsoil Law, the 2010 Subsoil Law introduced two new categories for deemed transfers of subsoil use rights:

- enforcement of security over the right of subsoil use and associated objects, including under a pledge; or
- obtaining the right to the share of the legal entity possessing a subsoil use right or legal entity that has the ability directly and/or indirectly to determine decisions and/or influence decisions made by such subsoil user, if the principal activity of the legal entity is connected with subsoil use in the Republic of Kazakhstan, through an increase of the charter capital via the additional contributions of one or more participants, as well as by acceptance of a new participant into the legal entity.

The 2010 Subsoil Law does not include a definition of principal activity or criteria for determining whether the principal activity of a legal entity is connected with subsoil use in Kazakhstan.

Under the following exceptions, it is not necessary to obtain a state permit and waiver of its priority right:

- transactions for the alienation of shares or other securities confirming title to the shares, or securities convertible to the shares, that are traded on an organised securities market and are issued by a subsoil user or a legal entity that has the possibility to directly or indirectly determine and/or influence the decisions of a subsoil user if such legal entity's principal activity is connected with subsoil use in the Republic of Kazakhstan;
- the transfer, in full or in part, of the subsoil use right or objects associated with the subsoil use right:
 - in favour of a subsidiary, where not less than 99% directly or indirectly belongs to the subsoil user, provided that the subsidiary is not registered in a state with a tax preference system;
 - between legal entities in which not less than 99% of the participatory interest (shareholdings) is directly or indirectly owned by one person or entity, provided that the purchaser of the subsoil use rights (in full or in part) or objects associated with subsoil use is not registered in a state with a tax preference system; or
- the transfer of shares (participatory interests) in a subsoil user if, as a result of such transfer, an entity acquires the right to directly or indirectly (through third parties) dispose of less than 0.1% of shares (participatory interests) in the charter capital of a subsoil user, and/or a legal entity having the possibility to directly or indirectly determine the resolutions and/or influence the decisions of such subsoil user, if the principal activity of such legal entity is connected with subsoil use in the Republic of Kazakhstan.

The Republic of Kazakhstan's priority right effectively permits the state to purchase any subsoil use rights and/or objects associated with subsoil use rights that are being offered for sale or transfer on terms no less favourable than those offered by other purchasers, and in the case of transfers without payment, at a market value to be determined in compliance with the Kazakhstan appraisal legislation. The transactions intended for the said transfers made without a state permission are deemed invalid and may become the basis for the termination of the relevant subsoil use contract. These provisions apply both to Kazakh and non-Kazakh entities with subsoil use rights.

The 2010 Subsoil Law outlines the following procedure for receiving a permit for the transfer of a subsoil use right and/or associated object:

- the entity that has an intention to transfer a subsoil use right or object associated with a subsoil use submits an application to the to the Competent Body (i.e., the MINT for mining subsoil use contracts);
- within 20 business days thereafter, the Competent Body sends the application and supporting documentation to the IAC;
- within 30 business days thereafter, the IAC issues its opinion and submits its minutes to the Competent Body, outlining the IACs recommendation to exercise the priority right or to refuse to exercise the

priority right. In the former case, the IAC requests that the Competent Body designate a national holding company or a national company as a purchaser;

- within five business days thereafter, the Competent Body submits these materials to the Expert Committee on Subsoil Use Issues (the “EC”);
- within ten business days thereafter, the EC issues its opinion on the issuance or refusal to issue the transfer permit; and
- within five business days thereafter, the Competent Body issues its decision on whether to issue the transfer permit, together with its decision on whether to exercise the state’s priority right. In the case where the decision is to exercise the priority right, the purchaser national holding company or national company initiates negotiations with the applicant, with the Republic of Kazakhstan being required to have completed the transaction within six months.

The 2010 Subsoil Law does not entitle the subsoil user to directly refer any dispute regarding the Competent Body’s decision to arbitration. At the same time, in accordance with the Law On Investment of January 8, 2003, if an investment dispute cannot be resolved through negotiations, the resolution of the disputes must be settled in accordance with international agreements and legislative acts in local courts and international arbitration courts, as determined by the agreement of the parties.

The 2010 Subsoil Law generally protects the rights of subsoil users from legislative change, if such a change has a negative impact on the results of the subsoil user’s activity under its subsoil use contract. According to the 2010 Subsoil Law, this protection does not cover changes in the legislation of the Republic of Kazakhstan in the areas of:

- defence and national security;
- ecological safety;
- healthcare; and
- taxation and customs.

For risks related to the transfers of Nordgold’s Kazakh assets, see “*Risk Factors — Risks relating to Kazakhstan — The Kazakh state may be entitled to exercise priority rights over Kazakh assets acquired by Nordgold and transfers of shares in Nordgold’s subsidiaries completed prior to listing on the LSE*”.

Terms and Conditions of Subsoil Use Contracts

Nordgold’s Kazakh subsoil use contracts are based on the 1997 Model Contract and the 2001 Model Contract. The 2001 Model Contract, which replaced the 1997 Model Contract, grants a subsoil user the right to make use of any products resulting from mining activities (including mineral resources specified in the contract) at its own discretion, construct structures for production and social purposes within the contract area, hire subcontractors and assign all or part of its rights to third parties or terminate its activities, if such assignment or termination is permitted under the terms of the contract and Kazakh law. Subsoil users are obliged to operate using the most efficient methods and technologies based on international standards, use the contract area only for the purposes specified in the subsoil use contract, perform subsoil use operations in strict compliance with all Kazakh legislation and the terms of the works programme, give preferential treatment to Kazakh citizens in hiring and Kazakh businesses when purchasing goods and services, invest a certain percentage of total investments in training programmes for Kazakh employees and make timely payments of all applicable taxes and other mandatory payments to the Kazakh Government.

The subsoil user is also obliged to comply with Kazakhstan’s environmental and health and safety standards and requirements. The 2001 Model Contract requires a subsoil user to give priority to environmental

considerations, including monitoring the impact of its operations on the environment, limiting desertification and soil erosion and preventing the pollution or depletion of groundwater supplies. Upon the termination of mining operations, the subsoil user is required to conduct an environmental clean-up of the contract area.

To the extent that there are any disputes that cannot be resolved through negotiations between the subsoil user and the Kazakh Government, the 2001 Model Contract provides that such disputes are to be submitted either to the Kazakh courts or to arbitration.

Under the 1996 Subsoil Law, the initial term of exploration under a subsoil use contract was six years and could be extended twice for two years each time. The term of mining (production) under a subsoil use contract was 25 years and in respect of fields with unique or large reserves the term of mining (production) was 45 years. The term of mining (production) could be extended, and the term of extension was not limited by the 1996 Subsoil Law. Pursuant to the Subsoil 2010 Law, the term of exploration is six years (with no extension for contracts on solid minerals, except for the prolongation for the term of commercial appraisal). The term of mining (production) is now determined by the production project and it is not limited under the 2010 Subsoil Law.

Regulatory Bodies

General

The Kazakh State plays three roles in the management of the subsoil. Firstly, the Kazakh Government is responsible for organising and managing state-owned reserves, outlining subsoil allotments, defining the list of commonly occurring minerals, defining the procedures for the conclusion of contracts, approving model contracts and appointing the Competent Authority. Secondly, the Competent Body, which is currently the MINT, has the power, among other things, to execute and implement subsoil use contracts. Thirdly, local Kazakh executive bodies have responsibility for, among other things, granting land plots to subsoil users, supervising the protection of the land and participating in negotiations with subsoil users regarding environmental and social protection.

The MINT

The Ministry of Industry and New Technologies is the ministry designated by the Kazakh Government to enter into contracts with subsoil users in the metal mining sphere. In addition, the 2010 Subsoil Law provides that the MINT is the Competent Body with respect to subsoil use contracts for the exploration, production and combined exploration and production of solid minerals (except for commonly occurring minerals) and technogenic mineral formations. As a result, in the sphere of solid minerals, the MINT is responsible for:

- organising tenders of subsoil use rights for exploration, production or combined exploration and production;
- executing and registering subsoil use contracts;
- monitoring compliance with the terms of subsoil use contracts;
- issuing permits for the transfer of subsoil use rights under subsoil contracts or objects associated with subsoil use and registration of transactions involving pledges of subsoil use rights under subsoil contracts; and
- suspending and terminating subsoil use contracts in accordance with the procedures set forth in the 2010 Subsoil Law.

Other Regulatory Bodies

Other Kazakh government ministries and bodies that regulate aspects of gold mining operations in Kazakhstan include:

- the Ministry of Environmental Protection, which is responsible for environmental protection and the preservation of mineral resources;
- the Ministry of Emergency Situations, which, among other things, supervises mining operations;
- various government bodies, which are responsible for the approval of construction projects and the use of water and land resources;
- the Sanitation and Epidemiological Service, an agency of the Public Health Ministry, which is responsible for monitoring compliance with health standards;
- the Ministry of Labour and Social Protection of the Population, which is responsible for investigating labour disputes and complaints from individual employees and which monitors compliance with the obligations of subsoil users to give preference to Kazakh citizens and compliance with the provisions of the subsoil use contracts on employing a certain minimum percentage of Kazakh citizens;
- the governmental agency for standardisation, metrology and certification, which is responsible for testing equipment used for weighing ore and measuring gold content;
- regional and municipal regulatory bodies, which are responsible for registering properties, pledges and mortgages; and
- national and regional tax authorities.

Environmental Regulation

Nordgold's Kazakh operations are subject to laws, regulations and other requirements relating to the protection of the environment in Kazakhstan, including the discharge of substances into the air and water, the management of the disposal of waste and the clean-up of mining sites. Environmental protection in Kazakhstan is regulated primarily by Environmental Code No. 212-III ZRK dated January 9, 2007 (the "**Kazakh Environmental Code**").

According to Article 69 of the Kazakh Environmental Code, individuals and legal entities may carry out emissions into the environment, including discharge of pollutants or sewage or disposal of wastes, only in accordance with the terms of their emissions permits. Emissions permits are granted by the Ministry of Environmental Protection, its regional departments (Departments of Ecology) or local executive authorities (Akimats). An emissions permit is valid until the technologies that influence the volume and other characteristics of the emissions are changed, but in any case the validity term of the permit may last for a maximum of five years. To obtain an emissions permit, a company must submit to the authorised body a number of documents, including a plan setting forth environmental protection measures. The plan is subject to public consultations and must be approved by the body granting the permit. In addition, the company must develop a program of waste management which should include measures for prevention or reduction of waste generation or limiting any potential adverse impact of waste on the environment. The company is required to adhere to the approved plan and the program of waste management. Failure to do so, may lead to the suspension or the cancellation of the emissions permit.

Nordgold's Kazakh operating subsidiary JSC FIC Alel was granted its current emissions permit on September 24, 2012. The permit is scheduled to expire on August 19, 2014.

Under Kazakh law, Nordgold is also required to obtain a number of other certificates, permits and licences from various Kazakh government ministries, departments and agencies in relation to the use of water, potentially toxic chemicals, the transportation of hazardous materials, the importation of sodium cyanide and explosive materials for blasting.

The Tax Code of the Republic of Kazakhstan dated December 10, 2008 (the "**Kazakh Tax Code**") establishes a "pay for emissions" regime that is administered by national and local authorities. While emissions

permits set forth limits on emissions into the environment for specific sources of emissions, the Kazakh Tax Code sets forth the rates of payment for emissions, with local representative authorities (Maslikhats) having the right to increase these rates not more than twofold of the amounts set forth in the Kazakh Tax Code. In the event that emissions exceed the limits provided by the emissions permits (or in the event of emissions without a valid permit), the rates of payment may be increased tenfold. The payment of these rates does not relieve the violator from its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

Special Water Use Permits

The Kazakh Water Code dated July 9, 2003 No. 481 (the “**Kazakh Water Code**”) is aimed at implementing governmental policy in relation to the utilisation and protection of water resources. The Kazakh Water Code sets out obligations in relation to water use and discharges into water on the basis of water use permits (“**SWUPs**”).

Nordgold’s SWUPs may be withdrawn if the terms of use specified in Kazakh water legislation and in the relevant SWUP are breached. These terms include monitoring of the quality of underground water, submission of statistical reports and monitoring reports, compliance with requirements relating to water protection during mining operations and regular checking of equipment. The term of a SWUP may be extended, subject to compliance with the requirements specified within the relevant SWUP.

In cases of the reconstruction of water utilisation systems or a change of any of Nordgold’s circumstances in relation to its water use, Nordgold is obliged to obtain a new SWUP.

Enforcement

Article 116 of the Kazakh Environmental Code specifies which state officials are responsible for monitoring environmental compliance and implementing proceedings for breaches of environmental laws and regulations. These officials include the Kazakh Chief State Inspector, the Kazakh Deputy of the Chief State Inspector, other chief state inspectors, senior state inspectors and state inspectors representing the heads and deputy heads of departments and divisions of the Kazakh Ministry of Environmental Protection. In addition, regional prosecutors have the authority to supervise environmental compliance and initiate judicial proceedings.

Article 117 of the Kazakh Environmental Code authorises the relevant state officials, in their enforcement of environmental protection measures, to:

- inspect facilities and request documents and test results;
- initiate the withdrawal of licences and/or rescission of contracts for the use of natural resources;
- initiate the suspension or termination of emission permits in cases of violations of environmental rules that inflict significant harm on the environment or human health;
- submit orders requiring the elimination of violations of the environmental legislation to individuals and legal entities;
- institute claims for the suspension, abridgment or prohibition of activities carried out in violation of environmental legislation;
- review cases regarding administrative violations in the field of environmental protection;
- assess the amounts of damage caused to the environment as a result of the violations of the environmental legislation, submit orders to individuals and legal entities to compensate for such damage or institute claims on compensation for the damage to the courts; and
- make proposals for the Competent Body to terminate subsoil use contracts in cases specified by legislation.

The decisions of the relevant environmental state official are required to be implemented by all persons but may be challenged in accordance with court procedures.

Environmental Liability

According to Article 918.2 of the Kazakh Civil Code (Special Part) dated July 1, 1999, if an industrial activity causes or may cause damage to the environment or otherwise, this activity may be prohibited by a court decision. However, a court decision does not release the violator from being required to compensate for the resulting damage. Compensation for damage caused as a result of emissions into the environment without an emission permit, or in excess of limits established by the emission permit, is calculated in accordance with the rules set forth in the Kazakh Environmental Code and the Rules of Economic Assessment of Damage Caused by Contamination of the Environment approved by a Decree of the Kazakh Government dated June 27, 2007. The amounts of required compensation may be high. Article 178 of the Kazakh Civil Code (General Part) dated December 27, 1994 provides for a three year time limit for bringing proceedings for compensation of damage caused as a result of a breach of environmental requirements

In addition, any company or official that fails to comply with environmental regulations may be subject to administrative liability, and officials of violating entities may be held criminally liable, with prison terms of up to eight years. In addition, fines for administrative violations in the field of environmental protection may be significant. According to the Kazakh Code on Administrative Violations dated January 30, 2001 (the “**Kazakh AV Code**”), activities carried out in violation of the environmental legislation may be suspended or prohibited by a court decision. Subsoil licences and contracts granted or entered into by the Kazakh Government also typically impose environmental obligations. For failure to fulfil the environmental obligations of subsoil use contracts, the Kazakh AV Code provides for administrative penalties.

The Russian Federation

Regulation of the Gold Mining Industry in the Russian Federation

In the Russian Federation the gold mining industry is regulated by general civil and administrative law provisions and special legislation relating to, inter alia, subsoil use, licensing of mining activity, quality standards, industrial safety, the environment and labour relations.

Nevertheless, the Federal Law On Precious Metals and Precious Stones No. 41-FZ dated March 26, 1998, as amended (the “**Law on Precious Metals**”), introduced special regulations of relations, arising, inter alia, in connection with geological exploration, and mining of precious metals deposits, production, utilisation and turnover of precious metals in the Russian Federation.

The state regulation of exploration, mining, production, utilisation and turnover of precious metals is achieved by the following means:

- licensing of subsoil use of precious metals deposits;
- pre-emptive right of Ministry of Finance (regional governing bodies) to buy precious metals for replenishment of State Fund of Precious Metals and Gems (regional funds of precious metals and gems);
- setting up the order of precious metals registration, certification, storage, transporting and turnover;
- legal standardisation of actions of entities (and individual entrepreneurs) dealing with precious metals and their special registration;
- exercise of control over observation of the law prescriptions in the area exploration, mining, production, utilisation and turnover of precious metals;
- setting up the customs control over import into and export from the Russian Federation of precious metals; and
- setting up the order of certification of precious metals.

The Law on Precious Metals also provides for the administrative liability for the breach of rules set forth for extraction, production, utilisation, turnover, storage of precious metals and criminal liability for illegal turnover of precious metals.

The Federal Law On Technical Regulation No. 184-FZ dated December 27, 2002, as amended (the “**Technical Regulation Law**”), sets out rules relating to the development, enactment, application and enforcement of obligatory technical requirements for production and for associated processes of manufacturing, construction, storage, transportation, sale and utilisation.

The Technical Regulation Law supersedes the Laws of the Russian Federation On Certification of Goods and Services No. 5151-1 dated June 10, 1993 and On Standardisation No. 5154-1 dated June 10, 1993 and will be followed by the revision of existing legislation and technical rules falling within the scope of its regulation. Under the Technical Regulation Law, technical rules and regulations relating to industrial safety and environmental protection can be enacted by federal laws, decrees of the president and resolutions of the Russian Government.

In those cases where the Technical Regulation Law provides for mandatory confirmation of product compliance with the established technical regulations (standards), certain Nordgold companies are obliged to obtain certificates of compliance evidencing that their products meet the requirements of technical regulations, standards, codes of practice or terms and conditions of contracts.

Federal, Regional and Local Regulatory Authorities Governing the Gold Mining Industry

Under the Law on Precious Metals, the main regulatory authority in the gold mining industry is the Government of the Russian Federation, which is responsible for, inter alia, carrying out of uniform state policy in this sphere and defining the procedure for licensing of activities connected with geological exploration. At the federal level, regulatory authority over the gold mining industry as such is the Ministry of Natural Resources and Ecology. The Ministry of Natural Resources and Ecology is responsible for the development of governmental policy and regulation in the sphere of natural resources, including subsoil. The Ministry of Natural Resources and Ecology passes regulations, inter alia, setting safety requirements to the process of exploration, development of natural resources, the order of re-issuance and transfer of subsoil licences, the rules of access to the geological information, which belongs to the state, and establishes rules of accounting for natural resources on the state balances and of classification and evaluation of natural resources).

Apart from the Ministry of Natural Resources and Ecology the other federal level authorities in the gold mining industry are the Ministry of Finance and the Ministry of Industry and Trade. The Ministry of Finance determines governmental policy and forms regulation in the sphere of production, processing and turnover of precious metals. The Ministry of Industry and Trade regulates Russian exports and imports of gold and is responsible for the development of governmental policy in, and regulation of, the industry.

The federal ministries in the Russian Federation are not responsible for control over and management of state property and provision of services, which are directed by the federal services and the federal agencies, respectively. The federal services and agencies that are relevant to Nordgold’s activities include:

- the Federal Service for Environmental, Technological and Nuclear Supervision (the “**Rostekhnadzor**”), which sets procedures for, and oversees compliance with, industrial safety and environmental rules and issues licences for certain industrial activities and activities relating to safety and environmental protection;
- the Federal Agency for Subsoil Use, which organises auctions and issues licences for subsoil use and approves design documentation for subsoil production activities;
- the Federal Agency for Technical Regulation and Metrology, which determines and oversees levels of compliance with obligatory state standards and technical regulations; and
- the Federal Service for the Supervision of the Use of Natural Resources (“**Rosprirodnadzor**”), which exercises supervision over the observance of environmental legislation (including legislation relating to handling of hazardous wastes), controls geological exploration, the rational use and protection of

subsoil (including compliance with the relevant terms and conditions of subsoil licences) and exercises the land control.

Aside from the above federal agencies and services, which are directly involved in regulating and supervising the gold mining sector in the Russian Federation, there are a number of other federal regulators that, together with their structural subdivisions, have authority over general issues relevant to the Russian gold mining industry, such as defence, internal affairs, security, border services, justice, tax enforcement, rail transport and other matters.

Generally, regional and municipal authorities with jurisdiction over the specific territory in which a mining enterprise is located have authority in certain matters, in particular with regard to land-use allocations.

Licensing of Operations

Nordgold is required to obtain numerous licences, authorisations and permits from Russian governmental authorities for its operations. The Federal Law On Licensing of Certain Types of Activities No. 128-FZ of August 8, 2001, as amended (the “**Licensing Law of 2001**”), as well as effective provisions of the new Federal Law On Licensing of Certain Types of Activities No. 99-FZ of May 4, 2011 which superseded the Licensing Law of 2001 on November 3, 2011, as well as other laws and regulations, set forth the activities subject to licensing and establish procedures for issuing licences for gold mining operations. In particular, some of Nordgold’s Russian companies are required to obtain licences, permits and approvals of executive authorities to carry out certain activities, including, inter alia:

- the use of subsoil, which is described in more detail below under “— *Subsoil Licensing*”;
- the exploitation of chemically hazardous, explosive and flammable industrial objects;
- the deactivation, transportation and disposing of hazardous waste of hazard classes I to IV;
- the circulation of explosives for industrial use;
- surveying works (until the relevant technical regulation comes into force); and
- transportation activities.

These licences are usually issued for an indefinite term. Licences for the use of natural resources may be issued for various periods.

As part of Nordgold’s obligations under licensing regulations and the terms of its licences and permits, Nordgold must comply with numerous industrial standards, employ qualified personnel, maintain certain equipment and a system of quality controls, monitor operations, maintain and make appropriate filings and, upon request, submit specified information to the licensing authorities that control and inspect their activities. Failure to comply with these requirements may result in suspension and subsequent revocation of licences by court order. Special rules apply to suspension and revocation of subsoil licences.

Subsoil Licensing

In the Russian Federation, mining minerals requires a subsoil licence with respect to an identified mineral deposit, as well as the right (through ownership or lease) to use the land where the licensed mineral deposit is located. In addition, as discussed above, operating permits are required with respect to specific mining activities.

The licensing regime for use of subsoil for geological research, exploration and production of mineral resources is established primarily by the Law of the Russian Federation On Subsoil No. 2395-1 dated February 21, 1992, as amended (the “**Subsoil Law**”). The procedure for subsoil use licensing, as well as certain

rules of exploration and production of mineral resources, was established by Resolution of the Supreme Soviet of the Russian Federation on July 15, 1992, as amended (the “**Licensing Regulation**”).

There are two major types of subsoil licences: (1) an exploration licence, which is a non-exclusive licence granting the right of geological exploration and assessment within the licence area, and (2) a production licence, which grants the licensee an exclusive right to produce minerals from the licence area. In practice, many of the subsoil licences are issued as combined licences, which grant the right to explore, assess and produce minerals from the licensed area.

There are two major types of payments with respect to the use of subsoil: (1) periodic payments for geological exploration under the Subsoil Law and (2) the minerals extraction tax under the Russian Tax Code. Failure to make these payments could result in the suspension or termination of a subsoil licence.

Under the Law on Precious Metals, mining companies exercise extraction of the ore either using their own resources or resources of other companies on the contractual basis. In the latter case, each of the mining companies must possess all the necessary licences.

Subsoil Mineral Deposits of Federal Importance

The Russian Strategic Investments Law (as set out below) defines a number of activities that are considered to be strategically important for state defence and security, including geological exploration and/or production of natural resources within subsoil deposits of federal importance. The criteria for determining whether a subsoil mineral deposit is of federal importance (the “**Strategic Deposit**”) are set in the Subsoil Law. These include, inter alia, subsoil deposits that contain not less than 50 tonnes of vein gold reserves, according to the state balance of mineral deposits. The list of the Strategic Deposits has been published in Rossiyskaya gazeta, an official publication of the Russian Federation. Once a subsoil deposit has been included in such list, it will retain its status of the Strategic Deposit, notwithstanding any changes to the criteria for recognition subsoil mineral deposits as the Strategic Deposits.

Issuance of Subsoil Licences

The Federal Agency for Subsoil Use issues subsoil licences. Most of the currently existing production licences owned by Russian mining companies derive from (1) pre-existing rights granted during the Soviet era and up to the enactment of the Subsoil Law to state-owned enterprises that were subsequently reorganised in the course of post-Soviet privatisations; or (2) tender or auction procedures held in the post-Soviet period. The Russian Civil Code, the Subsoil Law and the Licensing Regulation set out the major requirements relating to such tenders and auctions.

Amendments to the Subsoil Law passed in August 2004 significantly changed the procedure for awarding exploration and production licences, including, in particular, the abolition of the joint grant of licences by federal and regional authorities. Under the 2004 amendments, production licences and combined exploration and production licences are awarded by tender or auction conducted by the Federal Agency for Subsoil Use. While the auction or tender commission may include a representative of the relevant region, separate approval of regional authorities is no longer required for the granting of subsoil licences. The winning bidder in the tender is selected on the basis of the submission of the most technically competent, financially attractive and environmentally sound proposal meeting the published tender terms and conditions. At an auction, the success of the bid is determined by the attractiveness of the financial proposal.

Exploration licences are generally awarded without a tender or auction by the special commission formed by the Subsoil Agency, which includes the representatives of the relevant regional executive authority. The Ministry of Natural Resources and Ecology maintains an official list of deposits in respect of which exploration licences can be issued. The company may obtain a licence for geological exploration (which will be conducted at the company’s

own expense) of the deposit included into the above-mentioned list by filing an application with the Subsoil Agency (or its regional department). Unless there is more than one application with respect to the same deposit (in which case the Subsoil Agency sets up an auction for combined exploration and production licence for the deposit) the special commission makes the decision to grant the licence upon examination of the application.

The Subsoil Law allows for production licences to be issued without a tender or auction procedure only in limited circumstances. For example, when a mineral deposit is discovered by the holder of an exploration licence at its own expense during the exploration phase, the production licence will be issued as a matter of practice to the holder of the exploration licence. However, the right of the holder of the exploration licence to receive the production licence in the event of discovery is not legally guaranteed.

The Russian Government may restrict participation in any auction or tender for the right of subsoil use in a Strategic Deposit of Russian entities with the participation of foreign investors. Production licences and combined licences for a Strategic Deposit are issued pursuant to a decision of the Russian government. Generally, this decision is based on the results of a tender or auction. However, the licence may be granted without a tender (auction) to an entity (not being contracted by the government) that discovered a subsoil deposit that satisfies the criteria of the Strategic Deposit or that is located at the same site as the existing Strategic Deposit. Under a combined licence, production at a Strategic Deposit may only commence after the geological exploration is fully completed, and commencement of production at the Strategic Deposit is authorised by a decision of the Russian Government. This rule is different from the general rule (applicable to other deposits) that production under a combined licence may be conducted simultaneously with geological exploration.

Only production licences and combined licences may be issued for Strategic Deposits. Exploration licences may be issued for subsoil deposits that do not qualify as Strategic Deposits. If, as a result of discovery of natural resources made in the course of geological exploration, a subsoil deposit satisfies the criteria for the Strategic Deposit, issuance of the production licence to the subsoil user that has made the discovery may be denied by decision of the Russian Government if the subsoil user has foreign participants, and this creates a threat to the national defence and security of Russia.

The provisions relating to discoveries of the mineral resources at Strategic Deposits under a combined licence only apply to additional subsoil deposits discovered after May 7, 2008. They do not apply to subsoil deposits if the geological study was completed and production operations at such deposits began before May 7, 2008. The licences for the production of natural resources at the Strategic Deposits that were issued prior to May 7, 2008 may not be revoked for the reason that a subsoil user is an entity with foreign participants.

Extension of Subsoil Licences

The term of a subsoil licence is set forth in the licence and runs from the date the licence is registered. Prior to amendments to the Subsoil Law in January 2000, exploration licences could have a maximum term of five years, production licences a maximum term of 20 years and combined exploration, assessment and production licences a maximum term of 25 years. Under the January 2000 amendments, exploration licences may still have a maximum term of five years (except for exploration licences in relation to inland sea waters, territorial seas and continental shelves, which may be issued for a term of up to ten years); production licences may have a one-year term in a limited number of special cases, but are generally granted for a term matching the expected operational life of the field based on a feasibility study; and combined exploration, assessment and production licences may be granted for the term of the expected operational life of the field based on a feasibility study. These amendments did not affect the terms of licences issued prior to January 2000, but permit holders of such licences to apply for extensions of such licences for the term of the expected operational life of the field in accordance with the amended Subsoil Law.

The Subsoil Law permits a subsoil licensee to request an extension of a production licence in order to complete the production from the subsoil plot covered by the licence or the procedures necessary to vacate the

land once the use of the subsoil is complete, provided the user complies with the terms and conditions of the licence and the relevant regulations. In order to extend a subsoil licence, a company must file an application with the federal authorities to amend the licence.

In practice, the factors that may affect a company's ability to obtain the approval of licence amendments include its compliance with the licence terms and conditions and its management's experience and expertise relating to subsoil issues, including experience in amending licences.

Maintenance and Termination of Subsoil Licences

A licence granted under the Subsoil Law is generally accompanied by a licensing agreement. The licensing agreement sets out the terms and conditions for the use of the subsoil licence. Prior to the August 2004 amendments to the Subsoil Law, the relevant regional authority, the Ministry of Natural Resources and the licensee were each party to a licence agreement. Under the August 2004 amendments, only the Federal Agency for Subsoil Use and the licensee are parties to licence agreements.

Under a licensing agreement, the licensee makes certain environmental, safety and production commitments, including extracting annually an agreed target amount of reserves, conducting agreed mining and other exploratory and development activities, protecting the environment in the licence areas from damage, providing geological information and data to the local authorities, submitting on a regular basis formal progress reports to regional authorities, making all obligatory payments when due and commitments with respect to social and economic development of the region. When the licence expires, the licensee must return the land to a condition that is suitable for future use. Most of the conditions set out in a licence are based on mandatory rules contained in Russian law, and these conditions are generally not negotiable.

The fulfilment of a subsoil licence conditions is a major factor in the good standing of the licensee. If the subsoil licensee fails to fulfil the licence terms and conditions, upon notice, the licence may be terminated by the licensing authorities. However, if a subsoil licensee cannot meet certain deadlines or achieve certain volumes of exploration work or production output as set forth in a licence, the licensee may apply to amend the relevant licence conditions, though such amendments may be denied.

The Subsoil Law and other Russian legislation contain extensive provisions for licence termination. A licensee may be fined or the licence may be limited, suspended or terminated for the reasons noted above, as well as for repeated breaches of the law, upon the occurrence of a direct threat to the lives or health of people working or residing in the local area or upon the occurrence of certain emergency situations. A licence may also be limited, suspended or terminated for violations of material licence terms. Although the Subsoil Law does not specify which terms are material, failure to pay subsoil taxes and failure to commence operations in a timely manner have been common grounds for suspension or termination of licences. Consistent underproduction, failure to meet obligations to finance a project, to submit data reports (as required by law) and to protect the environment would also likely constitute violations of material licence terms. In addition, certain licences provide that the violation by a subsoil licensee of any of its obligations may constitute grounds for limiting, suspending or terminating the licence.

If the licensee does not agree with a decision of the licensing authorities (including a decision relating to a licence limitation, suspension or termination or the refusal to reissue an existing licence), the licensee may appeal the decision through administrative or judicial proceedings. In certain cases of termination, the licensee has the right to attempt to cure the violation within three months of receipt of notice of the violation. If the issue has been resolved within such a three month period, no termination or other action may be taken.

Licences may be transferred only under those certain limited circumstances identified in the Subsoil Law, including the reorganisation of the licence holder or in the event that an initial licence holder transfers its licence to a legal entity in which it has at least a 50% ownership interest, provided that the transferee possesses the

equipment and authorisations necessary to conduct the exploration or production activity that is covered by the transferred licence.

Land use rights

Land use rights are needed and granted for the portions of the subsoil licence area being used, including the plot being mined, access areas and areas where other mining related activities occur.

Under the Land Code of the Russian Federation of October 25, 2001, as amended (the “**Land Code**”), legal entities may generally have the rights of ownership or lease with regard to land plots in the Russian Federation.

A majority of land plots in the Russian Federation are owned by federal, regional or municipal bodies, which can sell or lease land to third parties.

Legal entities may also have a so called right of perpetual use of land plots, provided such type of title was obtained by them prior to the enactment of the Land Code; however, the Federal Law on Introduction of the Land Code of October 25, 2001, with certain exceptions, requires legal entities using land plots on the right of perpetual use to purchase or to lease the respective land plot from the relevant federal, regional or municipal authority by July 1, 2012. Starting from January 1, 2013, a legal entity may be subject to an administrative liability (fine in the amount of up to RUB 100,000) for failure to comply with this requirement.

Nordgold’s Russian mining subsidiaries generally have a right of perpetual use of their plots or have entered into long-term lease agreements. A land plot lessee has a priority right to enter into a new land lease agreement with a lessor upon the expiration of a land lease. To renew a land lease agreement, the lessee must apply to the lessor (usually state or municipal authorities) for a renewal prior to the expiration of the agreement. Any lease agreement (save for the lease agreement entered into for indefinite term) for a period of one year or more must be registered with the relevant state authorities.

Environmental considerations

Nordgold is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, flora and fauna protection and wildlife protection. Environmental protection matters in the Russian Federation are regulated primarily by the Federal Law On Environmental Protection No. 7-FZ of January 10, 2002, as amended (the “**Environmental Protection Law**”), as well as by a number of other federal and local laws and regulations.

Pay-to-Pollute

The Environmental Protection Law establishes a pay-to-pollute regime administered by federal and local authorities. The Ministry of Natural Resources and Ecology, the Rostekhnadzor, the Federal Agency on Water Resources and other government agencies establish guidelines for setting limits for different types of permissible impact on the environment, including the emission, disposal of substances and waste disposal, and extraction of natural resources. A company may obtain approval for exceeding these statutory limits from the federal or regional authorities, depending on the type and scale of environmental impact. As a condition to such approval, a plan to reduce of the emissions or disposals must be developed by the company and approved by the appropriate governmental authority. Fees are assessed on a sliding scale for both the statutory or individually approved limits on emissions and effluents and for pollution in excess of these limits: the lowest fees are imposed for pollution within the statutory limits, intermediate fees are imposed for pollution within the individually approved limits, and the highest fees are imposed for pollution exceeding such limits. Payments of such fees do not relieve a company of its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

Environmental Approvals

Any activities that may affect the environment are subject to state ecological approval by the Russian federal authorities in accordance with the Federal Law On Ecological Expert Examination No. 174-FZ of November 23, 1995, as amended. Conducting operations that may cause damage to the environment without state ecological approval may result in the negative consequences described under “— *Environmental Liability*” below.

Enforcement Authorities

The Rospirodnadzor, the Rostekhnadzor, the Federal Service for Hydrometrology and Environmental Monitoring, the Federal Agency on Subsoil Use, the Federal Agency on Forestry and the Federal Agency on Water Resources (along with their regional branches) are involved in environmental control, implementation and enforcement of relevant laws and regulations. The federal government and the Ministry of Natural Resources and Ecology are responsible for co-ordinating the activities of the regulatory authorities in this area. These regulatory authorities, along with other state authorities, individuals and public and non-governmental organisations, also have the right to initiate lawsuits for the compensation of damage caused to the environment. The statute of limitations for such lawsuits is 20 years.

Environmental Liability

If the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. Any company or employees that fail to comply with the requirements of applicable environmental laws and regulations may be subject to administrative and/or civil liability, while individuals may be subject to either civil liability or criminal liability. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines.

Subsoil licences generally require certain environmental commitments. Although these commitments can be substantial, the penalties for failing to comply and the clean-up requirements are generally low.

Health and Safety

The principal law regulating industrial safety is the Federal Law On Industrial Safety of Dangerous Industrial Facilities No. 116-FZ of July 21, 1997, as amended (the “**Safety Law**”). The Safety Law applies, in particular, to mining facilities and sites where certain activities are conducted, including sites where lifting machines and high-pressure devices are used, flammable, toxic and explosive substances are produced, used, stored, processed and transported and where certain types of mining are executed. The Safety Law also contains a comprehensive list of dangerous substances and their permitted concentration, and extends to facilities and sites where these substances are used.

There are also regulations that address safety rules for mining works.

Any construction, reconstruction, liquidation or other activities in relation to regulated mining sites is subject to a state industrial safety review. Any deviation from project documentation in the process of construction, reconstruction and liquidation of industrial sites is prohibited unless reviewed by a licensed expert and approved by the Rostekhnadzor.

Companies that operate such mining facilities and sites have a wide range of obligations under the Safety Law and the Labour Code of the Russian Federation effective February 1, 2002, as amended (the “**Labour Code**”). In particular, they must limit access to such sites to qualified specialists, maintain industrial safety controls and carry insurance for third party liability for injuries caused in the course of operating industrial sites.

The Safety Law also requires these companies to enter into contracts with professional wrecking companies or create their own wrecking services in certain cases, conduct personnel training programmes, create systems to cope with and inform Rostekhnadzor of accidents and maintain these systems in good working order.

In certain cases, companies operating industrial sites must also prepare declarations of industrial safety which summarise the risks associated with operating a particular industrial site and measures the company has taken and will take to mitigate such risks and use the site in accordance with applicable industrial safety requirements. Such declaration must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein. The industrial safety declaration, as well as a state industrial safety review, are required for the issuance of a licence permitting the operation of a dangerous industrial facility.

The Safety Law also provides that the use of technical equipment at dangerous industrial facilities is subject to Rostekhnadzor permit issuance.

The Rostekhnadzor has broad authority in the field of industrial safety. In case of an accident, a special commission led by a representative of the Rostekhnadzor conducts a technical investigation of the cause. The company operating the hazardous industrial facility where the accident took place bears all costs of an investigation. The officials of the Rostekhnadzor have the right to access industrial sites and may inspect documents to ensure a company's compliance with safety rules. The Rostekhnadzor may suspend or terminate operations or impose administrative liability.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability, and individuals may also incur criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be obligated to compensate the individual for lost earnings, as well as health related damages.

Investments in Russian Companies of Strategic Importance

The Federal Law On the Procedure for Making Foreign Investments in the Companies of Strategic Importance for the Defence and Security of the State No. 57-FZ dated April 29, 2008, as amended (the “**Russian Strategic Investments Law**”) establishes certain restrictions for foreign investments made into Russian companies which are deemed strategically important for the defence and security of the Russian Federation (“**Strategic Companies**”). The Russian Strategic Investments Law provides for the list of activities that have strategic importance for the national defence and security. This list inter alia includes (a) geological exploration of and production on Strategic Deposits (including land plots with vein gold reserves not less than 50 tonnes) and (b) production of explosives for industrial purposes and activity relating to distribution thereof.

Under the Russian Strategic Investments Law, an establishment by foreign entity (or any other person that is a member of the group with the participation of a foreign entity) of direct or indirect control over a Strategic Company requires a permit of the competent state authority. Therefore, inter alia, an acquisition by a foreign entity (or its group member) of a stake in a Strategic Company which vests an acquirer with right to exercise certain percentage of voting rights (ranging from 5% to 50% depending on type of the foreign investor and type of the Strategic Company) in the charter capital of the Strategic Company, requires obtaining a prior permit of the competent state authority. If an acquisition of a stake over the relevant percentage happens without obtaining such prior permit, the acquisition transaction is treated as null and void. A court may apply consequences of a void transaction upon the claim of any interested party (including the FAS) or take a decision to deprive the acquirer of voting rights which correspond to the stake acquired in the Strategic Company. Any transfers of a stake, or certain rights, in a Strategic Company between foreign investors that are (i) companies controlled by the Russian Federation or (ii) companies controlled by Russian nationals, provided that such Russian nationals are Russian tax residents and do not have dual nationality, will not require prior permit from the state authorities.

Competition and Mergers Control

Federal Law No. 135-FZ On the Protection of Competition dated July 26, 2006, as amended (the “**Russian Competition Law**”), establishes a merger control regime and requires that the FAS be notified of certain transactions.

Under the Russian Competition Law, an investor or several entities constituting a group of entities and/or individuals should apply for the prior consent of the FAS or submit to it a post-completion notification in relation to:

- an initial acquisition of more than 25% of the voting shares in a Russian joint stock company, or more than 33.3% of the participation interest in a Russian limited liability company, provided that the acquirer did not have any shares (participation interest) in such company or had less than the above threshold before the acquisition;
- a subsequent acquisition of the voting shares in a Russian joint stock company or participation interests in a Russian limited liability company such that the level of the holding of the company’s shares (participation interest) passes the thresholds of 50% or 75% of the voting shares in a joint stock company or 50% or 66.6% of the participation interests in a limited liability company;
- acquisition or lease of production and/or intangible assets (other than land and non-industrial buildings, constructions, premises and parts thereof or constructions in progress) located on the territory of the Russian Federation, if the book value of such assets exceeds 20% of the book value of the production and intangible assets of the transferor; or
- an acquisition of rights to determine the terms of conduct of business of another Russian legal entity (e.g., rights to give binding instructions to another entity or control the decision making process in another entity, including rights to exercise powers of the sole executive body of another entity).

The FAS’s prior consent for an acquisition is required if (i) either the aggregate balance sheet value of the assets of the acquirer and the target and the companies of their respective groups exceeds RUB 7 billion or the aggregate revenues of the same entities in the last calendar year exceeds RUB 10 billion and, (ii) the aggregate balance sheet value of the assets of the target and the companies of its group exceeds RUB 250 million or, alternatively, one of the entities mentioned above is entered in the Register of Entities Holding a Dominant Position or Entities with a Market Share Exceeding 35%.

A post-completion notification on acquisition is required if (i) either the aggregate balance sheet value of the assets of the acquirer and the target and the companies of their respective groups exceeds RUB 400 million or the aggregate revenues of the same entities in the last calendar year exceeds the same amount and, (ii) the aggregate value of assets of the target and the companies of its group exceeds RUB 60 million. Under the Russian Competition Law, a transaction without prior FAS approval may be invalidated by a court resolution held upon the FAS claim, provided that such transaction has led or may lead to the restriction of competition, for example, by strengthening a dominant position in the relevant market.

More generally, Russian law provides for civil, administrative and criminal liability for the breach of anti-monopoly law.

Intra-group transfers are subject to merger control. They may be exempt from the prior approval requirement and may be subject to post-completion notification if:

- an intra-group transfer is made to a transferee (a) in which the transferor holds more than 50% of voting shares or (b) which holds more than 50% of voting shares in the transferor; or
- not later than 1 month prior to completion a list of group members is disclosed to the FAS in accordance with Article 31 of the Competition Law. The list should specify the grounds for including each of the group members in the group. The list submitted to the FAS will be published on the FAS website.

The Russian Competition Law expressly provides for its extraterritorial application to transactions and actions made outside of Russia between Russian and/or foreign entities if such transactions or actions impact the competition environment in Russia. The extraterritorial application of the Russian Competition Law is clarified

in relation to transactions requiring prior consent of FAS. The acquisition of shares or rights in relation to foreign legal entities is subject to merger control in the Russian Federation if the following conditions are met:

- during the year preceding the transaction, the foreign legal entity supplied goods to the Russian Federation in excess of RUB 1 billion, and
- the purchaser acquires more than 50% of the voting shares or participation interest in a foreign legal entity or acquires the rights to determine the terms of conduct of business of the foreign legal entity, or the right to perform the functions of its sole executive body.

As part of its competition monitoring activities, the FAS keeps a Register of Entities Holding a Dominant Position or Entities with a Market Share Exceeding 35%.

The FAS may rule that even certain companies that do not appear on the register have a dominant position in the market. Such companies are subject to more rigorous governmental regulation including the imposition of price controls.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of Nordgold, there are no legal proceedings that Nordgold is or was since January 1, 2011 a party to, or which its property is or was the subject of, that could materially affect Nordgold and to the knowledge of Nordgold no such proceedings are contemplated.

Nordgold is not aware of any:

- (a) penalties or sanctions imposed against Nordgold by a court relating to Canadian provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof;
- (b) other penalties or sanctions imposed by a court or regulatory body against Nordgold for which disclosure would be necessary for this Offer and Circular to contain full, true and plain disclosure of all material facts relating to the Nordgold GDRs; or
- (c) settlement agreements Nordgold entered into before a court relating to Canadian provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

ENFORCEMENT OF JUDGEMENTS

Nordgold is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. Although Nordgold has appointed High River (67 Yonge Street, Suite 1502, Toronto, Ontario, M5E 1J8) as its agent for service of process in Canada, it may not be possible for investors to enforce judgements obtained in Canada against Nordgold.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditors

Nordgold's auditor is KPMG Accountants N.V., member of the Dutch Professional Organisation for Accountants (NIVRA), whose registered address is at Laan van Langerhuize 1, 1186 DS Amstelveen, the Netherlands.

Transfer Agents and Registrars

The transfer agent for the Nordgold GDRs is American Stock Transfer & Trust Company, LLC, whose registered address is 6201 15th Avenue, Brooklyn, New York, USA, 11219.

The depositary for the Nordgold GDRs is Deutsche Bank Trust Company Americas. The registered office of the GDR Depositary is located at 60 Wall Street, New York, New York 10005 and the principal London office of the GDR Depositary is located at 1 Great Winchester Street, London EC2N 2DB, United Kingdom. See *“Information Relating to the GDR Depositary”* for more details.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which Nordgold has (i) entered into since the beginning of the last financial year before the date of this Offer and Circular or (ii) entered into prior to the beginning of the last financial year before the date of this Offer and Circular but which contract is still in effect:

- In March 2012, Nordgold entered into a US\$375 million loan facility with Sberbank denominated in Russian roubles and maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter (the **“First Sberbank Loan”**). The First Sberbank loan bears interest at a variable rate of 3-month Mosprime + 3.8% per annum, payable on quarterly basis. The loan is secured by pledge of 66.6% of Nordgold’s ownership in High River (50% plus 1 of the outstanding High River Shares) and by guarantees from certain of Nordgold’s subsidiaries. The proceeds from the First Sberbank Loan were used to repay Nordgold’s outstanding debt financing to the Severstal Group in the amount of US\$358.4 million on March 31, 2012. In April 2012, Nordgold signed cross-currency swap agreements with various banks for the amount of First Sberbank Loan. As a result, the currency denomination of the loan was effectively changed from Russian roubles to United States dollars at the exchange rate of approximately 29.3:1 and an interest rate of 5.6%.
- In July 2012, Nordgold entered into a US\$152 million loan facility with Sberbank denominated in Russian roubles and maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter (the **“Second Sberbank Loan”**). The Second Sberbank Loan bears interest at a variable rate of 3-month Mosprime + 3.3% per annum, payable on quarterly basis. The Second Sberbank Loan has the same security as the First Sberbank Loan. The proceeds from the Second Sberbank Loan have been used to finance the Nordgold’s capital expenditures and other investments. In July 2012, Nordgold signed a cross-currency swap agreement with Sberbank for the full amount of the Second Sberbank Loan. As a result, the currency denomination of the Second Sberbank Loan was effectively changed from Russian roubles to United States dollars at the exchange rate of approximately 32.7:1 and the interest rate was fixed at 5.2%. The swap agreement with Sberbank is secured by the same collateral as the Second Sberbank Loan.
- Mineral sales agreements for Russian Nordgold entities have been entered into with Nomos Bank, VTB Bank and Sberbank. Each sales agreement is subject to a waiver from Gokhran, the Russian State Precious Metals and Gems Repository, received in January 2012, of its pre-emptive right to acquire recovered and produced precious metals and stones from Russian producers. Gold delivered to the banks is credited to each of Nordgold’s bank metallic accounts and can be sold on spot at any time based on Nordgold’s management decision. Nordgold intends to conclude new sales contracts for 2013 before the expiry of existing ones. Suzdal and Taparko (Somita) have entered into sales agreements with Metalor Technologies S.A. (**“Metalor”**) in Switzerland, and SMD (Lefa) has concluded a sales contract with MKS Finance S.A. Gold delivered to Metalor and MKS Finance S.A. is usually sold on spot immediately upon delivery with prices fixed as per the London Bullion Market Association. These agreements are automatically renewed each year.

EXPERTS

Name of Experts

The following persons and companies have prepared or certified a report, valuation, statement or opinion in this Offer and Circular.

<u>Name of expert</u>	<u>Description of involvement</u>
Blake, Cassels & Graydon LLP	Preparation of the opinion in the Circular under the heading " <i>Certain Canadian Federal Income Tax Considerations</i> "
KPMG Accountants N.V.	Audit of 2011, 2010 and 2009 annual financial statements of Nordgold
Micon International Limited	Preparation of technical reports on certain of Nordgold's material mineral properties
Paradigm Capital Inc.	Preparation of Valuation
Snowden Mining Industry Consultants	Preparation of Tabornoe and Gross Technical Report
Wardell Armstrong International	Preparation of technical reports on certain of Nordgold's material mineral properties

Interests of Experts

As of the date hereof, the Designated Professionals, as a group, of each of the experts named above, respectively, beneficially own, directly or indirectly, less than 1% of each of the High River Shares and the Nordgold Shares (including indirectly by ownership of Nordgold GDRs).

SCHEDULE 1 TO ANNEX A

DISCLOSURE REGARDING MATERIAL MINERAL PROJECTS

THE APRELKOVO PROJECT, RUSSIA, MINING AND TECHNICAL INFORMATION	A-201
THE BEREZITOVY PROJECT, RUSSIA, MINING AND TECHNICAL INFORMATION	A-212
IROKINDA GOLD MINE MINING AND TECHNICAL INFORMATION	A-225
THE ZUN-HOLBA PROJECT, RUSSIA, MINING AND TECHNICAL INFORMATION	A-235
THE LEFA GOLD PROJECT, GUINEA, MINING AND TECHNICAL INFORMATION	A-244
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THE TAPARKO-BOUROUM ASSETS, BURKINA FASO, MINING AND TECHNICAL INFORMATION	A-279
BISSA ASSET, BURKINA FASO, MINING AND TECHNICAL INFORMATION	A-300
GROSS GOLD PROJECT	A-313

THE APRELKOVO PROJECT, RUSSIA, MINING AND TECHNICAL INFORMATION

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Aprelkovo Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Aprelkovo Technical Report. Reference should be made to the full text of the Aprelkovo Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

WAI was commissioned by Nordgold to prepare an NI 43-101 compliant report on the Aprelkovo Gold Mine in Russia. The Aprelkovo Technical Report documents the geological block modelling, the mineable reserve, mineral processing, environmental and social issues and the financial assessment of the mining operations from project commencement to end of mine life.

Property Description and Location

The Aprelkovo Gold Project is located in the Shilkinskii district, within the eastern part of Zabaykalsy Krai of the Russian Federation, 120km east of the regional centre of Chita. The deposit is located approximately 3km to the south of the navigable River Shilka.

The Aprelkovo Gold Project comprises the Licence CHIT 01545, a mineral licence covering a total area of 6.62km² and is owned by Nordgold. The Licence (in accordance with Russian Mining Law, which can be extended) is in good standing, allowing exploration and trial mining for gold to be carried out from October 5, 2004 until December 31, 2020. There are two old dumps at the site, one of which is located beneath the heap leach complex. Waste is currently deposited to the northeast of the open pit in an area of 12Mm³ capacity, with 4Mm³ remaining.

An Environmental Impact Assessment (referred to as an "OVOS" in Russian legislation) was approved in 2006; however, this is now out of date. There are existing environmental permits regulating project releases and water use. The main potentially contaminative releases at the Aprelkovo Gold Project are currently dust, boiler emissions, domestic effluents, cyanide, hydrocarbons and acids. The potential for acid rock drainage (ARD) needs to be assessed.

WAI is not aware of any significant factors and risks that may affect access, title, or the right or ability to perform work on the property.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Aprelkovo Gold Project is accessed via a 44km long unsealed track from the metalled highway from Chita, over 100km to the west of the project. The Trans-Siberian railway passes approximately 3 to 4km north of the Aprelkovo Gold Project and the nearest station is located at Shilka less than 15km west of the Project. The nearest settlement is the village of Aprelkovo, located approximately 3-4km northeast of the Aprelkovo Gold Project, with 26 inhabitants. The nearest population centre is Shilka (Pop. 14,000 in 2010) located approximately 15km to the west of the deposit, on a major road. The Aprelkovo Gold Project is located close to the River Shilka, which is used to supply industrial water to the mine. Three tributaries cross the licence. The main non-mining landuse in the area is subsistence agriculture.

The climate is extreme continental with summer and winter temperatures in excess of +/- 40°C. Average annual precipitation is 323mm, with the majority falling in July and August. Rivers and soils are frozen from November to May. Snow cover is typically less than 30cm and the prevailing wind direction is from the northwest. Operations are conducted throughout the year.

Vegetation is characteristic of the northern part of the Taiga zone which comprises of Birch, particularly Siberian Silver Birch (*Betula platyphylla*), and Siberian Pine (*Pinus sibirica*) which are the prevalent species. WAI has been previously informed that the licence area is not designated for particular biodiversity or cultural interest or protection, nevertheless, the region is otherwise unspoilt and supports various ecosystems.

Processing water is abstracted from the Shilka River in accordance with an agreement between Nordgold and the regional Committee of Industry and Natural Resources. Potable water is abstracted from a single, 80m deep well located adjacent to the Oskino Stream, 3 to 4km north of the mine. Approximately 20m³ water is abstracted from the river daily and transported to site via tanker. The location of proposed waste rock dumps for Phase 2 has not been confirmed, however, one location being considered is the Tymney valley. Power supply at the site is supplied from two 110kV lines and a 10kV line. A 35kV line from Kholbon a small town to the north of the Aprelkovo Gold Project, also supplies power to the Aprelkovo Gold Project, where it terminates.

History

The Aprelkovo Gold Project was discovered in 1931 and thereafter several prospecting campaigns were undertaken. Between 1950 and 1955, the Darasunzoloto, the local geological expedition, carried out trenching at the site. Grades of up to 10g/t Au were reported but details have been lost. Between 1958 and 1964, the Shilkinskaya exploration team carried out trenching and core drilling exploring for a high grade vein deposit. Consequently the lower grade metasomatites were not sampled. Between 1989 and 1992 Talovsk geophysics team carried out an airborne magnetic survey, ground magnetic survey and radiometric and electro surveys. A prognostic resource (to P1 category) was estimated with 5t of gold at 2.4g/t Au. From 1995-1996 Artel Iskra carried out a limited trenching campaign. Low grade metasomatite was not sampled systematically and therefore these exploration data have limited value for the current deposit assessment.

Since 2001, the Aprelkovo Gold Project has undertaken an extensive drilling and mining operation which currently remains in progress. The Aprelkovo Gold Project is mined by conventional open pit techniques with drill and blast, and haulage. In 2011, the mining rate was 1.6Mtpa of ore and a processing rate at approximately 1.6Mtpa. Nordgold acquired the Aprelkovo Gold Project in 2007. Current processes will continue until the fourth quarter of 2012 and be superseded by 'Phase 2' operations, using a new processing method and requiring additional infrastructure.

Summary of Aprelkovo Gold Project Drilling Campaigns				
Method	Year	Number of Drillholes	Metres	Number of Samples
Core (Wireline)	2001	4	201	165
	2002	6	301	366
	2003	18	1,494	1,647
	2005	36	3,091	3,839
	2006	92	11,942	12,490
	2007	94	14,363	15,027
	2008	58	8,998	9,094
	2010	13	1,106	1,134
	2011	46	9,029	8,824
	Total	367	50,525	52,586

Historic production at the Aprelkovo Gold Project is shown in the table below.

Aprelkovo Gold Project Mining Production 2008 to 2011					
	Unit	2008	2009	2010	2011
Rock mined	kt	4,765	8,718	6,607	9,169
Ore mined	kt	863	1,586	1,645	1,628
Average Au grade (ore processed)	g/t	1.01	1.04	1.28	0.81
Ore mining costs	US\$/t	1.94	1.15	1.28	1.23
Waste mining costs	US\$/t	1.94	1.07	1.19	1.23
Ore processing costs	US\$/t	5.37	4.92	4.65	4.90
General and administration costs	US\$M	2.2	1.4	1.5	7.1
CAPEX	US\$M	13.3	4.9	2.4	12.0
Depreciation	US\$M	4.8	6.9	2.6	6.6

Geology and Mineralisation

The Aprelkovo Gold Project is located within an east-west striking thrust that belongs to the Mongol-Ohotsk Regional Fault System. The area comprises Proterozoic, Palaeozoic and Jurassic metamorphic and volcano-metamorphic sequences, together with intrusive rocks of Undiskiy, Olekminskiy, Shandonskiy and Borshevskiy intrusive complexes. The local stratigraphy comprises the Lower Proterozoic Urulginskiy Metamorphic Complex, Middle Jurassic Upper Gazimirovskiy Formation, Middle-Upper Jurassic Shadoronskiy Dacite Volcanogenic Complex, and Pleistocene and Holocene alluvial and colluvial sediments.

The intrusive rocks comprise Lower Proterozoic amphibolites which are believed to have an intrusive origin, Lower Palaeozoic gabbro of the Kruchinsk Gabbro Complex and granites of the Borshev Granite Complex, the latter forming the Oskin Granite Massif located to the west of Aprelkovo Gold Project and two small stocks to the south and to the south-east from the open pit.

At the contact of the Oskin Granite Massif rocks, the Upper Gazimirovskiy Formation has been metamorphosed to hornfels of albite-pyroxene facies. According to the latest concept for the origin of the Aprelkovo metasomatites, the mineralisation is thought to be genetically related to the Oskin Granite massif. Orebodies have no visual contacts and are identified purely by assay. Ore Zone 1 is the only ore zone that has been confirmed at Aprelkovo Gold Project and is situated in the central zone between North and South Faults and dips to the north at approximately 45°. The thickness of Ore Zone 1 varies from 18 to 65m with a strike length of approximately 400m. There are several waste and low grade inclusions with thicknesses of between 5m and 30m reported within the ore zone.

The Aprelkovo vein deposit, which lies close to the Aprelkovo Gold Project comprises of 500 quartz-sulphide veins, 17 of which were exploited from underground. Average grades in the ore bodies varied from 7 to 17g/t Au. The ore from the Aprelkovo deposit is reported as being refractory, and containing antimony and arsenopyrite. The remaining reported resources of the Aprelkovo deposit are of A+B+C1 combined category is estimated as 54kt at a grade of 16.4g/t Au (888kg of gold); C2 of 51kt at a grade of 13.4g/t Au (686kg of gold), together with a further low grade resource: C1 103kt at a grade of 2g/t Au (203kg of gold).

Other reported mineral occurrences in the region consist of the Talovoe Deposit which is comprised of mineralised zones with a strike length of up to 350m and average width of 12.2m as well as 400 × 190m of stockwork. Prognostic resources for the Talovoe deposit are report at P1 category to a depth of 50m were estimated at 21.7t of gold with an average grade of 1.8g/t Au.

The Aprelkovo gold metasomatitic mineralisation comprises quartz-albite-sericite (beresite). The metasomatites contain veinlets of quartz-albite, sericite, tourmaline, quartz-sulphide and carbonate composition, as well as disseminated sulphide mineralisation. The microvein content is up to 5-10% of the metasomatite volume. Disseminated sulphide mineralisation is also reported, but its content is usually <1%.

Exploration and Drilling

Since 2001, the Aprelkovo Gold Project has undertaken an extensive drilling and mining operation which currently remains in progress. A total of 3,807m of trench sampling has been carried out across the vicinity of the deposit and has produced 4,194 samples with gold assays. A summary of the trench sampling campaigns at the Aprelkovo Gold Project is shown in the table below.

Table 9.1: Summary of Aprelkovo Gold Project Trench Sampling Campaigns			
Method	Year	Metres	Number of Samples
Trench Samples	2007	2,738	3,019
	2008	1,069	1,175
	Total	3,807	4,194

During exploration on the License area ten potentially mineralised zones were discovered with the help of historical data. In addition to the main pit area the most promising of these are listed below:

- Zone 10 (to the south of the current pit) initially explored by two “mineralised” trenches that intersected a zone of shale and diorite contact in the centre of licence area;
- Zone 5 (to the west of the current pit) discovered on the basis of unconfirmed historical geological surveys (drilling of one profile in 2005-2007);
- Zone 6 (to the west of Zone 5) is almost unexplored due to unfavorable topography (steep slope) and proximity of the licence border;
- Zones 7, 8, and 9 (to the south east of the current pit) were discovered on the basis of geophysical works carried out during 1993-97 along a zone of shale and diorite contact.

Exploration of these targets was conducted in 2010 and 2011. At the moment works are at the intermediate stage; the majority of the results are still awaited and drilling is still in progress.

Zone 10 is located to the south of the existing pit. This zone appears to differ from the currently explored deposit and work is needed to understand its structure. Historically the zone was divided in to two parts around trench 10 and trench 20. Works had been carried out in this area since 2002 but further work was carried out on the Southern zone starting in October 2010 with re-sampling of old trenches (Zone 10, trenches No.10 and 20). This work was only partially completed due to snow cover and frozen weather. In December 2010 a further four holes (totalling approximately 375m) were drilled. Assay results from the Alex Stewart Laboratory (“ALS”) based in Chita were received in January 2011. Within Zone No 10 encouraging results were seen in hole DDH404 which identified the following intersections:

- A 6.5m intersection at 0.68g/t Au between 13m and 19.5m;
- A 4m intersection at 0.69g/t Au between 25.5m and 29.5m; and
- A 3m intersection at 1.42g/t Au between 37.5m and 40.5m.

The other holes in this zone during 2010, however, contained only isolated samples above the current resource cut-off grade. The historical data suggested that two mineralised areas might be present within Zone 10 but the 2011 data confirmed that the mineralization present in trench 20 does not extend to the north west. Thirteen holes were drilled in total during 2011 and drilling is continuing in this zone with preliminary results expected in the first part of 2012. Metallurgical testwork is also being carried out as it is postulated that this zone contains a type of mineralisation not previously encountered at the site.

Further works are planned for Zone 10 including the drilling of a 40mx40m or 20mx20m grid, the production of a resource estimate and the development of an ore processing flowsheet on the basis of the metallurgical testwork. Zone 5 is located to the west of the current pit and holds promise as a potential extension to current workings. Five holes have been drilled into the area of a geochemical anomaly with the most promising intersection being from hole 92 which contains an interval averaging 1g/t Au between 23-27m.

Zone 6 is located to the west of Zone 5 and is the most westerly of the explored anomalies. The topography in this zone is unfavourable for exploration being very steep down to the Oskin brook. Three geochemical anomalies have been previously identified here and subsequently drilled. A total of 22 holes were drilled in this area but no mineralisation of interest was found. A further geochemical anomaly remains to be explored in the north of this zone. Zone 7 (comprising Zones 7, 8 and 9) are located to the south and east of the current pit. During 2011, two holes (457 and 458) were drilled in Zone 7 to follow up the discovery of a geophysical anomaly and two holes were drilled in Zone 8 but with little success with mineralisation being of low grade.

During 2011 an exploration programme using a man-portable jack-leg drill was begun to the South West of Zone No.6 of the main mineralised zone. This involved drilling holes through the quaternary deposits on an 80m x 20m grid to take samples from the top of the solid rock. Results were not available at the time of writing this report. A continuous exploration programme is planned going forward in 2012 and 2013. Approximately 18km of drilling is planned for 2012 and 13.5km for 2013.

Exploration works in 2012 are planned to include:

- Drilling of six boreholes on Zone 6;
- Drilling of two boreholes on the very south of the licence area;
- Possible infilling or flank drilling on the main deposit depending on results;
- Confirmation of mineralisation to west of main pit; and
- Continuation of drilling in Zone 10.

A summary of the drilling campaigns carried out since 2001 are listed in the table below:

Summary of Aprelkovo Gold Project Drilling Campaigns				
Method	Year	Number of Drillholes	Metres	Number of Samples
Core (Wireline)	2001	4	201	165
	2002	6	301	366
	2003	18	1,494	1,647
	2005	36	3,091	3,839
	2006	92	11,942	12,490
	2007	94	14,363	15,027
	2008	58	8,998	9,094
	2010	13	1,106	1,134
	2011	46	9,029	8,824
	Total	367	50,525	52,586

Drilling at the Aprelkovo Gold Project in the vicinity of the main mineralised zone is generally based on 22 sections orientated at approximately 330° across the strike of the deposit. Holes are collared between 5m and 40m apart along the profile lines. During the early stages of exploration holes were drilled vertically but from 2003-2004 onwards holes were drilled to cross-cut the interpreted dip of the deposit. Holes were drilled towards the south east at approximate dips of 70°.

Currently, the cut-off grades utilised to designate the various stockpiles are as follows:

- <0.4g/t Au—Waste (to dump);
- >0.4<0.7 g/t Au—Low grade ore “off-balance” (to stockpile); and
- >0.7g/t Au—Ore directly to plant.

These production holes currently show a discrepancy with the WAI model, on average showing a lower grade than the estimated block grades. Many blocks estimated at being >0.7g/t Au in the WAI model were assayed from the blastholes and were determined to be lower grade than this and sent to the waste tips.

Sampling and Analysis and Security of Samples

Detailed core logging is undertaken on site in a fit for purpose built wooden building. The core is logged, labelled for sampling and photographed before removal to the next room for diamond saw cutting. Core is laid out in order and logged. Sample tags were placed in the boxes by the geologist for follow-up core cutting and sample preparation. Core is brought into the core logging facility where it is logged by the site geologists.

The core cutting facility is located next to the core logging room. The drill hole is tagged up for cutting by the geologist into sample intervals typically of one metre length, reducing to smaller intervals where lithology or mineralisation dictates (as specified by the site geologist), with a minimum interval length of 0.50m. The core is then cut into half, taking due cognisance of any structures in the cores (and cut perpendicular to them) and is bagged up together with plastic labels (detailing hole number) into plastic bags.

The samples are crushed to 2mm in the mill laboratory and then sent to the world wide accredited independent Alex Stuart Laboratory (ALS) for analysis located in Chita. Further disclosure on these items is provided under Section 14: Mineral Resource Estimates in the Aprelkovo Technical Report. A separate building is utilised to house the cut core and sample reference material. The facility is well constructed and laid-out.

Sample preparation is achieved in three stages using a combination of jaw crushers, rolls crushers and Tema mills to produce material that is 100% passing 200 mesh. The equipment is both Russian and Australian (Rocklabs). The sample preparation laboratory was reasonably well equipped and maintained. Nordgold has provided the quality control data from the 2011-2012 drilling in the form of three Excel spreadsheets for external duplicate, standard and blank samples processed at ALS in Chita. Overall a total of 1,320 (external) control samples were analysed for the 2011-2012 data. The data supplied contains QA/QC results for drilling not included in the sample database supplied to WAI for the mineral resource estimation carried out at the end of 2011 but in general it appears that blank samples comprise approximately 3% of assays and duplicate samples comprise approximately 6% of assays.

The WAI audit of the QA/QC data has identified a number of risks within the sample data. The overall rating of risk falls in the moderate risk category based on the QA/QC audit; this is due to a lack of accuracy and precision in certain of the external control samples. However, the quantity of QA/QC data tested is slightly above the recommended percentages, the blank samples perform well and external duplicate tests show acceptable correlation. WAI has only been able to study a sub-set of the entire QA/QC data, data from the 2011-2012 drilling campaigns only, and this data indicates only a low to moderate risk.

Similar procedures are reported to have been carried out for all recent drilling and therefore WAI has no reason to believe the same standard of QA/QC does not exist throughout the rest of the drilling carried out at the Aprelkovo Gold Project and would therefore deem the database acceptable for use in mineral resource estimates. WAI considers that there are no drilling, sampling or recovery factors that could materially impact the accuracy and reliability of the mineral resource. WAI has inspected the drilling and the core logging facilities and have found that they have been undertaken in a proficient manner, and reviewed the core logging procedures and protocols established for describing lithological types, structure, mineralisation and alteration and all of them have been found to be of a good standard.

Mineral Resources & Mineral Reserves

Resources

The Mineral Resource and Mineral Reserve estimate presented in the Aprelkovo Technical Report have been prepared in accordance with the guidelines of the JORC Code (2004). WAI believes no material differences exist between the JORC Code guidelines and the CIM Standards.

A new set of mineralised zone envelopes were defined, which encompass both the upper flat-lying conglomerate body, as well as dipping vein and metasomatite structures. This interpretation has been developed from coded lithologies, as well as a cut-off grade of 0.3g/t Au, and produced 12 separate mineralised bodies.

A volumetric block model was set up with parent block sizes of 10m x 10m x 5m. As well as representing the mineralised zones, the current pit topography and original topography, surfaces were also used to separate the modelled material between oxide, transition and sulphide. Density values were set by degree of oxidation: 2.06t/m³ for oxide, 2.43t/m³ for transition and 2.68t/m³ for sulphide. Based on model variograms, gold grades were estimated using ordinary kriging, although alternative grades were also generated by nearest neighbour and inverse-distance weighting for validation purposes.

Criteria for defining mineral resource categories in accordance with the guidelines of the JORC Code (2004) were also derived from the geostatistical studies. Key drillhole spacings for these categories were 20m x 20m (along-strike x down-dip) for Measured mineral resources and 40m x 40m for Indicated mineral resources. The extent of Inferred resources was limited to 50m laterally, from any individual diamond drillhole intersections. A summary of results of the evaluation of the in-situ mineral resources are shown below, for three different cut-off grade levels: 0.3g/t, 0.4g/t and 0.5g/t Au.

Aprelkovo Gold Project Mineral Resource Estimate (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))						
Ore Type			Oxide	Transition	Sulphide	Total
Cut Off Grade			0.3	0.3	0.3	0.3
Measured	Tonnage (kt)		—	65	2,685	2,750
	Au (g/t)		—	0.74	1.24	1.23
	Metal	kg	—	48	3,322	3,370
		oz	—	2	107	108
Indicated	Tonnage (kt)		28	972	14,286	15,286
	Au (g/t)		0.72	0.76	1.00	0.99
	Metal	kg	19.8	741	14,306	15,067
		oz	0.6	24	460	484
Measured + Indicated	Tonnage (kt)		28	1,037	16,971	18,035
	Au (g/t)		0.72	0.76	1.04	1.02
	Metal	kg	20	789	17,628	18,437
		Koz	0.6	25	567	593
Inferred	Tonnage (kt)		868	1,636	7,308	9,813
	Au (g/t)		0.86	0.80	0.76	0.78
	Metal	kg	749	1,305	5,563	7,616
		Koz	24	42	179	245

Notes:

1. Mineral resources are not mineral reserves until they have demonstrated economic viability based on a Feasibility Study or pre-feasibility study.

2. Mineral Resources are reported inclusive of any mineral reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Aprelkovo Gold Project Mineral Resource Estimate (WAI, 01 January 2012)						
(in accordance with the guidelines of the JORC Code (2004))						
Ore Type			Oxide	Transition	Sulphide	Total
Cut Off Grade			0.4	0.4	0.4	0.4
Measured	Tonnage (kt)		—	63	2,636	2,698
	Au (g/t)		—	0.75	1.25	1.24
	Metal	kg	—	47	3,305	3,352
		oz	—	2	106	108
Indicated	Tonnage (kt)		26	910	13,819	14,755
	Au (g/t)		0.74	0.79	1.02	1.01
	Metal	kg	19.2	719	14,140	14,879
		oz	0.6	23	455	478
Measured + Indicated	Tonnage (kt)		26	972	16,454	17,452
	Au (g/t)		0.74	0.79	1.06	1.04
	Metal	kg	19	766	17,445	18,230
		Koz	0.6	25	561	586
Inferred	Tonnage (kt)		825	1,594	6,299	8,718
	Au (g/t)		0.89	0.81	0.83	0.83
	Metal	kg	734	1,290	5,209	7,232
		Koz	24	41	167	233

Notes:

1. Mineral resources are not mineral reserves until they have demonstrated economic viability based on a Feasibility Study or Pre-feasibility study.
2. Mineral Resources are reported inclusive of any mineral reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Aprelkovo Gold Project Mineral Resource Estimate (WAI, January 01, 2012) (in accordance with the guidelines of the JORC Code (2004))							
Ore Type				Oxide	Transition	Sulphide	Total
Cut Off Grade				0.5	0.5	0.5	0.5
Measured	Tonnage (kt)			—	57	2,550	2,606
	Au (g/t)			—	0.78	1.28	1.27
	Metal	kg	—	44	3,266	3,310	
		oz	—	1	105	106	
Indicated	Tonnage (kt)			24	822	12,978	13,824
	Au (g/t)			0.77	0.83	1.06	1.05
	Metal	kg	18	679	13,759	14,456	
		oz	0.6	21.8	442.4	464.8	
Measured + Indicated	Tonnage (kt)			24	879	15,527	16,430
	Au (g/t)			0.77	0.82	1.10	1.08
	Metal	kg	18	723	17,024	17,766	
		Koz	0.6	23	547	571	
Inferred	Tonnage (kt)			715	1,411	5,561	7,687
	Au (g/t)			0.96	0.86	0.88	0.88
	Metal	kg	685	1,207	4,880	6,771	
		Koz	22	39	157	218	

Notes:

1. Mineral resources are not mineral reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any mineral reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Reserves

WAI has undertaken a pit optimisation using the Mineral Resource Block Model prepared by WAI and updated in January 2012. The model was depleted to contain only those Mineral Resources which have not been extracted as of January 01 2012. WAI used NPV Scheduler® software for the optimisation, applying conceptual financial and technical parameters which have been provided by Nordgold. WAI estimated the Aprelkovo Gold Project open pit Mineral Reserves using the final optimised pit, these are listed in the table below.

The mineral reserve statement was prepared by WAI as of January 01, 2012. As the Aprelkovo Gold Project is already in production and the majority of stripping work has been performed, the LOM schedule attempts to maintain consistent total volume of ore (at a grade, equal to the average grade for the deposit) and waste extracted, provided the required increased planned annual ore tonnage of 2.5Mt is achieved (as defined by the Client).

The table below describes the mining schedule for the Base case open pit shell designed by WAI.

Aprelkovo Mineral Reserves as of January 01 2012 (WAI) (in accordance with the guidelines of the JORC Code (2004))															
		Proven				Probable				Proven + Probable				Pit Summary	
Ore Type	COG	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Waste (kt)	Stripping Ratio (t/t)
Oxide (In-situ)	0.35		—		—	29	0.65	19	1	29	0.65	19	1	25,142	1.78
Transitional (In-situ)	0.44	64	0.69	44	1	827	0.75	619	20	891	0.74	663	21		
Sulphide (In-situ)	0.47	2,468	1.19	2,944	95	10,069	1.01	10,212	328	12,537	1.05	13,156	423		
Stockpiles (All Types)			—		—	690	0.57	396	13	690	0.57	396	13		
Total		2,531	1.18	2,988	96	11,616	0.97	11,246	362	14,147	1.01	14,234	458		

Note:

1. Mining Factors of 10% Dilution and 96% Mining Recovery applied.
2. WAI is not aware that this Ore Reserve estimate would be materially affected by mining, metallurgical, infrastructure, or other relevant factors other than changes to those factors give in Section 15.

Aprelkovo Gold Project LOM Mining Schedule (WAI 2012)								
Year		2012	2013	2014	2015	2016	2017	Total
Rock	kt	7,148	7,204	7,234	7,311	8,190	1,512	38,599
Waste	kt	4,648	4,703	4,735	4,811	5,691	555	25,142
Stripping Ratio	t/t	1.9	1.9	1.9	1.9	2.3	0.6	1.9
Ore Tonnage	kt	2,500	2,501	2,500	2,500	2,499	957	13,457
Au Grade	g/t	1.20	0.95	1.02	0.93	1.03	1.08	1.03
Au Contained	kg	2,992	2,371	2,540	2,329	2,569	1,038	13,838
Au Contained	Koz	96	76	82	75	83	33	445

Note: 10% dilution and 96% mining recovery applied,

* Waste is given inclusive of Inferred material,

Mining Operations

The Aprelkovo Gold Project open pit is currently operated by a conventional truck and shovel mining method with operating bench heights of five (5) metres and final bench heights of 30m. The rock is drilled and blasted using ammonium nitrate/fuel oil explosives and the ore is transported to the primary crusher located near heap leach pads. The current pit bottom (+570masl) has reached the transition of oxide and sulphide ores. The pit boundaries are being developed in a south westerly direction to access the oxide material which is located beneath a waste stockpile. Further development of the sulphide ore has not been progressed until metallurgical testwork has been finalised to confirm the process route. Transitional ore is excavated and stacked on to a separate heap leach pad to the oxidised ore as the gold recovery of the transitional ore is lower than that of the oxide material.

The mine operates for 365 days of the year with two 12 hour shifts with operators rotated on a “one month on / one month off” basis. Aprelkovo Gold Project employs a total mining workforce of 620 which includes supervisors and operators who report to the mining manager.

The current mining operation has concentrated on the mining of the oxide and transitional ore which has now been depleted. The ore and waste material is excavated by hydraulic excavators (both backhoe and front end shovel) and transported out of pit by 30t and 50t trucks. The rock hardness is medium — hard and as such the majority of the material requires drilling and blasting techniques for rock fragmentation.

The waste dumps are located approximately one kilometre from the open pit and currently no progressive restoration is undertaken inside of the current pit limits. The waste dumps are shaped and levelled with top soil replaced and grass planting to finish. The Aprelkovo Gold Project reports that the current area where the dumps are located has reached its capacity and the mine is also planning to relocate a portion of the dumps as oxide ore has been identified underneath these dumps. The Aprelkovo Gold Project reports that a study is being carried out to identify valleys within the lease boundaries that would be suitable locations for additional waste dumps.

The Aprelkovo Gold Project process operation uses heap leach technology to recover gold from crushed (-5mm) transitional ore. Historically, recovery of gold from the oxide ore was 63.7%, but the oxide ore is now exhausted and transition ore is now being mined and leached. The transitional ore is expected to give a gold recovery in the region of 52.5%. In order to attempt to maintain gold production levels, the mine started to leach off-balance ore (0.5g/t Au) in June 2011.

The Aprelkovo Gold Project is also undertaking exploration activities in order to provide further sources of oxide ore from potential satellite ore bodies. Preliminary investigations by SJS Vostok Limited were undertaken on various samples of mineralisation taken from Zone 10. Bottle rolls tests showed that the 13 samples tested responded favourably with gold recoveries generally exceeding 90%.

As the transitional ore will be exhausted in a relatively short time period, it is proposed that the primary ore will be processed using conventional carbon-in-leach (CIL) technology. This will require the construction of an entirely new processing facility. Testwork, undertaken by the TOMS institute, indicates that the recovery of gold from the primary ore using a gravity and CIL process route is 82.2%. A recovery of 81.1% has been selected as part of the 2011 Technical Economic Substantiation (TEO) study in order to adjust for a cut-off grade of 0.5g/t Au. At this cut-off grade the operating and capital cost estimates of processing were US\$26.79/t and US\$36.3M respectively. A detailed metallurgical testwork programme is currently being undertaken at SGS, Chita. The testwork will be used to assess the suitability of the proposed flowsheet.

Nordgold advise that there are no contracts for mining, smelting, refining, transportation, handling or sales that are outside of normal or generally accepted practices within the mining industry. Nordgold has a policy of not hedging or forward selling any of their products unless required to do so by outside organisations.

THE BEREZITOVY PROJECT, RUSSIA, MINING AND TECHNICAL INFORMATION

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Berezitovy Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Berezitovy Technical Report. Reference should be made to the full text of the Berezitovy Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

WAI was commissioned by High River to prepare an NI 43-101 compliant report on the Berezitovy Gold Mine in Russia. The Berezitovy Technical Report documents the geological block modelling, the mineable reserve, mineral processing, environmental and social issues and the financial assessment of the mining operations from project commencement to end of mine life.

Property Description and Location

The Berezitovy property is located in the Prishulkin Structural-Metallogenic Zone which forms part of the eastern flank of the Eastern Transbaikalian Upper Amur Region. The deposit was discovered in 1932 during development of gold placer deposits in the nearby Konstantinovskiy stream and several exploration programmes have been carried out in the area since 1960. The Berezitovy property is located in the Tyndinskii district, within the western part of the Amurskaya Oblast of the Russian Federation, 1,000km north of Blagoveshensk, the Amurskaya Oblast capital city. The project area is centred about the following co-ordinates:

WGS84 Latitude: 54 ° 27'46" North , SK63, 21400m

WGS84 Longitude: 122 ° 59'33" East, SK63, 82600m

The Berezitovy property is owned by Limited Liability Society (OOO) Berezitovy Rudnik ("Berezitovy Rudnik"). Berezitovy Rudnik is a registered legal entity with the Regional Inspectorate, Taxation Department, the Government of the Russian Federation and authorised by a Licence of Registration dated May 26, 2003. This provided the company with the legal right to exploit the Berezitovy Deposit and undertake all business aspects in Russia associated with this work. Berezitovy Rudnik is owned by Amur Gold Limited of Cyprus and Limited Liability Society Khaikta registered in the Municipality of Tynda, Russian Federation.

The Berezitovy property comprises one Mineral Licence (BLG 11787 BR) covering a total area of 17 km². The licence (which in accordance with Russian Mining Law can be extended) is in good standing, allowing exploration and mining for gold and polymetallic ores to be carried out from 09 October 2003 until 01 August 2017. A Mining Contract No.1813 from 09 October 2003 covers mining of the Berezitovy deposit only.

The Sergachinskaya exploration area, where some 6 identified exploration targets are located, is covered by licence BLG 14149-BR. The licence is allocated into 6 separate areas, namely Videnovskiy, Koloktikan, Perevalniy, Pravoberezhniy, Lazarevskiy and Kolbachiy, totalling 162.7km². The licence is valid from 04 July 2007 until 25 May 2032 and allows both exploration and subsequent mining activities for gold ores at each of the areas.

Waste rock is stored in heaps at various points around the site. Tailings at the site are sent to a semi-solid storage facility via a filtration circuit. There were no breaches in the quarterly air monitoring results in September 2011. Compliance with these limits is motivated by a monetary penalty set by the local authority. The CO₂ limits set for the site are lower than those in a standard SPZ. Water monitoring schemes are approved by the local authority and the water authority. A water emission permit has been issued for 2011 to 2016.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The main road access to the site is from the railway station in the town of Scovorodino (a distance of approximately 128km), initially westwards following the main Federal Highway between Chita and Khabarovsk

and then north-westwards from the village of Madalan (a station stop on the Trans-Siberian railway with a small settlement) along the mine road, a distance of some 65 km. The route allows access for trucks and vehicular traffic to service the mine and has required construction of a 100m span bridge over the Khaikta River. It is understood that the nearest major airport is at Blagoveshchensk.

Berezitovy is located in a mountainous region with elevations ranging from 500-1,300 masl. Total relief from the valley bottom to the highest point on the property is approximately 500m. The area has a mid-mountain Taiga landscape with permafrost. The area is covered with fulvous podzol soils and marshes. Outcrops are rare and overburden thicknesses range from 2-10m.

The average mean temperature for the region is -3.6°C. Summer temperatures can reach 36°C with average summer temperatures of 25.5°C. The warmest month of the year is July. Winter temperatures can be as low as -50°C with the coldest month being January. The average winter temperature is -30°C, whilst the January average temperature is -34.7°C. Average annual precipitation is 600mm with approximately 80% of precipitation falling in July and August and minimum values falling in January to February. The average snow cover is 30 to 50cm in forested areas and up to 100cm on windward slopes. Snow cover lasts for 165 to 180 days per year. Average annual wind direction is from the north and north-east, with wind speeds averaging 7m/sec (25km/hr).

The Amur Oblast region has a large surplus of hydroelectric power and a highly reliable supply network. Power is provided to the site from the main substation at Skovorodino through construction of a 101km, 110kW power line. Backup power is provided at site to maintain essential power requirements in the event of a power failure.

The facilities supporting the mining and processing operations are a mine maintenance shop, vehicle garage, main warehouse with laydown area equipped with gantry crane, fuel and lubricants storage and distribution facility, main electrical substation, rainwater collection ponds and treatment plant, explosives magazines, water reservoir and potable water wells located on the Oroghzan river, sanitary landfill and septic system for sewage treatment.

The result of the study undertaken by High River into the groundwater reserves in the aquifer used by the site is due in 2012. There are 6 boreholes in use at the site pumped from various depths to provide all the water needs of the site. One of these is designated as the potable water supply and pumps from a depth of 100m.

There are two storage tanks in place near the river for technical water, however if necessary, water can also be pumped directly from the boreholes to the processing plant. The technical water demand on site is 1000-1600m³ per day. Potable water demand on site is approximately 120-140m³ per day. This is supplied from borehole No. 4, and pumped to a small treatment facility located near the accommodation buildings. Once treated, potable water is stored in two 18m³ storage tanks which are also regularly cleaned. Supply to the accommodation buildings is only drawn from one tank at a time with the second tank used as a reserve.

Operation at the Berezitovy Gold Mine continues throughout the year.

History & Production

The Berezitovy deposit was discovered in 1932 during the development of a gold placer deposit in the Konstantinovskiy Stream which has its source in the location of the current open pit. From 1960 to 1962 and from 1974 to 1980 Amurskaya Geological Expedition (AGE) undertook geological mapping, surface and underground exploration and evaluation of the Berezitovy deposit. Between 1975 and 1980 AGE carried out approximately 18,700 metres of drilling in 59 inclined holes oriented on grid due east. In total 2,750 metres of trenching spaced 15 to 40 metres apart were completed on the deposit. In 1980 geophysical surveys using airborne magnetic, radiometric and ground induced polarization (IP) were performed over the entire property, with a strong IP anomaly evident over the Berezitovy deposit. Regional geochemical soil sampling of the property was also undertaken with anomalous concentrations of up to 30 parts per billion (ppb) gold (Au) detected in several areas.

High River carried out exploration programmes including infill diamond drilling and underground sampling. The Berezitovy Gold Mine is a well-established open pit operation, with pre-production having commenced in 2006. Ore production from the mine in 2011 was 1.8Mtpa with a process plant throughput of approximately 1.4Mtpa, with 250t/hr through the CIP plant to a dry paste plant at a nominal average grade of 2.62g/t Au.

Geology

Berezitovy is located in the Prishulkino Structural-Metallogenic Zone which forms part of the eastern flank of the Eastern Transbaikalian Upper Amur Region. Structurally the deposit is situated within the Magochinskaya thrust block of Archean age rocks and is near the intersection of Sergachinski and Khaiktinski regional faults. To the east, the northwest trending greenstone belt, also of Archean age, separates rocks of the Magochinskaya block from other Precambrian rocks of the Amur Region, and to the south, rocks of the Mongolian Miogeosyncline which trend east-north-eastwards.

Structurally, the region is characterised by three stages; Precambrian, Mesozoic and Quaternary events. The Precambrian and Mesozoic rocks have been intruded by several Jurassic age plutons, ranging from alaskites to lamprophyre. The folded volcanic and sedimentary rocks have also been affected by block faulting.

Berezitovy is underlain predominantly by early Proterozoic age, biotite-feldspar gneissose granites and granodiorites. The southern part of the area is marked by feldspar-pyroxene gabbro. Due to the lack of outcrops, however, the general orientation of the foliation is uncertain, but is interpreted to be east-northeast from the regional trend of the lithological units. To the east and west of the property, Jurassic age granodiorite and diorites are present. To the south of the property, the Yuzhna-Sergachinski Fault separates the latter rocks from the Archean age Shuriginskaya and Amazarskaya Suites, containing interlayered biotite gneiss and biotite-feldspar gneiss. The relative ages of the rocks have been determined by Potassium-Argon dating.

The main gold occurrences within the property (from north to south) are:

- Berezitovy (North and South Zones);
- Flangovaya;
- Trubnaya (Pipe) — newly identified zone;
- Opozncan;
- Orogzhan;
- Beregovaya; and
- Yuzhnaya (South) zone.

Exploration

Berezitovy deposit

Under the control of High River, it was deemed prudent to carry out a programme of further infill diamond drilling and underground sampling. As operator of the project, OAO Buryatzoloto completed underground sampling in cross-cuts off Adit No. 5 for metallurgical tests and a 25-hole infill surface diamond drilling programme totalling 4,644m.

In 2002-2003, Buryatzoloto carried out a surface angled infill diamond drilling programme on a 20 x 20m grid in the southern and central parts of the deposit (Zone 1), and on a 40 x 40m grid in the northern part of the deposit (Zone 2). Buryatzoloto also continued to collect channel samples from trenches and underground workings along with core samples from the infill drilling programme. Samples were fire assayed for gold and silver and tested by chemical analysis for zinc and lead content. In addition Buryatzoloto continued to perform

density determinations and investigate tonnage factors, moisture content, friability factors, and hardness of ore. In 2010, additional to the historical drilling 10,879.9m in 34 holes were completed. Down hole Gamma logging was conducted over 4830.4 m with a total of 7518m of samples taken for assay.

Geologic evidence suggests that the Berezitovy orebody extends to the south through the Trubny structure and down to Beregovaya and Yuzhnaya (these latter collectively known as Orogzhan). The Flangovaya prospect may also be part of this extension, although at the present time, waste dumps cover much of the occurrence and therefore it is not considered further here. In outcrop, a sequence of gabbros and micro-gabbros are seen hosting a series of dominantly E-W trending tectonic structures which vary in width from a few centimetres to several metres. Pyritised mylonitic zones are also seen.

Historically, previous work had concentrated on trying to identify other “Berezitovy-type” structures with N-S trend, thus the trenching was orientated E-W and drilling orientated eastwards at approximately 60°. As a result, historic exploration results may be misleading. There are number of northerly dipping E-W trending tectonic structures in outcrop at Orogzhan.

Trubnaya, an N-S trending prospect, lies between Berezitovy mine and Orogzhan and structurally appears to connect the two. Trenching and limited drilling have produced some interesting grade and thickness intervals including 6m @ 2.65g/t Au, but at the present time, this site is only of moderate prospectivity.

Sergachinskaya

Sergachinskaya exploration and mining licence encompassing the six satellite licences which is valid from 04 July 2007 to 25 May 2032 which are:

- Perevalniy (Solnechniy);
- Kolbachi (Quartseviy);
- Pravoberezhnoye;
- Videnovski (Videnosovskiy);
- Koloktikan; and
- Lazarevskii.

A summary of exploration works conducted during 2010 within the Sergachinskaya Licence are given in the table below.

Summary of Exploration within the Sergachinskaya Licence (2010)		
Type of Work	Unit	Totals
Perevalniy		
Trenching	m ³	16,100
	m	0
Trench Logging	m	1,119.6
Assays Sent for Analysis	No.	1,341
Assays Received		0
Kolbachi		
Drilling	m	121
	No.	1
Logging	m	121
Road Building	m	2,900
Samples Sent for Analysis	No.	261
Assays Received		0
Pravoberzhnoye		
Drilling	m	728
	No.	2
DTH Survey	m	728
Gamma Logging	m	728
Road Building	m	28,500
Preparation of Drilling Sites	m ³	150
	No.	2
Samples Sent for Analysis	No.	22
Assays Received	No.	0

2011 Exploratory work at Berezitovy was focused as follows:

- Continued drilling on the Severnoye (North) ore body in a northerly direction up to boundary of the licence area between 810-630 horizons; and
- Tracing in a southerly direction of the Yuzhniy (South) ore body at deep horizons lower than the 480 horizon (800m long holes) and the 780-750 horizons outside of the current limits of the open pit.

The total proposed exploration budget for 2012 is 137M RUB. The proposed program of works includes:

- Drilling — 10,500m;
- Geochemical sampling — 3,000 samples;
- Trenching — 55,000m³; and
- Surface geophysics (electrical dipole and magnetic survey) — 100km.

Mineralisation

Gold mineralisation in and around the Berezitovy property is related to explosive breccia within granitic gneisses. This is present within a north-northwest trending and steeply southwest dipping zone of brecciated and hydrothermally altered granodiorite. This zone, and several other zones of similar orientation in the general area, may represent the development of regional scale tension faults between the east-northeast trending Severa and Yuzhna Sergachinski faults. The uplifted block, which contains the gold mineralized zones, is in contact with younger sedimentary rocks on either side. Several granitic dykes are parallel to the regional trend and are mineralised close to the main zone. Gold mineralisation is associated with metasomatic alteration and quartz flooding in granitic and granodioritic rocks. The near surface oxidation zone is very shallow (5-7m deep) and mineralisation throughout is predominantly sulphides.

A set of east-west trending andesite porphyry and lamprophyre dykes cut the deposit and are generally not mineralized. Higher gold values, however, commonly occur along the dyke contacts and some gold mineralisation occurs in the dykes. A post mineral diorite dyke separates the main Berezitovy deposit into two parts; the northern area containing the North Zone and the southern one containing the Central and South Zones. All mineralisation south of the diorite dyke is referred to as the South Zone (or Zone 1) and all of the mineralization north of this dyke as the North Zone (or Zone 2). The main diorite dyke is 5-10m wide, trends east-northeast and dips steeply to the northwest.

A major shear zone (Milonitovaya zone) has been identified running east to west through the central section of the open pit. The zone of mylonitisation is strongly sheared, contains pyrrhotite and pyrite with quartz veinlets; has a microfolded structure, together with hydroxides on clay joints. The structure is typically 6-12m wide and is known to carry elevated gold grades, up to 18.3g/t Au. The contact between the granodiorite and the main metasomatic alteration zone in South Zone can clearly be identified in the open pit.

At Berezitovy, gold is associated with polymetallic sulphides and quartz-sericite (berezite) metasomatic alteration. Locally, tourmaline, garnet and epidote are also common. The overall outline of the mineralised zone is due to the juxtaposition of two inverted cone shaped structures (breccia pipes), which have provided channel ways to the hydrothermal fluids and the associated gold-polymetallic mineralisation. The presence of shard fragments in the breccia may also indicate volcanic activity predating the mineralisation. The breccia contains fragments of diorite material within a groundmass of very fine-grained granitic and gneissic material.

Gold mineralisation, commonly in the range of 0.5-15g/t Au, is present in various facies of brecciated zones with disseminated sulphides and in silicified rocks. Sulphide mineralization consists predominantly of pyrite, sphalerite and galena. Gold is commonly present in solid solution with silver as electrum.

Metal zoning is present within the deposit with:

- A pyritic zone in the southern extremity of the deposit;
- A polymetallic zone in the central part of the deposit;
- A sphalerite-rich zone in the west-central part of the deposit; and
- A galena-rich zone in the western part of the deposit.

Mineralogical studies (on diamond drill core) have shown that there is very little visible and mineralogical difference in mineralised material collected from the different zones. High grade portions of mineralisation (greater than 10g/t Au) are uncommon and are present within narrow zones of limited strike extent, commonly 20-80m long and 2-10m wide.

Observations based on the surface and underground geological mapping and sampling suggest the following:

- The South Zone resource mineralisation has significantly higher average gold and lead grades and similar average silver and zinc grades when compared to the North Zone;

- The South and North zones are separated by a late post-mineralisation diorite dyke; which has likely intruded a pre-existing cross-fault. Other crossfaults that dip steeply to the northwest appear to terminate the extremities of the North and South Zones. A number of other cross-faults have been intersected underground, particularly in the North Zone. It is probable that some cross-faults have displaced the mineralisation vertically;
- There are more cross-cutting andesite dykes in the South Zone, particularly in the area immediately south of the main diorite dyke;
- Higher gold assays occur along some andesite dyke contacts and this may be due to localized post-mineralisation remobilisation;
- Higher grade gold mineralisation is commonly associated with sulphides; and
- Higher grade gold mineralisation is generally associated with the two “roots” in the southern and northern parts of the deposit. The South Zone root occurs at approximately 950N to 1,000N and the North Zone root is centred at approximately 1,350N. Higher gold, silver, zinc and lead values are centred on these roots and the metal values tend to decrease, progressively, away from these roots which may represent the main fluid conduits. The North Zone root has less lead metal than the South Zone root.

Drilling

Open Pit Infill Drilling

Additional drilling was completed in and around the current open pit during 2010 (using Longyear LM90 drill rigs with inhole wireline equipment) amounting to 10,879.9m in 34 holes (of which 23 were exploration holes and 11 were twin drill holes to check quality of in-pit grade control data). The majority of the holes were drilled with NQ wireline, but beyond depths of 4-500m holes were drilled in NQ size. In hole Gamma logging was conducted over 4,830.4m with a total of 7,518m of samples taken for assay.

The holes were targeted at detailed mapping of multiple basic dykes which cut the mineralisation within the pit, and defining inferred extensions to mineralisation, both along strike to the North and South and at depth. Drilling included four holes drilled in excess of 800m.

Results have been encouraging with extensions (additional Inferred resources) at depth for both the north and south ore bodies. Additional resources may exist to south of the open pit, these were identified from the in-pit grade control drilling program. The company recognises that this is a target that requires follow-up drilling.

The work completed in and around the current open pit in 2010 is summarised in the table below.

Summary of Exploration Works Berezitovy Open Pit (2010)		
Type of Work	Unit	Totals
Drilling	m	10,879.9
	No.	34
DTH Survey	m	10,764.8
Gamma Logging	m	4,839.4
Preparation of Drill Sites	m ³	5,566
	No.	22
Sawing/core	m	10,028.8
Assays Sent for Analysis		7,394
Assays Received		5,422

Grade Control Drilling in Pit

Grade control has been undertaken throughout the life of the open pit operation. Open hole percussion drilling is currently conducted with a Pantera drill rig drilling 102mm diameter holes on a grid of 8.0m between profiles and 4.0m along profiles. Each hole is drilled to 10.0m with two 5.0m composite samples taken weighing on average 15kg. These are coned and quartered to give samples of approximately 4.0kg which are sampled in the on-site laboratory and the average of the two taken to represent grade at that point in the bench.

The collar points and assays are plotted onto bench level plans and the outlines of ore, medium grade, off-balance and waste outlined. The in-pit grade control geologists (two “technical geologists” on a 12hour day and night shift basis) then designate broken material to the appropriate stockpile after blasting and dispatch trucks accordingly (all trucks for ore and waste are counted on leaving the pit on a shift basis). All ore dispatched directly to the mill is weighed on a weighbridge before being tipped into the hopper for the primary crusher. Volumetric surveys are undertaken for the in-pit benches, individual stockpiles and waste dumps on a regular basis in order that all broken muck can be accounted for.

Currently, the cut-off grades utilised to designate the various stockpiles are as follows:

- <0.5g/t Au — Waste (to dump);
- >0.5<1.0 — Low grade ore “off-balance” (to stockpile);
- >1.0<2.0 — Medium grade (to stockpile); and
- >2.0 — Ore directly to plant.

Check sampling has been undertaken of the dust collected in the filters of the Pantera drill rig to ensure that no grade bias is introduced into the grade estimation. A review of this comparison study suggests that no such bias exists.

A comparison study has also been conducted in 2010 to check the quality of the results of the grade control drilling program by twinning 11 holes with HQ diameter diamond drilling.

A total of 4 boreholes (NH 670-1-5) were twinned with grade control holes within the north orebody at the corners of an 8.0 x 4.0m rectangle, with a further hole (NH-670-3) drilled at the centre of the rectangle. Due to the high water content in two holes, comparison could not be made, but the remaining results are shown in the table below.

Comparison of Grade Control Results to Diamond Drilling—North Pit							
Core Hole	Grade Au g/t	Grade Ag g/t	Grade Control Hole	Grade Au g/t	Grade Ag g/t	% Variance Au	% Variance Ag
NH-670-1	2.39	7.58	N660-201	2.84	10.88	84	70
NH-670-2	5.05	10.38	N660-202	4.60	11.35	110	91
NH-670-5	4.33	8.01	N660-234	4.21	8.37	103	96

A similar comparison study was done within the south orebody with four holes. The results are summarised in the table below.

Comparison of Grade Control Results to Diamond Drilling—South Pit							
Core Hole	Grade Au g/t	Grade Ag g/t	Grade Control Hole	Grade Au g/t	Grade Ag g/t	% Variance Au	% Variance Ag
SH-680-6	0.43	3.29	339-S670	1.98	4.89	22	67
SH-680-7	2.07	9.86	340-S670	1.71	6.89	121	143
SH-680-8	0.33	2.98	305-S670	3.57	7.88	9	38
SH-680-9	0.15	0.34	306-S670	0.1	2.5	149	13

The results from this study indicate a reasonable correlation between the two methods in the north ore body, whilst the south ore body shows a much higher variability. The cause of such variability may be a function of the size of gold particles or random grade distribution in the south ore body.

Sampling and Analysis and Security of Samples

The core is logged, labelled for sampling and photographed before removal to the next room for diamond saw cutting. Core is laid out in order and logged. Sample tags were placed in the boxes by the geologist for follow-up core cutting and sample preparation. Core is brought into the core logging facility where it is logged by the site geologists.

The core cutting facility is located next to the core logging room. The drill hole is tagged up for cutting by the geologist into sample intervals typically of 1.0m length, reducing to smaller intervals where lithology or mineralisation dictates, with a minimum interval length of 0.50m. Where the lithology is uniform, sample intervals are extended to a maximum of 1.50m. The core is then cut into half, taking due cognisance of any structures in the cores (and cut perpendicular to them) and then is bagged up together with plastic labels (detailing hole number) into plastic bags. The samples are crushed to 2mm in the mill laboratory and then sent to the accredited ALS laboratory for analysis located in Chita. An adjacent part of the building is utilised to house the cut core and sample reference material. The facility is well constructed and laid-out.

High River has provided the quality control data in the form of nine Excel spread sheets for internal, external control, standard and blank samples. The four laboratories used for assaying were:

- Berezitovy Mine Laboratory, Russia;
- ALS, Chita, Russia;
- SGS, Chita, Russia; and
- NPGF Regis, Blagoveshchensk, Russia.

Six of the spread sheets provided by High River contain data on internal controls. Berezitovy Mine Laboratory was used for internal controls. Two spread sheets provided by High River contain data on external controls. The results within one spread sheet are from ALS and SGS Laboratories in Chita, Russia. The other spread sheet of external controls is from Berezitovy Mine Laboratory and NPGF Regis Laboratory in Blagoveshchensk, Russia which is used as control laboratory. The remaining spread sheet provided by High River contains data on standard, blank samples and internal control of ALS Laboratory. Overall a total of 1,525 (internal and external) duplicates were analysed. This represents 3% of the sample database provided by High River for the Resource Estimation.

The WAI audit of the QA/QC data has identified a number of risks within the sample data. The overall rating of risk falls in the moderate-high risk category based on the QA/QC audit. This is due to poor performance of internal and external control and also due to the quantity of QAQC data tested being slightly below recommended percentages.

A number of risks have been identified with the current assay procedures. The major risks identified (namely issues with the internal laboratory) have been eliminated by WAI by the removal from the database prior to the Mineral Resource estimate of some of the grade control samples. Those grade control samples which hit the water table were removed from the database as it was noted that these samples showed assay values significantly higher than dry holes. WAI believes that QA/QC procedures for the external laboratories are sufficient to provide adequate confidence in the current Mineral Resource estimate. Based on production statistics from 2008 to present, it is evident that the geological model may well be underestimating grade of resource.

Mineral Resources and Reserves

Resources

The Mineral Resource and Ore Reserve estimate presented in the Berezitovy Technical Report have been prepared in accordance with the guidelines of the JORC Code (2004). There are no material differences between the Mineral Resource and Ore Reserve categories under the guidelines of the JORC Code (2004) used in this report and the categories of Mineral Resources and Mineral Reserves under NI 43-101.

A cut-off grade of 0.3g/t Au was used for mineralised zone interpretation and is a natural cut-off used to define mineralised and non-mineralised material. A series of perimeters were constructed based on this cut-off grade. Near surface the zones projected above topography, to ensure proper selection of surface trench samples. The zone perimeters were then linked together to form three-dimensional wireframe models. Seven separate mineralised zones were identified and the wireframe model was coded by these zones.

All samples contained within the mineralised zones were selected for further data processing. Statistical analysis was carried out on the mineralised samples to identify any potential bias that may be present within the data. Histogram and log probability plots showing Au grade for mineralised samples by sampling type (DH (diamond drillhole), CH (channel sample) and GC (Grade Control)) were generated. Generally, very similar populations are exhibited by the different sampling methods with the only exception being the higher grades (>4g/t) derived from the grade control sampling appear to understate the diamond drillhole and channel sample data.

Top cutting was carried out to reduce the influence of any values that are outside of the general population. Top cutting was carried out using the log probability plots with separate top-cuts used for each different mineralised zone. Based on this, a top-cut of 19g/t Au was applied to zone 1, a top cut of 34g/t Au was applied to zone 2 and a top-cut of 6g/t Au was applied to zone 4. Overall the effect of the top-cut on the dataset has not resulted in any significant reduction in grade.

A summary of results of the evaluation of the in-situ resources are shown in the table below, for three different cut-off grade levels: 0.3g/t, 0.5g/t and 0.7g/t Au.

Berezitovy Resource Estimate (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))					
Ore Type			Sulphide		
Cut Off Grade (g/t)			0.3	0.5	0.7
Measured	Tonnes (kt)		10,275	9,669	8,510
	Au (g/t)		1.66	1.74	1.89
	Metal	kg	17,046	16,791	16,094
		Koz	548	540	517
Indicated	Tonnes (kt)		12,410	11,479	9,755
	Au (g/t)		1.38	1.45	1.60
	Metal	kg	17,066	16,685	15,644
		Koz	549	536	503
Measured + Indicated	Tonnes (kt)		22,685	21,148	18,266
	Au (g/t)		1.50	1.58	1.74
	Metal	kg	34,112	33,476	31,738
		Koz	1,097	1,076	1,020
Inferred	Tonnes (kt)		7,362	6,208	4,627
	Au (g/t)		1.11	1.24	1.45
	Metal	kg	8,150	7,679	6,729
		Koz	262	247	216

NOTE:

1.

Mineral Resources are not reserves until they have demonstrated economic viability based on a feasibility study or prefeasibility study.

2.

Mineral Resources are reported inclusive of any reserves.

3.

Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Reserves

WAI has undertaken a pit optimisation using the Mineral Resource Block Model prepared by WAI and updated in January 2012. The model was depleted to contain only those Mineral Resources, which have not been extracted as of 01 January 2012. WAI used NPV Scheduler® software for the optimisation, applying conceptual financial and technical parameters, provided by High River.

The NPV Scheduler® programme comprises three components, the ultimate pit shell generator, a push back generator and the optimising scheduler. The ultimate pit generator is the first stage of the optimisation process and utilizes a Lerchs-Grossman algorithm to generate an economic open pit shell from the Mineral Resource block model based on the initial input parameters. The objective of this study was to obtain an optimised pit shell containing economically viable Mineral Resources, which therefore will provide an estimate of Mineral Reserves. The estimate of Mineral Reserves will form a basis for the mining schedule.

Prior to importing into NPV Scheduler®, the Mineral Resource block model was expanded by adding waste cells. A density of 2.87t/m³ was assumed for each new waste cell. Zero grade values for gold were also assigned to each waste cell. The metal price used for the pit optimisation was US\$1,250/oz Au. WAI has reviewed the results between 2008 and July of 2011 and the technical data, obtained from High River both during site visit and by request, together with High River's production forecasts. WAI estimated the Berezitovy open pit Mineral Reserves using the pit optimisation results. WAI estimated the Berezitovy open pit Mineral Reserves using the final optimised pit; the results indicate a total of 18.4Mt of Proven and Probable ore, with an average grade of 1.63g/t and 963Koz of contained gold (total includes 3.9Mt of stockpile ore). Results of this estimation are given in the table below.

Berezitovy Open Pit Mineral Reserves as of 01 January 2012 (WAI) (in accordance with the guidelines of the JORC Code (2004))															
		Proven				Probable				Proven + Probable				Pit Summary	
Ore Type	COG	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Waste (kt)	Stripping Ratio (t/t)
Sulphide (In-situ)	0.50	9,102	1.71	15,531	499	5,332	1.91	10,189	328	14,433	1.78	25,721	827	38,656	2.68
Sulphide (Stockpiles)	0.50					3,917	1.08	4,245	136	3,917	1.08	4,245	136		
Total		9,102	1.71	15,531	499	9,249	1.56	14,435	464	18,351	1.63	29,966	963		

Note: Mining Factors of 6% Dilution and 97% Mining Recovery applied

* Waste IH1
is given inclusive of *Inferred* material

Mining Operations

The Berezitovy Gold Mine is a well-established open pit operation, with pre-production having commenced in 2006. Ore production from the mine in 2011 was 1.8Mtpa. The mill currently runs at an optimum throughput of 1.2-1.4Mtpa; however the operations are aiming to achieve a ramp-up in capacity to 2.0Mtpa by 2013. If successful, this will result in a projected average gold production of more than 100Koz of gold per annum. Historic production statistics indicate that total cash costs for the first 7 months of 2011 were US\$585/oz with an average total mine operating cost of US\$1.83 per tonne of rock, equating to US\$21.76 per tonne of ore mined.

Berezitovy is mined using a conventional open pit mining system, mining top-down bench by bench and employing drill and blast of ore and waste rock combined with truck haulage to the surface. Both ore and waste is loaded using hydraulic excavators and electric shovels, with 45t and 55t diesel powered BELAZ and CAT off-highway trucks for transport of rock either directly to the primary crusher or to the waste and ore stockpiles. The 2011 overall strip ratio to date is 9.13.

Ore is removed from the pit and delivered to one of two stockpiles: on-balance/mediumgrade ore stockpile containing 1,398,020t at an average grade of 1.71g/t Au; and a offbalance low-grade ore stockpile containing 2,519,140t at an average grade of 0.74g/t Au.

Ore is delivered to the main plant feed hopper using a Front End Loader. The hopper is fitted with a 1.1 x 0.8m grizzly and oversize material is broken using a hydraulic hammer drill. Ore is extracted from the hopper using an apron feeder and transferred to a jaw crusher, which reduces the material to less than 200mm. The crushing rate is variable depending on the ore being treated but typically averages 250tph. The crushing units are shut-down for maintenance work 6 days a month.

The primary crushed ore is then conveyed to a crushed ore stockpile, containing approximately 49,800t of ore at an average grade of 1.98g/t Au. The stockpile suffers from segregation of the coarser material, which tends to gravitate to the bottom of the stockpile. Ore is reclaimed from the crushed ore stockpile using three feeders.

The material is then conveyed to the grinding circuit. Ore is ground in a SAG mill — ball mill circuit to a size of 80% passing 74µm. The SAG mill is 6.7m x 2.4m and fitted with a fixed speed 1,800kW motor. Approximately 250tph of material is fed to the SAG mill, where it is ground at 75% solids. The SAG mill was originally fitted with a 12.5mm discharge grate, which restricted the mill throughput. The size of the grate has now been increased to 18mm. A major problem of the SAG mill is the production of approximately 20t of critical size material every day. Previously, this material was recycled back to the crushed ore stockpile. In late 2011, a KSD-600 crushing unit was installed within the grinding circuit to process this critical size material.

The ground pulp, at roughly 24% solids, passes to a 24m diameter thickener. The thickener overflow is returned to the grinding circuit and the underflow, at 52-53% solids, is pumped to the leach tanks. There are eight leach tanks, each with a capacity of 430m³. The tanks are air sparged but the levels of dissolved oxygen are not determined. Cyanide is added to tanks 1 and 5 and the pH is maintained at 11.5.

Carbon adsorption takes place in six 330m³ adsorption tanks. Previously, 28t of Malaysian carbon was used in the circuit. This has recently been substituted for new Thai carbon, the optimised loading of which into the column is still under review. An initial loading of 84t yielded unsatisfactory tailings grades. Approximately once a week, the carbon loading is reduced by between 5-6t to measure the effect on the grade of the tailings. If still deemed to be unsatisfactory, the carbon loading is reduced by a further 5-6t until an optimized loading level is reached. In September 2011, there were 54t of Thai carbon in the adsorption tanks.

The loaded carbon, typically assaying 1.5kg/t Au is screened and passes to desorption. Carbon reactivation is achieved partially in a kiln, and partially via an acid-wash process. Gold is recovered from the carbon using a conventional desorption-electrowinning and smelting process. There are three desorption circuits, one capable of processing 6m³ of carbon, while the other two are capable of processing 4m³ of carbon each. The units are of Chinese manufacture and are capable of stripping carbon down to 120ppm Au. Electrowinning takes place in four 4m³ electrowinning cells. There is one back-up cell should maintenance work be required on one of the four operating cells. The cathode sludge, which assayed 177kg/t Au, is smelted on site to produce doré.

The smelter is operated approximately twice weekly but this is dependant on the rate of material passing through the plant. There was originally only one furnace, but the delivery of a new Chinese furnace and the manufacture of another furnace on-site, both in 2010, have increased the current complement to three. The smelter is involved in the monthly production of approximately 700kg of doré, typically assaying: 32-34% Au; 32-34% Ag; as well as quantities of Zn, Pb and Cu.

The LOM schedule targets an average production rate of 2.0Mtpa of ore, with a total 14.4Mt of ore produced from the pit over a mine life of 8 years.

IROKINDA GOLD MINE MINING AND TECHNICAL INFORMATION

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Irokinda Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Irokinda Technical Report. Reference should be made to the full text of the Irokinda Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

High River and its subsidiary Open Joint Stock Company Buryatzoloto ("Buryatzoloto") have retained Micon to conduct an audit of the resource and reserve estimates for the Irokinda gold mine (Irokinda Project) in the Republic of Buryatia of the Russian Federation.

Project Description and Location

The Irokinda mine is located in the northern portion of the Republic of Buryatia within the Muiskay district, which borders with the Irkutsk Region to the north, and the Chita Region to the east. The mine is situated 1,000 km northeast of the Buryatian capital city of Ulan-Ude, and 74 km from the village of Taksimo which is the railroad station and main logistics centre. The longitude and latitude for the site are approximately 56°00' N, 115°10' E.

High River advises that it holds its interest in the Irokinda Project through its 85% ownership of Buryatzoloto. Buryatzoloto, a Russian company, owns a 100% interest in the Irokinda Project and has operated the mine since 1996. Within the Muiskay district, Buryatzoloto holds two licenses for the Irokinda Project and for portions of the area around it. Exploitation license UDE 00212 BE of 227 km² covers the Irokindinskoye deposit. The license area has been given the status of a "mining allotment" with an unlimited depth for mining. Exploitation license UDE 01434 BR of 41.8 km² in area covers the area northeast of the Irokindinskoye deposit.

Summary of the Mineral License Information for the Irokinda Mine							
License Series	License Number	Type of License	Date License Granted	Date License Expires ²	License Area	Annual Fees and Royalties	Annual Fee (US\$) ¹
UDE	00212	BE Exploitation	May 8, 1998	December 31, 2012	227 km ²	Au — 6%, Ag — 6.5% of revenue from the recovered metal and 207 roubles per km ² .	US \$1,700 per km ² for exploration and evaluation of "reserves"
UDE	01434	BR Exploitation	February 20, 2012	February 20, 2037	41.8 km ²	Au – 6%, Ag – 6.5% of revenue from the recovered metal and 249.30 roubles per km ² until 2017	US\$ 326 per km ² for exploration and evaluation of "reserves until Feb. 20, 2017"
Note 1: The exchange rate used was 32.00 Russian Roubles equals 1 United States Dollar.							
Note 2: Buryatzoloto is in the process of renewing license.							
Table derived from data provided by OJSC Buryatzoloto.							

The Irokinda mine has a lease on 272.5 ha of land, a portion of which is required for infrastructure. In Russia, the subsoil rights are held by the State; however, since 1993, the right to explore and develop the mineral wealth in the subsoil can be obtained by acquiring licenses through state auction.

As part of the obligations to maintain the licenses, Buryatzoloto must do the following:

- 1) Submit to the state quarterly and annual statistical forms regarding exploration programs and costs.
- 2) Submit to the state annual statistical forms regarding reserves and mining which include details regarding mining recovery, dilution, reserve conversion, etc. These were submitted for 2005 to 2011 but were not submitted from 2002 to 2004.
- 3) Submit to the Buryatnedra agency all information regarding the regular payments for use of the subsoil. Buryatzoloto has advised Micon that it has fulfilled all obligations concerning this information and the subsoil usage payments.
- 4) Observe all obligations with reference to environmental protection. Buryatzoloto has advised Micon that it has fulfilled this obligation and that it is in compliance with the existing environmental regulations.
- 5) Pay the mining tax in accordance with the Russian Federation tax code monthly in the amount of 6% of the revenue from the recovered gold and 6.5% of the revenue from the recovered silver.

The following further obligations have been added as a result of the acquisition of Exploitation license UDE 01434 BR in February, 2012:

- 1) Prepare an exploration plan and have it approved by the appropriate Russian federal organizations (including a permit from governmental environmental authorities) by February 20, 2013.
- 2) Start an exploration program by May 20, 2013. The scope of work is subject to specification by the proposed exploration program, but it has to include regional exploration, and drilling of not less than 1,000 m/y.
- 3) Finish the first phase of the exploration program and submit a report with resource/reserve estimations in category C₂ to Buryatnedra, which is the Committee on Reserves and Resources (GKZ) of Buryatia, by December 20, 2017. The minimum annual exploration work is 1,500 m of drilling.
- 4) Present a development plan to the federal authorities by December 1, 2018. The project will have to get the appropriate environmental and health and safety approvals at this time.
- 5) Develop the mine and start producing gold by December 1, 2020.
- 6) Submit quarterly reports on exploration and production to the state for each license and attach the initial basic geological information that was obtained.
- 7) Finish the exploration on the whole property and submit the final geological reports to the territorial and federal archive for geological information by June 20, 2035.

The requirements related to exploitation license UDE 01434 BR can be modified if needed to better reflect the program objectives and to base the program upon surface diamond drilling and the excavation of trenches.

Upon completion of mining operations, all disturbed land will be subjected to reclamation processes in compliance with the mine closure plan developed by the Sibgyprozoloto Institute in 1999. In accordance with the resolution of the Council of Ministers of the Russian Federation No. 307 of March 14, 1997 "About the Approval of the Regulations on the State Water Monitoring" and "Regulations on the State Environmental Monitoring," a program of environmental monitoring has been carried out at the Irokinda mine since 1999.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Irokinda Project is readily accessible from the Taksimo railway station of the Baikal-Amurskaya (Baikal-Amur) Railway via a 70 km all weather gravel road. The Taksimo settlement has regular air service from the city of Ulan-Ude which is located approximately 1,000 km southwest of the Project. The flight between Ulan-Ude and Taksimo is approximately 2 to 2.5, hours with a further 2 to 3 hours required for the drive between Taksimo and Irokinda.

The climate of the region is harsh continental with long cold winters and short rainy summers and great fluctuations in the daily and yearly temperatures. The winter season lasts 7 months with snow cover usually lasting for approximately 234 days. Mining at the Irokinda Project operates on a year-round basis.

Electric power is provided from a 220/110/35 kV substation located in Taksimo and is transmitted via a single 70 km, 110 kV power line to Irokinda. The main water source for the Irokinda mine consists of two wells located in the western outskirts of the Irokinda settlement. Buryatzoloto conducts all operations at the Irokinda mine using its own employees. The flotation tailings storage facility is operational year-round and provides for the permanent storage of flotation tails. It includes the following facilities: tailings pond, hydrotransport system (pipelines) and recycle water system.

The Irokinda Project is located at an altitude of approximately 1,350 m. The landscape in the region is transient, from broken alpine in the northern part to middle alpine taiga in the southern part, and elevations ranging from 1,100 to 1,500 m. Vegetation in the area is poor and is mainly represented by Siberian larch growing in the river valleys and on the slopes up to an elevation of 1,250 to 1,300 m.

History

The Irokindinskoye deposit was discovered in 1959 by the Oktyabrskaya partnership of the state-owned company Buryatgeologia and was prospected during the 1969 to 1975 field seasons. Mining at the Irokindinskoye deposit began in 1974 with pilot operations organized by the Tsipinkonskiy placer mine. A pilot processing plant was also built in 1974 and the first 350 t of ore were mined in the area of the Yurasovskaya vein.

Prior to 1991, mining operations at the Irokinda mine were undertaken by the state-owned gold mining company Zabaikalzoloto which is located in the city of Chita. In January, 1991, a state gold mining company (Buryatzoloto) was founded with its assets comprised of a placer mine (Tsipicanskiy) and both the Irokinda and Zun-Holba mines. During the disintegration of the Soviet Union, reformation occurred, which led to the Tsipicanskiy placer mine becoming a joint stock company and Buryatzoloto receiving exploration-mining licenses for the Irokinda and Zun-Holba deposits.

Prior to 1993, all exploration and mining works on the Irokinda Property were conducted by state organizations; however, between 1994 and 1995 Buryatzoloto became an open joint Stock company and the licenses were reregistered to the company. At that time, 30% of the company shares were acquired by High River via an open cash auction, with High River acquiring 85% of Buryatzoloto's stock by 2005.

During the period from 1993 to 2006, Buryatzoloto explored and took to the mining stage veins No. 3, No. 8, No. 15, No. 30, No. 52, No. 35, No. 35-A, Central'no-Tuluinskaya, Lagernaya and Khrebtovaya-2. In 2007, exploration was conducted on veins No. 1, 2, 2A, 3, 7, 28, 29, 30 to 35, 80, Bolshaya, Malenkaya, Zonalnaya and Rudny. Based on both exploratory mining and drilling the "reserve" potential was estimated for veins No. 1, 2, 2A, 7, Bolshaya, Malenkaya and Rudny. On veins No. 3 and No. 30, the block boundaries were determined for a number of blocks according the Russian "reserve" categories of C1 and C2. In 2008 and 2009, Buryatzoloto continued to explore the Lagernaya, Yubileinaya, Visokaya-2 veins and veins No. 3, No. 7, No. 30, No. 2, No. 1, No. 2A and No. 52.

In 2010, the following veins were explored with underground adits, drifts and stopes: Petrovskaya, Altaiskaya, Yubileinaya, Visokaya-2, vein No. 3 and veins No. 30 and 35. Diamond drilling was the preferred method for exploration on the Khrebtovaya, Paralelnaya-1, Altayskaya, Erebryakovskaya (Sluchaynaya), Yubileinaya, Nizhnaya, and Tulunskaya veins, as well as veins No. 1, No. 2, No. 2A, No. 3, No. 30-35, No. 51 and No. 52. The Kelyano-Irokindinskaya zone was covered with geochemical survey, ground geophysics (induced polarization and magnetic survey) and geological mapping, with the areas containing geochemical and geophysical anomalies followed up with trenching and channel sampling. More recently Nordgold has gained

control of High River through its acquisition of 75% of the outstanding shares. The annual statistics for mined and processed ore from 1985 to the first quarter of 2012 are summarized in the table below.

Annual Mined and Processed Ore from 1985 to 2012 (First Quarter)					
Year	Ore Mined			Ore Processed At The Plant	
	Tonnes	Average Gold Grade (g/t)	Contained Gold (kg)	Tonnes	Refined Gold (kg)
Total 1985 to 1990	74,308	—	—	106,570	1,438
Total 1991 to 2012 (First Quarter)	4,164,113	9.79	40,758	3,960,170	35,205
Total	4,238,421	—	40,758	4,066,740	36,643
* Records of mined tonnages for 1988, 1989 and 1980 are incomplete.					
Table created by Micon from data provided by OJSC Buryatzoloto.					

Geology

Regional Geology

The main structural unit in the region is the Uzhno-Muiskaya formation, which is a block of Archean basement rocks. The boundaries of the formation on its western and eastern sides are represented by contacts with the Kelyansakaya and Tuldunskaya mobile zones, respectively, while the northern and southern boundaries are represented by the Muiskay and Tilishminsky faults.

Precambrian rocks are represented by stratified sediments which are separated in time, and by formation conditions, into three lithological formational units: Archean, early Proterozoic and late Proterozoic.

Local Geology & Project Geology

The Irokindinskoye ore field exhibits aspects which clearly demonstrate that it is a separate geological block, bounded by major faults. In the ore field, three adjacent blocks have been detected: Irokindinsky, Kindikansky and Zapadny. The internal structure of the blocks is complicated by an extra level of faults which comprise a complicated net inside each block. The Irokindinsky and Kindikansky blocks are the western boundary of a solid Archean rock mass and are composed of tectonic rocks of the Kindikanskaya suite. The Zapadny block, which is composed of early Proterozoic intrusive rocks of the Muiskay complex, contains the Kvarzevoe deposit.

The Irokindinskoye deposit is comprised of quartz veins occurring in three main fracture systems which are flat dipping (25-45°) to the west. The veins are typical of other quartz vein deposits, with the veins pinching and swelling in both the strike and dip directions and in which, more often than not, the gold distribution is very irregular and the economic mineralization is located in shoots of varying strike lengths.

Exploration

Exploration in 2011 consisted of the following work: 9,047 m³ of trenching, 6.86 km² of mapping, 50,399 m of surface drilling, 3,748 m of underground drifting, and 18,211 m of underground drilling. The majority of the sampling at the Irokinda Project is related to underground sampling for operational purposes, as opposed to a true exploration program on an undeveloped project.

In terms of individual samples, there are no significant results as the majority of the samples collected at the Irokinda Project are collected in the course of day-to-day mining operations. The samples generated by exploration are taken for the purpose of identifying the extent of existing veins and for the purposes of outlining resources and reserves. In general terms, the samples are representative of the mineralized material that is currently being mined and the grade of the individual samples appropriately reflects the variability of the mineralization contained in the vein. For additional historical exploration information, see “— History”.

Mineralization

The areas containing economic mineralization within the deposit consist primarily of quartz with a low, less than 3%, content of mineralization. The most abundant minerals are pyrite and galena, with rare chalcopyrite and fahlore.

On rare occasions, pyrrhotite, arsenopyrite and scheelite also occur. Epigenetic units are iron hydro-oxides, malachite, azurite and jarosite, as well as others.

The inclusions of economic minerals are usually small with rare occasions where they are larger than a few millimetres, and have a mono-mineral character, although rare polymineral intergrowths occur. The mineralization in the quartz occurs as disseminated impregnations, nests, veinlets and interstitials. Weathering pits are indicative with the textures typically massive, inset and ribbed, with rare vein-inset, breccia and drusy.

The deposit contains five paragenetic mineral associations corresponding to five stages of mineral generation:

- 1) Quartz.
- 2) Tourmaline-scheelite-quartz.
- 3) Quartz carbonate.
- 4) Gold-sulphide-quartz.
- 5) Carbonate.

Gold and silver are the primary products resulting from mining at the Irokinda mine. Gold is native (90%), mainly occurring in quartz but on rare occasions (10%) it occurs as interstitials with sulphides. Gold in the veins occurs as spongy aggregates, plates, flakes, ambages, dendrite and falciform separations. Gold grain sizes range usually up to 1 to 2 mm, and in rare instances up to 1 to 2 cm. The colour of the gold is light yellow to bright yellow and the gold ranges in purity (fineness) from between 650 to 750 to 880 to 900. Silver usually occurs in association with gold, galena and fahlore. The silver separations usually form a lumpy or falciform texture or appearance. The colour of the silver is silverwhite and the grain size is not larger than 1 to 2 mm.

The Irokindinskoye deposit is comprised of quartz veins occurring in three main fracture systems which are flat dipping (25° to 45°) to the west. The veins are typical of other quartz vein deposits, with the veins pinching and swelling in both the strike and dip directions and in which, more often than not, the gold distribution is very irregular and the economic mineralization is located in shoots of varying strike lengths.

Drilling

The underground and surface drilling is conducted by the drilling team of the Irokinda mine. The holes are spotted and the drill rig is lined up by the mine surveyor. The project geologists visit the drill rigs once per day to take photographs of the core and discuss progress with the drill team. The mineralized intersections for all drill holes are sampled and the whole core is sent to the internal laboratory on the mine site. The remaining surface drill core is stored on the property for 5 years and then it is disposed of on the waste rock dump. Underground drill core is not stored and is disposed of after the sampling is concluded. A list of selected holes and mineral intersections is provided in the table under the subheading “— *Surface Drilling Program*”.

Underground Drilling Program

Underground drilling is an essential part of the exploration and stope definition program. Drilling underground is conducted using Diamec 262 drill rigs with BQ core (outside diameter equals 59.6 mm) from drilling chambers located in the underground workings. Usually, a number of holes are drilled in a fan pattern from a single drill chamber. The length of the holes is from 100 to 320 m and they target one or more gold bearing quartz veins.

Surface Drilling Program

Veins tested by trenches and stripping on surface are further evaluated to depth by drilling both vertical and inclined holes on sections. Three to nine holes are drilled from one drill pad, so that the holes intersect the quartz-

sulphide veins on a grid of 160 x 80 to 160 m, with further infill drilling on the grid, where defined mineral shoots are cross-cut, down to a 40 x 40 m pattern. The same methodology is used underground for testing the lower levels of veins being mined with additional cross-cuts and drilling chambers excavated for this purpose. The surface drilling is performed using SKB-4 and ZIF-650 drill rigs.

For both underground and surface drilling, the hole is spotted and lined up by a surveyor. The downhole survey is done during the drilling every 50 m and, after completion of the hole, the inclinometry (downhole survey) is repeated every 10 m until the end of the hole. The core recovery for underground and surface drilling is 98 to 100%.

Selected Results from the 2011 Drill Program										
Drill Hole Parameters					Mineralized Intersection (m)				Assay (g/t)	
ID	Type	Length (m)	Azimuth (°)	Dip (°)	From	To	Width	True Width	Gold	Silver
C-637/5	S	573.00			11.40	11.60	0.20	0.19	857.00	785.00
C-638/5	S	110.50	222	-70	183.10	184.10	1.00		7.40	6.80
C-638/8	S	311.50	109	-72	194.90	195.20	0.30	0.23	5.70	7.80
C-639/1	S	431.70	96	-67.5	423.30	425.20	1.90	1.38	14.09	4.13
including					424.30	425.20	0.90		28.00	8.60
C-639/9	S	516.70	214	-80	492.80	493.40	0.60		28.20	10.00
“	“	“	“	“	504.00	505.40	1.40		88.20	37.50
including					504.00	504.70	0.70		144.00	63.00
C-641/2	S	301.40	88	-40	286.40	287.90	1.50		117.20	71.90
including					286.40	287.00	0.60		156.00	118.00
C-641/3	S	293.20	173	-57	215.20	215.30	0.10		20.70	8.40
C-668/7	S	321.00	60	-61	307.00	307.50	0.50		40.30	360.00
C-34/54	UG	258.7	188	40	225.30	225.70	0.40	0.38	27.8	26.7
C-6/71	UG	224.5	264	13	205.60	206.20	0.60	0.16	8.50	5.0
C-38/959	UG	256.9	289	30	231.1	231.9	0.73		7.8	11.8
C-41/959	UG	301.2	256	0	171.00	172.00	1.00		12.1	16.1
C-44/959	UG	250.1	207	0	238.80	239.40	0.60		59.20	14.90
C-97/49	UG	130.1	98	-58			0.45		19.6	32.5
<p>Note: Data provided by Buryatzoloto.</p> <p>UG-underground drill hole.</p> <p>S-surface drill hole.</p> <p>“— same as above.</p>										

Micon has reviewed the Irokinda Project drilling programs and has not noted any drilling, sampling or recovery factors that could materially impact the accuracy and reliability of the results. Where applicable, the relationship between the sample length and true thickness of the mineralization is estimated. However, in the case of vein type deposits, the true width of the mineralization, as indicated in individual drill holes, can be deceptive, as the veins tend to pinch and swell and two closely spaced drill holes can provide different results. In the case of the Irokinda Project, the estimation of the true width of the mineralization based on a single drill hole is less important than the overall average width of the vein under investigation, and its relationship to the minimum mining width, and the average grade of the vein, as these factors will determine if the mineralization is included in the resource estimate.

Sampling and Analysis and Security of Samples

Surface channel sampling of the trenches was used to evaluate the quality and quantity of the mineralized zones and the controlling structures of the mineralization. The sampling was based on geological boundaries with the length of the samples not more 1.0 m and a channel cross-section of 5 x 10 cm. The weight of the samples varied from 13 kg to 15 kg. The altered, mineralized rocks, quartz veins and quartz-sulphide rocks that had a thickness of less than 0.3 m were sampled using chip samples to get enough weight for the sample. The depth of the chip samples was 0.05 m, the width of the chip sample 0.2 m and the length 0.5 m. The length of the chip sample at a constant depth and limited width was chosen in such a way that the total sampling area would be equal to 0.1 m².

The underground drifts are regularly sampled with channel samples spaced 2.5 to 3 m apart. The interval used is equal to two cycles of development and was chosen based on the basis of exploration experience at the mine, despite the extremely irregular distribution of the mineralization. In some cases, samples are taken from the walls and roof of the drifts. Cross-cuts which exposed the mineralized body for the whole thickness, as well as the access adit, were sampled along the wall. Sampling of the raises was conducted along two of the faces with a sampling interval equivalent to approximately every 3.0 m. The cross-section of the channel samples in the underground workings was 5 x 10 cm. Channel sampling can at times be a somewhat selective sampling method since it is occasionally difficult to take a representative sample due to variations in the hardness of the material being sampled. The chip sampling is submitted to the mine's on-site assay laboratory with the results available usually within 24 to 36 hours of being submitted. The results obtained in the on-site laboratory are commonly used in the estimation of resources.

For the exploration programs and the underground drift sampling, the sample preparation of both core and channel samples included crushing and grinding processes. Core samples were processed following a single-stage cycle of crushing and grinding in which the material was ground to 0.074 mm without splitting. Analyses of the samples for gold and silver were done using the fire assay method at the Irokinda fire assay laboratory, using two equal weighted portions. In the case of any discrepancy, the assaying was repeated.

Internal control is conducted to reveal any assaying error, by means of analyzing codified control samples stored at the Irokinda fire assay laboratory. Control samples are taken from among the assay duplicates. Internal controls are conducted quarterly, semi-annually and annually by grade classes comprised of 0 to 1 g/t gold, 1 to 4 g/t gold, 4 to 16 g/t gold, 16 to 64 g/t gold, 64 to 128 g/t gold and greater than 128 g/t gold.

Both the internal and external check analyses for gold have been conducted in a systematic fashion. There is a satisfactory comparison between the external and internal check assays, and these generally do not display any systematic biases. However, periodically between 1997 and 2011, systematic biases have been detected in the 0 to 1 g/t gold grade range for the external check analysis. These have been investigated and found not to have affected the "reserve" estimates to any significant degree.

Micon believes that, based on a review of the work conducted at the mine and on discussions with Irokinda personnel, Buryatzoloto applies a reasonable degree of care and diligence in monitoring the assay results obtained from samples from the property. Micon considers that the quality assurance and quality control procedures and protocols employed at the Irokinda mine are rigorous enough to ensure that the sample data are appropriate for use in mineral resource and reserve estimations.

All samples are taken to the mine site laboratory by the geologists who collect the original sample. The laboratory is a secure area with limited access to outside personnel. Buryatzoloto has no relationship with the two out-side laboratories, IRGIREDMET and RATs Analytical Centre, where the external check assays are conducted. Both of these laboratories are independent. The two outside laboratories are also governed by Russian state regulations concerning the accuracy and quality of their operations.

Security of Samples

Micon considers that the quality assurance and quality control procedures and protocols employed at the Irokinda mine are rigorous enough to ensure that the sample data are appropriate for use in mineral resource and reserve estimations. All samples are taken to the mine site laboratory by the geologists who collect the original sample. The laboratory is a secure area with limited access to outside personnel. Like many mine laboratories around the world, the on-site laboratory is not ISO certified. However, the on-site laboratories in Russian mines are subject to strict state regulations which include regular visits and audits that ensure compliance with state standards for sample preparation and assaying.

Buryatzoloto has no relationship with the two out-side laboratories, IRGIREDMET and RATs Analytical Centre, where the external check assays are conducted. Both of these laboratories are independent. The two outside laboratories are also governed by Russian state regulations concerning the accuracy and quality of their operations.

Mineral Resource and Mineral Reserve Estimates

Micon's audited and converted resource estimates for the Irokinda mine are summarized in the table below for the Measured and Indicated Mineral Resources, and in the table below for the Inferred Mineral Resources.

Summary of the Measured and Indicated Mineral Resources at the Irokinda Mine as of April 1, 2012			
JORC and CIM Category	Tonnes (t)	Gold Grade (g/t)	Gold (kg)
Measured	319,600	12.67	4,050
Indicated	373,300	7.12	2,650
Total Measured and Indicated	692,900	9.68	6,700

Summary of the Inferred Mineral Resources at the Irokinda Mine as of April 1, 2012			
JORC and CIM Category	Tonnes (t)	Gold Grade (g/t)	Gold (kg)
Inferred	97,700	2.7	300
Inferred	105,900	17.20	1,800
Total Inferred	203,600	10.23	2,100

At a block cut-off grade of 6.8 g/t gold and a minimum mining width of 1.1 m. The figures in the tables above have been rounded to reflect that the resources are estimates. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The stated April 1, 2012 mineral resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues, to the best knowledge of the authors. There are no known mining, metallurgical, infrastructure, or other factors that materially affect this mineral resource estimate.

Dilution and ore losses were estimated by Buryatzoloto for each block individually, using a set of parameters for the estimated wall rock dilution and dilution with rock waste fill.

Micon's estimated Proven and Probable Mineral Reserves are summarized in the table below.

Summary of the Proven and Probable Mineral Reserves at the Irokinda Mine as of April 1, 2012			
Category	Tonnes (t)	Grade (g/t)	Metal (kg)
Proven	225,000	11.36	2,560
Probable	1,000	6.59	10
Total Proven and Probable	226,000	11.34	2,570

Micon estimates that the total remaining Mineral Reserve at the Irokinda mine as of April 1, 2012 is 226,000 t at a grade of 11.34 g/t gold, containing 2,570 kg of gold.

Mining Operations

Mining Methods

Due to the large separations between the veins, which may reach several km and the mountainous relief, the development of individual veins is typically conducted through one or more isolated adits. In some cases, however, a single adit provides access to more than one vein. When developing new veins, production sites are established on the surface close to the portal of the main adit. When developing new veins, production sites are established on the surface close to the portal of the main adit. Two principal stoping methods have been applied at Irokinda. Between 1974 and 1995, a supported stoping method supplemented with upwall cutting was used, for mining mineralized veins of short strike length and shallow dip hosted in rock deemed to be of a medium stability. Since 1996, the room-and-pillar mining method has been used, with the room locations following the dip of the vein.

All of the mining methods used at Irokinda are labour intensive. Jacklegs and stopers are used to drill the blast holes. Extraction of the broken material is accomplished primarily by using slushers to move the material into the ore and waste passes. From the ore and waste passes, the broken material is loaded into rail cars either from a chute or by mucking machine (shrinkage stoping). Once all ore has been extracted, stopes are cleaned with the aid of slushers, scrapers, metallic brushers or a vacuum-suction unit (Transvac).

Metallurgical Process

The metallurgical process at Irokinda involves gravity and flotation circuits with the production of both a gravity concentrate ready for smelting and a flotation concentrate which is shipped to the carbon-in-pulp plant at the Zun-Holba mine for further treatment by cyanidation and adsorption.

Markets

Gold is a metal that is traded on world markets, with benchmark prices generally based on the London market (London fix). Gold has two principal uses: product fabrication and bullion investment. Due to the size of the bullion market and the above-ground inventory of bullion, High River's activities will not influence gold prices. The doré produced by High River at its mines is further refined by third parties before being sold as bullion (99.99% pure gold). To a large extent, gold bullion is sold at the spot price.

Contracts for Sale of Products

High River and Buryatzoloto advise that there are no contracts for mining, smelting, refining, transportation, handling or sales that are outside normal or generally accepted practices within the mining industry.

Environmental Conditions

The environmental monitoring and control at Irokinda are carried out by the environmental laboratory which is included within the confines of the fire assay laboratory at the mine. In addition, a number of outside state organizations are retained for monitoring purposes.

Taxes

License UDE 00212 BE is subject to an annual tax equaling 6% of the gold and 6.5% of the silver revenue from the recovered metal. In addition to the annual tax on the recovered metal, Buryatzoloto also has to pay annual fees of 207 roubles per km² for license UDE 00212 BE. High River is subject to the taxing jurisdictions of Russia and Canada, whereas Buryatzoloto is subject only to the taxing jurisdictions of Russia.

Mine Life

As of April 1, 2012, the Micon audited proven and probable reserves for the Irokinda mine were approximately 226,000 tonnes, which represents less than a one year mine life. It is also expected that underground exploration will be advanced through both diamond drilling and drifting, and that this will continue to add additional tonnage and ounces to the existing resource and reserve base.

Exploration and Development

The long term exploration programs already undertaken and planned between 2007 and 2015 target further opportunities located both within the limits of the Irokindinskoye deposit and in adjacent areas. Buryatzoloto has submitted an application to acquire additional prospective areas, adjacent to the Irokindinskoye deposit via auctions, and to carry out exploration work with the objective of increasing the mine life.

THE ZUN-HOLBA PROJECT, RUSSIA, MINING AND TECHNICAL INFORMATION

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Zun-Holba Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Zun-Holba Technical Report. Reference should be made to the full text of the Zun-Holba Technical Report which is available for review on Nord Gold's SEDAR profile located at www.sedar.com.

Introduction

Micon was commissioned by High River to prepare an NI 43-101 compliant report on the Zun-Holba Gold Mine in Russia. The Zun-Holba Technical Report documents the geological block modelling, the mineable reserve, mineral processing, environmental and social issues and the financial assessment of the mining operations from project commencement to end of mine life.

Property Description and Location

The Zun-Holba mine is located in the western portion of the Republic of Buryatia within the Okinskiy district, which borders with the Irkutsk Region to the north and west, and Mongolia to the south. The mine is situated 736 km west of the Buryatian republic capital city of Ulan-Ude, 100 km from the village of Mondy and 150 km from the village of Orlik, which is the district centre. It is located about 2,000 m above sea level. The longitude and latitude for the site are approximately 52°04' N, 100°50' E, respectively. High River advises that it holds its interest in the Zun-Holba Project through its 85% ownership of the Open Joint Stock Company Buryatzoloto ("Buryatzoloto"). Buryatzoloto, a Russian company, owns a 100% interest in the Zun-Holba Project and has operated the mine since 1996.

In Russia, the subsoil rights are held by the state; however, since 1993, the right to explore and develop the mineral wealth in the subsoil can be obtained by acquiring licenses through a state auction. Within the Okinskiy district, Buryatzoloto holds five licenses for the Zun-Holba mine and for portions of the area around it. They are as follows:

- Exploitation license UDE 00213 BE of 242.2 ha in area covers the Zun-Holba deposit. The license area has been given the status of a "mining allotment" with a licensed depth for mining from the surface to the 900 m elevation. The license was granted to mine gold and silver at the Zun-Holba deposit and gives the right for any exploration works within the mining allotment.
- Exploration-exploitation license UDE 00419 BR covers 67 km² around the Zun-Holba mine. Initially this license was issued on July 30, 1999 to carry out evaluation and detailed exploration, with simultaneous mining of gold, and covered 306 km². On February 28, 2002, Buryatzoloto initiated a change of the license area to 41.3 km² and finally on July 17, 2003, the company initiated a change of the license area to 67 km².
- Exploration-exploitation license UDE 00231 BR covers 3.1 km² for the Pionerskoye deposit. Prior to receiving of the license by Buryatzoloto, all prior explored reserves were mined. Between 1999 and 2007, a total of 36,181 tonnes containing 563 kg of gold was mined. Within the licensed area, a total of 753.5 m of exploration underground workings was developed.
- Exploration-exploitation license UDE 01367 BR covers 8.0 km² for the Smezhny site. This license was acquired in March, 2011 and Buryatzoloto is in the process of conducting exploration.
- Exploration-exploitation license UDE 01368 BR covers 38.0 km² for the Yuzhny site. This license was also acquired in March, 2011 and Buryatzoloto is in the process of conducting exploration.

As part of the obligations to maintain the licenses, Buryatzoloto must do the following:

- 1) Submit to the state quarterly and annual statistical forms regarding exploration programs and costs.

- 2) Submit to the state annual statistical forms regarding reserves and mining which include details regarding mining recovery, dilution, reserve conversion, etc.
- 3) Submit to the Buryatnedra agency all information regarding the regular payments for use of the subsoil. Buryatzoloto has advised Micon that it has fulfilled all obligations concerning this information and the subsoil usage payments.
- 4) Observe all obligations with reference to environmental protection. Buryatzoloto has advised Micon that it has fulfilled this obligation and that it is in compliance with the existing environmental regulations.
- 5) Pay the mining tax in accordance with the Russian Federation tax code monthly in the amount of 6% of the revenue from the recovered gold and 6.5% of the revenue from the recovered silver.

Micon is unaware of any other outstanding environmental liabilities at the Zun-Holba Project, other than those normally associated with an operating mine in Russia. Micon is unable to comment on any remediation which may have been undertaken by previous companies.

Micon is unaware of any other significant factors or risks that may affect access, title or the right or ability of Buryatzoloto to perform work on the Zun-Holba Property. Other than those discussed previously, Micon is not aware of any royalties, back-in rights, payments or other agreements and encumbrances which apply to the Zun-Holba Property.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The closest settlement to the mine is the village of Samatra which is linked to the village of Mondy via a 100 km long dirt road (covered with gravel). From the village of Mondy, it is 203 km via a paved road to the village of Kultuk at the southern end of Lake Baikal. From Kultuk, a paved highway connects to the cities of Ulan-Ude to the east and Irkutsk to the north. Kultuk is also the nearest station of the Trans-Siberian railway line, where the transfer point for bags of flotation concentrate shipped from the Irokinda mine is located.

Access to the district centre of Orlik with a population of approximately 1,000 inhabitants is available through the village of Mondy via a 50 km long dirt road. The population of the Okinskiy district is approximately 4,500 inhabitants and, as a result, hiring of labour is possible mainly by tapping the resources of other districts of the Republic of Buryatia and the adjacent Irkutsk region.

The Zun-Holba deposit lies in a very dissected area of relief in the western part of the Kitoiskie bald peaks. The highest elevation is 3,001.6 m as represented by the Ulan-Sardak mountain, and the lowest elevation is 1,273.6 m located at the mouth of the Hara-Gol river. Relative distances between the highest mountain tops and the river valleys range from 400 to 500 m and up to 800-1,000 m. Slope grades of the mountain ridge of the Kitoiskie bald peaks reach up to 600, and some cases have vertical walls. The network of rivers within the district is typical of mountainous regions with the largest rivers Urik and Kitoy having continuous year round water flow. During the winter months almost all of the small rivers are completely frozen. During the spring and summer floods, the water level in rivers and lakes typically rises by 1.5 to 2 m. The rivers are usually icebound in November and spring break-up occurs in May. There are numerous lakes within the district.

The climate is continental with large daily variations in the temperature. The annual precipitation is 500 millimetres (mm). The annual average temperature is minus 7.4°C with an average temperature in July of plus 15°C and in January of minus 22°C. Winter lasts about 7 months with snow cover formed around the middle of October and melting by the middle or end of May. The thickness of the snow varies from 10 cm to 70 cm. At the height of summer at the higher elevations snow can precipitate at any time. Permafrost is pervasive in the area with depths up to 250 to 300 m. Seasonal melting of the permafrost is accompanied by wide development of solifluction in the slopes and the formation of swamps in the upper parts of river valleys.

The source of the water supply for the camp of Samarta is underground water derived from capped wells located on the right bank of the Samarta river, while the water supply for the camp located at the mine is derived from drill holes, with a water-intake system located on the right bank of the Zun-Holba river.

In 2002, Buryatzoloto the company successfully launched an 86 km long 110 kilovolt (kV) power line from Mondy to Samarta. This power line now reliably supplies electricity to the infrastructure of the Zun-Holba mine, as well as two districts of the Republic of Buryatia. At the Samarta site, emergency electrical supply is provided by eleven power generators with a total capacity of 8,360 kilowatts. Buryatzoloto advises Micon that the existing tailings area is sufficient for several years of production, with additional areas available for future tailings disposal.

History

Construction of the mine was approved by the State Committee of the Reserves (“SCR”) of the USSR in 1973, but no mining was carried out between 1973 and 1984. Gradual development of the deposit started in 1986 and full mining and processing operations commenced in 1991. Prior to 1991, mining operations at the Zun-Holba mine were undertaken by the Artel (cooperator) Sayany of the industrial union Zabaikalzoloto which is located in the city of Chita.

In January, 1991, a state gold mining company (“Buryatzoloto”) was founded with its assets comprised of a placer mine (“Tsipicanskiy”) and both the Zun-Holba and Irokinda mines. During the disintegration of the USSR, reformation occurred, which lead to the Tsipicanskiy placer mine becoming a joint stock company and Buryatzoloto receiving exploration-mining licenses for the Irokinda and Zun-Holba deposits. Prior to 1995, all exploration and mining works on the Zun-Holba property were conducted by state organizations; however, between 1994 and 1995 Buryatzoloto became an open joint stock company and the licenses were reregistered to the company. At that time 30% of the company shares were acquired by High River through an open cash auction. By 2005, High River had acquired 85% of Buryatzoloto’s stock. With the inception of Buryatzoloto, the period of active development began with production growth targeted, as well as implementation of a development program that allowed the company to create a modern efficient operation at the mine and improve the social conditions for its staff.

Between 1982 and 1993, detailed exploration was conducted by the Zun-Holba exploration team of the Okinskaya expedition of the State Industrial Geological Association Buryatgeologia. During the detailed exploration program at the Zun-Holba deposit, exploration drifts to trace mineralization were developed 50 to 100 m apart, vertically. In addition, a total of 1,006 drill holes including 326 surface and 680 underground holes were drilled

Since 2000, Buryatzoloto has conducted drilling programs to evaluate the lower levels of the Zun-Holba deposit between the 1690 m and 1290 m levels. One of the features of the drilling programs has been to drill a fan of holes from each drill chamber. During the first stage of the exploration program between 2000 and 2001, 22 drill holes totalling 11,763 m from 6 drill stations on the #12 adit level were drilled into the mineralized bodies of the Severnoye-3, Severnoye-1, Vavilovskoye-1, Sulphidnoye-1 and Babkina zones.

Geology

The Zun-Holba deposit is located within a caledonide system of the Eastern Sayan within the northeastern peripheral part of the Garganskaya dome which comprises the core of the sublatéral Gargan-Butugolskiy anticlinorium. From a structural point of view, the deposit is positioned within the zone of the Samarta-Holbinskaya intradome syncline and is subcomformable to the Holbinskaya zone of faults that intersects the intradome syncline zone. Metallogenically, the deposit is included in the Holbinskoye mineralized area of the Urik-Kitoiskaya mineralized zone of the Garganskiy gold district.

The Holbinskoye mineralized area includes the Zun-Holba and Baroon-Holba gold deposits, along with a number of occurrences such as the Smezhnoye, Pravoberezhnoye, etc. The geological setting of the Holbinskoye mineralized area is composed of the following:

- 1) Archean-lower Proterozoic metamorphosed rocks of the Garganskaya dome basement.
- 2) Vend-Cambrian schist-carbonate rocks as the dome cover.
- 3) Riphean-Vend ophiolite association as a tectonic cover.
- 4) Baroon-Holba volcano-plutonic complex as a paleovolcanic structure.
- 5) Intrusions of the Sumsunurskiy complex of lower-middle Paleozoic plagiogranite.
- 6) Holbinskaya faults zone.

Exploration

The exploration programs at Zun-Holba have been broken down into 3 categories: prospecting programs, exploitation-exploration programs and stope-definition exploration of shaft levels between the 1440 and 1340 m levels. Exploration in 2011 consisted of the following work:

- 632 m of underground drifting;
- 39,710 m of underground drilling;
- 47 km² of mapping; and
- 26,639 m of surface drilling.

The exploration program underground is an integral part of the mining operations and will continue into the future. The estimated “reserve” gain due to the exploration program in 2011 was approximately 479,000 t containing 3,254.3 kg gold. The main focus of the underground exploration program is to explore the flanks and down dip potential of the Zun-Holba deposit. The program consists of channel sampling within the underground workings (drifts and cross-cuts) and drilling from drill chambers specifically designed to maximize the drill coverage from each station.

The 2012 exploration program is a continuation of the 2011 program and consists of drifting, sampling, and underground drilling, and surface drilling on the Perspektivnaya, Yuzhnaya and Pionerskaya zones, along with mapping and trenching. The 2012 exploration program includes 930 m of drifting and sampling. During the Micon site visit in May, 2012, two drill rigs were exploring from the surface and three were drilling underground from drilling chambers, located on levels 1390 and 1730 m. The main objective of the underground exploration is to upgrade and develop the existing C2 and P1 Russian “reserves” and provide the basis for the future operation of the mine. The corporate goal is to prove up to 3 t Au in the area above level 1290. Underground definition drilling extends the ore shoots and prepares the area for mining within the main mine area.

The company has planned 32,520 m of exploration underground drilling and 8,000 m of definition drilling in 2012. In addition, 2012 surface drilling is continuing to testing the deep levels of the Perspektivnaya (main mine area) and Yuzhnaya zones and the upper levels of the Pionerskaya zone. The company has planned 32,770 m of surface drilling on the Pionerskoye deposit zone, Perspektivnaya zone and old tailing ponds. The estimated budget for the exploration program at the Zun-Holba Project for 2012 is 362,159,000 roubles (US \$11.9 million).

Mineralisation

On the Zun-Holba mine property, there are 23 mineralized zones which have been explored with different exploration grids: the Severnoye-1,2,3,5; Vavilovskoye-1,2,3,5,6; Sulphidnoye; Sulphidnoye-1,2,3,4; Dorzhy-Banzarovskoye; Parallelnoye; Dorozhoye-2,3,4; Babkina; Bulba; Listvenitovoye and the Dalnee zone which was discovered in 2005. As the basis of mineral reserve estimation, the following mineralized zones are considered as

the largest; the Sulphidnoye-1 mineralized zone contains 39% of the deposit's "reserves", the Vavilovskoye-1 contains 23.3%, the Severnoye-1 contains 10% and the Vavilovskoye-3 contains 5%. The remaining 22.7% of the mineral "reserves" for the Zun-Holba deposit are distributed in the other 19 mineralized zones.

In the deposit, there is a vertical zoning from surface to depth as represented by the change in different morphologic types of the mineralized zones from typical veins to vein-like bodies and to mineralized zones. Within the steeply dipping shear zone, only two types of mineralized zones are considered to have industrial mineralization. They are mineralized bands (79% of the "reserves") and vein-like zones (21% of the "reserves"). There is also an increase in thickness and strike length of the mineralized zones at depth, from 1-2 m in thickness and 20-50 m in strike length, to 3-5 m in thickness and up to 1,000 m in strike length.

The internal construction of the mineralized zones is complex. The vein-like zones and mineralized bands have a mosaic construction. They are composed of rocks fragments with different amounts of gold: black schist, quartzite, listvenite (hydrothermal rocks which form within ultrabasic and carbonate rocks and their main mineral is fuchsite (chromian mica)), quartz and quartz-sulphide ores cemented by berezite (hydrothermal alteration consisting of quartz, sericite, pyrite) rocks which are sometimes gold-bearing, but more often barren. The veins have a sulphide-quartz composition with distinct boundaries which often intersect the host rocks. Typical quartz veins are seen seldom at the deposit.

The mineralization is grouped in two types:

- 1) Quartz-sulphide rocks; and
- 2) Gold-bearing altered host rocks such as silicate, carbonate and graphite-containing schists.

The amount of sulphides in the mineralized rock is 8 to 9% with the dominant mineral within the sulphides being pyrite at 90 to 95%. The secondary sulphide minerals amount to approximately 5 to 7% and are represented by galena, sphalerite, chalcopyrite, as well as accessory minerals including arsenopyrite, fahlore and bournonite.

Drilling

Underground drilling is an essential part of the exploration, stope definition, mine planning and grade control at the Zun-Holba mine. The underground drilling is performed from drill chambers with fans of 3 to 12 holes being drilled from each chamber. Currently, the underground drilling is carried out using a 262 Diamec drill with BQ core (outside diameter equals 59.6 mm). The average drill hole length is approximately 250 m. A typical hole takes an average of 4 to 5 days to complete, or 10 shifts, with an average drilling rate of 26 to 32 m/shift. Core recovery is estimated to be in the range of 95 to 99% for the mineralized zone.

The ongoing underground exploration is conducted by the mine drilling personnel. The operating levels are 50 m apart. At the first stage, 3 holes are drilled per level, forming 40 m x 50 m grid. At the second stage, the grid is 20 m x 25 m to 20 m x 17 m. At the present time, the quartz veins with gold-bearing sulphide mineralization are explored from underground drill chambers located at the 1730 (adit 12), 1640, 1540, 1490, 1440 and 1390 levels.

In 2011, the following veins were explored: Severnoye-3, Sulphidnoye -1 and -2, Vavilovskoye-1, Parallelnoye, Dorozhnaya-4 and Kontaknoye.

As of May 1, 2012, a total of 2,308 holes totalling 469,915.9 m had been drilled since 1982, and a total of 121,733 core and 76,278 chip samples had been taken. During 2011, 39,362 m of surface drilling was completed, in line with the budgeted total. For 2012, Buryatzoloto has planned a minimum of 32,280 m of surface drilling. As of May 1, 2012, 6,990 m had been completed. The first exploration target for 2012 is the upper part of the Severnoye-3 vein, Perspektivnaya zone (main deposit). The area contains an old adit that provided access to a high grade zone. The vein, with visible gold, is located at the top of a hill, but the high grade part has been mined out and the exploration group is now trying to expand the resources between the top of the hill and the level of

Adit No. 14 (approximately, at the 2,000 m elevation). The surface exploration holes are drilled with LF-90 rig, with lengths of between 250 and 300 m. The drill holes are located on 7 sections with 3 to 4 holes per section, such that the mineralization will be explored on a 40 m x 50 m grid. The mineralized sections are sampled, the core is split, and half of the core is sent to Respublikansky Analitichesky Centre and SGS Laboratory in Chita.

Sampling and Analysis and Security of Samples

During the early detailed exploration programs, the preparation of both core and channel samples included crushing and grinding processes, which were performed using both hand and mechanical methods in the crushing facility of the Zun-Holba exploration team located at the Zun-Holba camp.

The underground drifts were sampled with channel samples within the stopes spaced 2.5 to 3.5 m apart. The interval used was equal to two cycles of stope development and was chosen based on exploration experience. The cross-cuts which exposed the mineralized body for the whole thickness (during the detailed exploration such cross-cuts were developed 20 m apart along strike and 10 m apart up dip), and the access part of the ore exposure drifts, were sampled along the wall. Sampling of raises was conducted along two of the faces with an interval of 3.0 m. The cross-section of the channel samples in the underground workings was 5 x 10 cm.

The channel sampling of the stopes was continuous, with sample lengths varying from 0.1 m to 1 m (maximum length of sample did not exceed 1 m). The reliability of the 5 cm x 10 cm cross-section was evaluated by parallel channel samples of 3 cm x 5 cm and 5 cm x 20 cm cross-sections, which gave comparable results. The accuracy of the selected cross-section was controlled by a systematic comparison of the calculated and actual weights of the samples. The quality of sampling was controlled by taking channel samples with a larger cross-section (5 cm x 40 cm). The reliability of the channel sampling was checked by 53 bulk samples varying in weight from 1.15 tonnes to 1,000 tonnes, which included 1,371 channel samples taken from 203.95 metres of mineralized intersections. A direct comparison of data from the bulk sampling confirmed the reliability of the channel sampling.

A total of 1,006 drill holes, including 326 surface holes and 680 underground holes, were drilled. The main drill diameters were 59 and 76 mm with the average core recovery was 84%. Core sampling was conducted for all of the exploration drill holes with the entire core containing the mineralized intersections taken for the sampling. The core sample length ranged from 0.1 m to 2.0 m, depending on the width of mineralized intersections. Quality control of the sampling was conducted systematically by a comparison of calculated and actual weights of the core samples. The reliability of core sampling was evaluated by comparing the core sampling with the bulk and channel samplings. The comparison determined that there was no significant understatement of the gold and silver grades in the core sampling, indicating that the assays obtained from the drilling programs were reliable enough to outline the mineralized zones for the “reserve” estimates.

Crushing and grinding of the channel and chip samples were carried out in a multi-stage cycle, using a jaw crusher, cone crusher and pulverizer. The crushed material was split when the material comprising the samples was reduced to 1 mm. From one to four splits were made, depending on the weight of the samples. The split sample of 1.2 to 1.5 kg in weight was ground to 0.074 mm using a disk pulverizer and split into two portions, one of which was sent for fire assay and the other remained as the duplicate sample which was sent for spectrographic aurometric (goldmetric) and spectrographic analyses. The core samples were processed following a single-stage cycle of crushing and grinding where the material was ground down to 0.074 mm without splitting. Analyses of samples for gold and silver were done using the fire assay method at the laboratory of the Okinskaya expedition until 1985 and then at the central laboratory of the State Geological Association Buryatgeologia. A total of 3,847 internal check analyses, or 3.73% of all samples from the project, and a total of 3,795 external check and 324 arbitration check analyses, were performed during the exploration programs. The samples were reanalyzed in the Central Laboratory of the State Geological Association Uralgeologia until the first half of 1985, in the Central Laboratory of Kamchatgeologia from the second half of 1985 until 1988 and, from 1988 to 1993, in the Central Laboratory of the State Geological Association Chitageologia. Processing of the check analyses was performed in accordance with the 1982 Research Council on Analytical Methods (RSAM) guidelines.

The internal check analyses showed that a bias existed primarily in the 0 to 1 g/t gold grade range and rarely in the 1 to 4 g/t and 4 to 16 g/t grade ranges. The bias did not influence the “reserve” estimation because it affected only 5 to 6% of the total number of assays conducted. The external check assays identified significant systematic biases during some periods of sampling between 1986 and 1989 and, for the sampling conducted during these periods, a number of arbitration check assays were submitted for secondary assaying. The arbitration check assays which were conducted identified that the fire assays of the main laboratory were sufficiently accurate to be included in the “reserve” estimation.

Channel sampling of trenches was used to evaluate the quality and size of the mineralized zones and the controlling structures of the mineralization. The sampling was based on geological boundaries, with the length of the samples not more than 1.0 m and a crosssection of 5 m x 10 cm. The weight of the samples varied from 13 kg to 15 kg. The altered, mineralized rocks, quartz veins and quartz-sulphide rocks that had a thickness of less than 0.3 m were sampled using chip samples to get sufficient weight for the sample. The depth of the chip samples was 0.05 m, with their width equalling the thickness of the mineralized zone and length of the samples taken to achieve samples covering an area of 0.1 m².

Internal check assays are performed to find random errors in the analytical work at the laboratory. The check duplicate samples are encoded and then assayed at the laboratory of the Zun-Holba mine: where the check assays are conducted for each of the following gold grade ranges: 0 to 1 g/t (0.0 to 0.5; 0.5 to 1.0), 1 to 4 g/t, 4 to 16 g/t, 16 to 64 g/t, 64 to 128 g/t and more than 128 g/t. According to the Russian guidelines the number of check analyses for each grade range has to be not less than 30.

Micon believes that, based on a review of the work conducted at the mine and on discussions with Zun-Holba personnel, Buryatzoloto applies a reasonable degree of care and diligence in monitoring the sample results on the property. Micon considers that the Quality Assurance/Quality Control (QA/QC) procedures and protocols employed at the Zun-Holba mine are rigorous enough to ensure that the sample data are appropriate for use in mineral resource and reserve estimations.

Mineral Resources and Reserves

Resources

Micon’s audited and converted resource estimates for the Zun-Holba mine are summarized in the tables below for the Measured and Indicated Mineral Resources, and the Inferred Mineral Resources. The effective date of the resource estimate is April 1, 2012.

Total Measured and Indicated JORC and CIM Compliant Mineral Resources for the Zun-Holba Mine

JORC and CIM Category	Tonnes (t)	Gold Grade (g/t)	Metal (kg)
Measured	451,600	11.36	5,100
Indicated	261,300	10.45	2,700
Total Measured and Indicated	712,900	11.03	7,800

Total Inferred Resources for Zun-Holba Mine (Russian Balance and Off-Balance)

JORC and CIM Category	Tonnes (t)	Gold Grade (g/t)	Metal (kg)
Inferred	35,200	12.46	400
Inferred	56,700	9.64	600
Total Inferred	91,900	10.73	1,000

At a minimum gold grade of 7 g/t and a minimum mining width of 0.8 m, Micon estimates that the total remaining mineral resource at the Zun-Holba mine as of April 1, 2012 is 712,900 tonnes at a grade of 11.03 g/t gold for the Measured and Indicated Mineral Resources, and 91,900 tonnes at a grade of 10.73 g/t gold for the Inferred Mineral Resources. The Measured and Indicated portion of the mineral resources contains an estimated 7,800 kg of gold, while the Inferred resource contains approximately 1,000 kg of gold. The figures in Tables 1.1 and 1.2 have been rounded to reflect that the resources figures are estimates.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The stated April 1, 2012 mineral resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues, to the best knowledge of the authors. There are no known mining, metallurgical, infrastructure, or other factors that materially affect this mineral resource estimate.

Reserves

The mineral reserves have been derived directly from the mineral resources, using Buryatzoloto's parameters for dilution and mining losses. The Measured and Indicated resources reported in Table 1.3 form the undiluted portion of the mineral reserves.

Dilution and ore losses were estimated by Buryatzoloto for each block individually, using a set of parameters for the estimated wall rock dilution and dilution with rock waste fill. Also included in the estimate were allowances for ore lost in stopes owing to incomplete mucking on the stope floor or as a result of leaving pillars. The effective date of the reserve estimate is April 1, 2012.

Total Proven and Probable JORC and CIM Compliant Mineral Reserves for Zun-Holba Mine

Category	Tonnes (t)	Grade (g/t)	Metal (kg)
Proven	505,300	9.06	4,600
Probable	383,700	7.85	3,000
Total Proven and Probable	889,000	8.54	7,600

These reserves represent approximately 2.6 years of mine life at the current production rate of 340,000 t per year. The figures in the table above have been rounded to reflect that the reserve figures are estimates. The mineral reserves shown in the table above are compliant with the both the JORC code and current CIM standards and definitions. Micon is not aware of any significant technical, legal, environmental or political considerations which would affect the extraction and processing of the mineral reserves at the Zun-Holba mine.

Mining Operations

Between 1991 and the first quarter of 2012, Buryatzoloto mined a total of 4,728,038 t of diluted ore containing 50,838 kg of gold. In addition, from 1991 to 2007, Buryatzoloto processed 4,775,011 t of ore and recovered 37,744 ounces of gold in doré. In 2011, Buryatzoloto mined a total of 339,910 t of diluted ore at an average grade of 7.5 g/t gold for a total of 2,543.5 kg of gold. In the first quarter of 2012, Buryatzoloto mined a total of 116,563 t of diluted ore at an average grade of 6.4 g/t gold for a total of 745.7 kg of gold.

Due to both the geotechnical factors and the geological features of the mineralized bodies within the deposit, the following mining methods are used at Zun-Holba:

- Shrinkage stoping with short blast holes (up to 6% of production).
- Timbered stoping method (up to 3% of production).

- Cut-and-fill method (up to 42% of production).
- Shrinkage stopping with backfill (up to 50%% of production)

The primary mining methods are shrinkage stoping and conventional cut-and-fill, with up to 92% of the present mining being conducted using these methods. Two different variations of the cut-and fill-method are used at Zun-Holba:

- Bottom-up (overhand) cut-and-fill method.
- Top-down (underhand) cut-and-fill method.

All mining methods are labour intensive, with the use of both jacklegs and stopers to drill the blast holes. Extraction of the broken material is accomplished primarily by using slushers to move the material into the ore and waste passes. From the ore and waste passes, the broken material is loaded into rail cars using either a chute (for the cut-and-fill and timbered stoping methods) or a mucking machine (shrinkage stoping).

The run-of-mine material is processed at the Samarta plant using the following flowsheet:

- Two crushing stages with screening of the material after the second stage at 16 or 18 mm sizes.
- Two grinding stages using ball mills.
- Gravity concentration to recover the free gold.
- Flotation of gravity tailings to recover the finer gold particles.
- Cyanidation leaching and adsorption of the flotation concentrate.

The final product of the process at the Zun-Holba mine is doré bars which are then shipped out for further refining.

THE LEFA GOLD PROJECT, GUINEA, MINING AND TECHNICAL INFORMATION

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Lefa Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Lefa Technical Report. Reference should be made to the full text of the Lefa Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

WAI was commissioned by Nordgold to prepare a NI 43-101 technical report on the Lefa Gold Project in Guinea. This report documents the geological block modelling, the mineral resource, mineral reserve, mineral processing, environmental and social issues and financial assessment of the mining operations from project commencement to end of the mine life.

Project Description and Location

The Lefa Gold Project is located in the north of the Kankan region, approximately 700km northeast of Conakry, at Léro near the Malian border and some 10km south of the village of Siguirini. The Lefa Gold Project area is centred on the following co-ordinates: WGS84 Zone 29: 1298000m N and WGS84 Zone 29: 372500m E.

The Dinguiraye exploitation licence is owned by SMD, a wholly owned subsidiary of Nordgold. The Dinguiraye licence comprises the main licence of the Lefa Gold Project and was granted on February 17, 1999. The licence covers an area of 1,559km² and was granted for a term of 25 years with a renewal every 5 years. The Sidakele exploration licence is valid until 22 September 2012 and is renewable for 2 years.

The Lefa Gold Project can be subdivided into those deposits located within the Lefa Corridor, a zone some 10km wide located within the central part of the Licence area and those deposits located peripherally and termed the regional deposits. The Lefa Corridor contains all of the current mining activity and comprises the most extensive deposits which include Lero Karta, Fayalala, Kankarta, Firifirini, Banko, Banko South Extension, Toume Toume and Kankarta North. The regional deposits comprise Banora, Diguili Bougoufe, Dar Salaam, Diguili North, Banora West, Hansaghere, Sikasso and Solabe.

An Environmental Compliance Certificate has been issued by the Guinean government in November 2005. There are no restrictions imposed on discharges from the mine. The government are intending to implement a formal permitting system but to date no permits are required. The Guinean Mining Code is currently under review although the operator does not anticipate any extra environmental provisions as a result.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The mine is serviced by its own dedicated air strip that transports the expatriate staff as well as regional local staff who travel from Siguiri, Guinea 100km to the south-south-east and Bamako, Mali. A further service is run to and from Conakry. Access to the mine from Conakry is via 450km of paved road, 200km gravel road and a final 150km dirt road; most supplies are conveyed along this route. There is no rail link to the site.

The climate is hot and humid with two main seasons; a monsoonal type rainy season (June to November) with south-westerly winds and a dry season (December to May) with northeasterly harmattan winds.

The Lefa Gold Project has its own generator plant housing 8 diesel generators, currently being converted to Heavy Fuel Oil, each developing circa 4MW of electricity (total capacity 32MW). Water for the plant is supplied by recirculation pumps from the tailings dam recovery pond supplemented by several local boreholes.

SMD are considering either expanding the current capacity of the existing tailings facility or building a new tailings compound (a potential suitable area has been identified). There is a large redundant heap leach pad which is not believed to be lined. All sewage arising from the project is directed into cess pits, which are regularly pumped out.

The Guinean terrain consists of a generally flat coastal plain and a hilly to mountainous interior. Dinguiraye is located in the Upper Guinea region comprising a gently undulating plain of savannah country (grassland, scattered trees and scrubs) with an average elevation of about 300masl.

History

In January 1984, the Guinean Minister of Mines issued a Ministerial Arrete (No. 1166/SGG/MMG) to create an association for exploring and exploiting gold, diamonds and other minerals. The association was between the Government of Guinea (50%), with FAMA Precious Metals Limited and Norwegian shipping companies, Klaverness Chartering AS and Preco AS (50%). This association was subsequently confirmed by a Protocol d'Accord, providing the partners with a mineral concession of up to 15,000km², and the original Dinguiraye concession of 13,791km² was subsequently granted.

Following the registration of a joint venture company as Dinguiraye Gold Mines (“DGM”), the interests of Klaverness Chartering and Preco in DGM were transferred to the Norwegian company Kenor ASA. Limited exploration commenced through until 1985, when the concession area was reduced to 7,300km² in the first required retrocession.

In 1986, Societe d'Etudes de Recherches et d'Exploitations Minières, an affiliate of Le Bureau de Recherches Geologiques et Minières (“BRGM”), entered into the joint venture by acquiring a 33% interest in DGM, and BRGM was appointed as operator. In April 1989, a Convention de Base (“Basic Agreement”) was issued, establishing the operating company, SMD, as a company owned 50% by DGM and 50% by the Government of Guinea. In 1989, a further retrocession reduced the concession to 3,554km². Notwithstanding this, however, the eastern boundary was subsequently adjusted to include the Fayalala area.

SMD entered into a technical assistance contract with DGM, resulting in an equity adjustment in the latter company, with Kenor and LaSource (BRGM) each retaining a 50% interest. Kenor listed on the Oslo stock exchange in 1994, prior to purchasing a 100% interest in DGM from LaSource in June 1998, and the final equities in SMD (DGM 85% and the Government of Guinea 15%) were therefore confirmed.

BRGM completed an extensive program of regional soil sampling over virtually the whole of the original Dinguiraye Concession. A number of anomalous areas were detected, with that associated with the Lero deposit representing one of the more significant targets identified, generating a peak gold soil response of 3g/t Au.

Extensive field investigation of artisanal workings throughout the Dinguiraye Concession was also completed by BRGM. However, the vast majority of workings were found to be alluvial in origin. Regional geological mapping at 1:200,000 scale, completed under a German Government grant in the 1990's, was used as the basis for geological interpretations, together with remote sensing data, such as Landsat and Radarsat. On the basis of this work, seven regional prospects were drilled during the late 1990's. Assessment of two of these prospects resulted in small resources being defined. However, none demonstrated sufficient size potential to justify further exploration until the discovery of the Lero anomaly and peripheral targets.

Following definition of extensive oxide mineralisation at the Lero deposit, feasibility studies were progressed through 1993 and 1994, resulting in a positive outcome. The Lero operation was commissioned in April 1995, at a processing throughput rate of 360ktpa to exploit a 3.5 year open pit reserve at an average gold grade of 3.7g/t Au.

In 1998, having acquired the balance of the project, Kenor met with immediate exploration success at the Karta deposit, located immediately adjacent to Lero, and the more distant Fayalala anomaly, with the former having no geochemical expression, and the latter representing one of the subordinate anomalies previously identified by BRGM.

The geochemistry, within what is now referred to as the Lero-Fayalala (“**Lefa**”) Corridor, lead to the identification of the majority of other known deposits and prospects. The Lero pit was exhausted of readily accessible oxide ore by the end of 1998, and the Karta open pit was commenced in January 1999.

During 1999 the Fayalala deposit was brought into production with the mining of principally pisolitic laterite ore, that could be dumped directly onto leach pads without the requirement for crushing and agglomeration. In mid- 1999, SMD introduced Moolman Mining, a mining contractor from South Africa, with a larger fleet, including 50t trucks.

During 2000, oxide ore production from the Karta and Fayalala deposits continued and in mid-2000, a trial pit was developed on a near surface, high-grade section of the Tambico resource. In early 2001, Kenor completed a detailed review of the Lero Project and the findings of these studies concluded that the project has the potential to significantly expand and support the development of a large tonnage CIP processing operation, with production from both oxide and primary ore types. Between the years 2002 and 2004, mine production continued from the Fayalala and Lero-Karta deposits. In May 2004, Guinor Gold Corporation (“**Guinor**”) acquired the whole shares of Kenor and in October 2005, Crew Gold purchased 100% of the shares of Guinor. In June 2006, Crew Gold purchased the outstanding 15% of the DGM shares owned by the Guinean Government. Mining in 2005 and 2006 continued to expand and a small amount of ore from the Lero pit was sent to the heap leach pads. Ore stockpiles were generated at the Fayalala pit until plant operation in 2007, when operations at Lefa Gold Project intensified and other deposits (Lero-Karta, Lero Cutback, Lero South, Karta, Karta 4, Camp de Base, Kankarta West, Kankarta East, Bofeko and Fayalala) were developed.

The historic production from the Lefa Gold Project is summarised in the table below and shows a year on year increase in processed ore tonnes since 2007.

Lefa Gold Project Production History (SMD)I			
Year	Gold Ore Grade (g/t Au)	Ore Processed (Mt)	Gold Metallurgical Recovery (%)
2011	1.15	6.1	85.0
2010	1.25	5.5	88.8
2009	1.39	4.4	90.2
2008	2.15	3.1	92.5
2007	1.37	2.5	89.0

Geological Setting

Regional Geology

The Lefa Gold Project lies within the Siguiri Basin, part of the Birimian volcano-sedimentary series, which dominates the basement geology of the West African Shield. The Birimian Series, including the Firifirini Basin, is under-plated by a cratonised block of Archaean high-grade metamorphic and intrusive rocks termed the Man Shield. A collisional environment resulted in the development of dominantly greenschist facies metamorphism and regional northeast to northwest trending deformation zones, considered to be fundamental to the development of gold mineralisation in the Firifirini Basin.

Local Geology

The basement geology of the Lefa Gold Project is dominated by Birimian sediments, comprising an upper clayey formation and a lower coarser arkosic layer, with gold occurrences more common in the latter. Apart from younger dolerites and sandstones there is virtually no fresh outcrop. Extensive weathering and lateritisation have resulted in economic laterite and saprolite gold deposits, with primary gold mineralisation occurring in quartz vein deposits within the Birimian sedimentary units.

Project Geology

The Siguiri Basin can be subdivided into two distinct formations — the upper Matagania Formation and the lower Firifirini Formation. The Matagania Formation is dominated by inter-bedded claystones and siltstones, better represented throughout southern portion of the Licence. The Firifirini Formation comprises intercalated siltstones and arkosic sandstones or greywackes and occasional conglomerates, which are more prevalent in the northern portion of the Licence. Deformation and metamorphism appear to have been substantially more subdued within the Firifirini Basin compared with other West African Birimian terrains. The basement stratigraphy is essentially sub-horizontal and significant fault offsets are rare. Primary mineral assemblages reflect low-grade regional metamorphism and are characterised by broad monoclinal folding.

The entire stratigraphy has been intruded by massive dolerite dykes and sills during the Jurassic period, associated with the break-up of the Gondwanan continental landmass. Being more resistant to erosion and lateritisation, these intrusions form prominent hills and bluffs within the northern half of the licence, and their magnetic susceptibility can be distinguished from airborne magnetic data.

Extensive weathering and lateritisation of the mineralisation and surrounding host rocks has resulted in the development of economic laterite and saprolite gold deposits. Both transported and residual laterites, up to 15m thick, host economic gold mineralisation, which typically averages 1 to 2g/t Au over extensive lateral areas. Saprolite mineralization tends to be higher grade (1.5 to 5g/t Au), but is generally developed over more restricted zones being between 2 and 30m wide. The base of oxidation extends to over 100m, but may be locally depressed within zones of fracturing and brecciation. The width and grade of primary mineralised zones appear to be little different from their equivalents within the saprolite profile.

Exploration

A lidar survey of the Licence permit area was completed in 2011. Geological mapping and observation of artisanal mining areas were also completed for the 300km² area surrounding the Lefa Corridor. Reinterpretation of airborne geophysical survey data is aimed at the identification of new deposits. Reinterpretation of geochemical survey data has resulted in an updated geochemical map.

Lidar Survey

FUGRO GEOID SAS was commissioned by SMD to carry out the topographic survey of the Licence area. The study comprises a LIDAR survey of an area of 1816km². Based upon the final products specifications, the FLI-MAP sensors were used during data acquisition as well as 2 base stations (located at the Lefa Gold Projects airfield) which guaranteed a laser data accuracy of $\pm 20\text{cm}$ (1σ) or better. Moreover, the main and infill areas have been surveyed with the same survey flight parameters hence the same laser data quality has been generated.

All data are georeferenced WGS84/ projection UTM29 North and the vertical datum is EGM96. Both base stations were observed with bi-frequency GPS receivers and tied to WGS84- ITRF2008 by the mean of the online coordinate processing service AUSPOS.

To process the base stations coordinates, both base stations were observed during 8.5 hours on June 8, 2011. The LIDAR data acquisition was performed using the FLI-MAP system (#007) where the flight altitude is 830m AGL and point density is 1 point/m² minimum. The software packages POSGNSS and POSProc were used

for flight trajectory calculations. The laser data were processed with company developed software Flip7. During the field-processing, quality controls were performed regularly in order to verify that the project specifications were met.

Aerogeophysica Inc. was commissioned by SMD to identify possible gold mineralisation with integrated airborne geophysical data based on previous geological-geophysical information and systematisation of spatial geological data from different planes. The survey specifications were line spacing 200m, traverse flights azimuth 135° — 225° and flights were flown with an orthogonal azimuth. Survey coverage was 1650km².

The target transformation of geophysical fields has been used to define the geophysical criteria of gold mineralisation allocation. Airborne magnetics and airborne spectrometry data processing methods have been chosen.

Prediction identification of possible mineralisation is facilitated by a special algorithm. The algorithm used for the prediction of mineralisation is based on evaluation of the measure of the environment relation between indicators set and etalon object.

Reinterpretation of airborne geophysical survey data study has the following results:

- Re-processing of data of the airborne geophysical survey (only airborne magnetics data, raw airborne spectrometry data was not available);
- Carried out target transformations of geophysical fields with the object of defining geophysical criteria of gold concentrations;
- With original algorithm of formal prediction with training was used to create a map of perspective for gold areas;
- Set up summary data base of space information of geodata for survey area.

Geological mapping (1:20,000) and studying of the prospection sites (Bouremfe, Banora, Telire, Sikadele, Mataganja) of the artisanal works by sampling and geological analysis was completed in 2011. The study area covers 400km² in the Licence area.

A leveling technique was applied to various soil sample dataset gold values analysed by different geochemical techniques on the Licence. No leveling was necessary for the other elements in the database. Leveling was applied using the AR-AAS dataset as the reference set against which all other methods were adjusted whenever possible. In some cases, some AR-AAS portions of the dataset also had to be leveled, since their lower threshold was clearly systematically higher than their neighbours in adjacent prospects.

Mineralisation

Gold within the Lefa Gold Project is mainly associated with mesothermal fractured and vein style mineralisation, entirely consistent with the majority of Archaean and Proterozoic terrains worldwide, including the Birimian Series of West Africa. Potassic and sodic alteration assemblages are variously evident. Where both assemblages are present within the same deposit, they have been observed to overprint each other. However, the paragenetic relationship may be reversed in adjacent deposits. Similarly, considerable diversity is evident in the carbonate species, with both ferroan and nonferroan varieties occurring within proximal deposits. These observations potentially imply a variation in fluid source and chemistry which, given the homogeneous nature of the sedimentary succession and the presence of albite-haematite alteration in several deposits, invokes a potential magmatic input into the hydrothermal process.

At the macro scale, mineralisation is preferentially developed in the more permeable, altered, coarser grained sediments, within and/or adjacent to east-northeast oriented structures, and more consistently north to north-northwest trending vein/fracture zones. Mineralisation is localised by a combination of lithological and

structural controls and, while the latter is predictably the more dominant, lithology appears to play a greater role, particularly at Fayalala in the 310° orientation. The dip and strike of mineralised zones, and to a lesser extent the style of mineralisation, varies considerably between deposits.

Pyrite is the dominant sulphide species, present as discreet poikilitic euhedra, ranging from a fraction to a few millimetres in size, largely confined to vein margins, or disseminated within alteration selvages. Traces of other sulphides, principally chalcopyrite, galena, pyrrhotite, arsenopyrite, bornite, tennantite, linneite and mackinawite are present as veins, fracture fillings and localised disseminations adjacent to veins, with the latter minerals explaining the weak antimony, cobalt and tungsten geochemical signature associated with mineralisation.

Gold is largely developed within fractures in pyrite grains, rarely larger than 50 microns, and is non-refractory. Extensive weathering and lateritisation of the mineralisation and surrounding host rocks has resulted in the development of mineralised laterite and saprolite gold deposits.

The base of oxidation commonly extends to over 100m depth, more locally depressed within zones of fracturing and brecciation. Oxidation is evident along the Karta Fault at depths exceeding 200m. However, there is a possibility this is due to deuteric hydrothermal alteration. Supergene enrichment is evident at Lero-Karta with the Lero and Lero South deposits displaying increased gold grades within the saprolite portion. However, most other mineral deposits appear to have remained unaltered by supergene movement of gold within the regolith.

Recent discoveries of the Firifirini and Toume Toume deposits have resulted in the identification of a significant new style of mineralisation not related to the other Lefa Gold Project deposits. Both these deposits represent contact metamorphism retrograde skarn styles of mineralisation, characterised by a felsic suite intruding calcareous sediments.

Many of the structural aspects are considered atypical for Proterozoic (including the Birimian) and Archaean gold camps, where deposits are usually developed along a preferred structural orientation or can at least be attributed to subsidiary structures or an interference pattern developed about a major controlling feature. The observed features potentially suggest that discoveries within the Lefa Corridor to date are peripheral to a much larger mineralised system that has not yet been disclosed.

Drilling

Exploration drilling was discontinued at the Lefa Gold Project during 2009 and 2010 but commenced again during 2011. All drilling is currently carried out by AMCO drilling contractors under supervision by SMD staff. In 2011, the drilling campaigns comprised approximately 14,500m of core drilling (diamond drilling) and 61,500m of reverse circulation.

Diamond Drilling

One Diamec diamond wireline drill rig is currently operating on site at the Lefa Gold Project. Diamond drilling is carried out using HQ (63mm) to a depth of around 100m with NQ (47mm) beyond 100m depth. HQ drilling is used for diamond tails to RC Drilling. Drillhole collar coordinates are initially located using GPS. When drilling has been completed the collar location is re-surveyed using a Total Station by SMD surveyors. Downhole surveys are measured using a Reflex survey system with an initial survey taken at 6m and then measurements taken every 30m from then on. Three metre length drillcore is returned and orientated using a crayon core orientation spear with orientations recorded every 3m in poor rock conditions and 6m in good rock conditions. Core recoveries are generally greater than 90% in the fresh rock and between 70% to 80% in the oxidised material. At the end of each drilling run the core is collected and placed in wooden core boxes labelled with the borehole number with driller's blocks identifying the sample depth.

Core Logging

Core is delivered to the exploration site compound where the drillhole number is recorded and the trays laid out on the ground in consecutive order. The core is taken to the core logging shed where it is placed in consecutive order on steel tables. Core logging is carried out by SMD technical staffs who record lithology, specific structures, alteration styles, including their width, intensity and associated mineral assemblage on log sheets along with the core structure orientations. Detailed geotechnical logging is also be carried out when required; however it is not conducted as routine.

Core Sampling

Sampling is carried out based on a 1m sample interval with samples taken for the entire length of the drillcore, independent of lithology. A minimum sample length of 0.3m is used. Core is halved lengthwise using a diamond saw and cut along the orientation line, before being correctly placed back on to the tray in correct order. The half-core is then placed into plastic bags and labelled with the assigned sample number. The resulting samples are then submitted (by hole) to the laboratory for sample preparation and analysis. The residual half core is catalogued, and stored, in dedicated side-loading racks in the core yard for reference purposes. The trays are consecutively racked and clearly relabelled with the hole number, tray number, and interval.

RC Drilling

RC Drilling is conducted using a 5.5 inch diameter drill bit and 6m drill rods. Sampling is carried out at 1m sample intervals. For every one metre, an RC Drilling field sample of approximately 3kg is collected from the rotating cone splitter into a plastic sampling bag labelled with the borehole and sample number in indelible marking pen and containing a sample ticket stapled to the inside of the bag. The bag is securely tied and placed into a larger plastic bag containing other samples from the same drillhole which are delivered to the assay laboratory at the end of each shift (every 12 hours). At every 20th sample a field duplicate sample is taken by the collection of a second 3kg split from the cone splitter. The cone splitter can collect two equal samples at the same time, which prevents the need for re-handling the sample material. The cone splitter is cleaned thoroughly with a compressed air gun between each sample. The remaining field residue samples weigh approximately 25kg and are bagged and labelled by borehole and interval number and are laid out on the ground in rows of 10 samples. The field residues are returned to the exploration compound where they are stored for up to 3 months if any additional testing is required. From each 1m sample a small representative sample is taken for chip logging by an SMD geologist. The sample is wetted and stored in segregated plastic chip trays which are labelled by borehole and interval number. Chip logging is carried out according to lithology, alteration and mineralisation type.

Sampling and Analysis and Security of Samples

Six different known laboratories were utilised during the various phases of exploration. In summary, the analytical laboratories used for assaying can be subdivided as follows:

- Historic data collected by BRGM prior to 1998, and assayed by fire assay methodologies. Little detail or quality control data is available for this data, which is generally confined to the mined portions of the Lero-Karta and Fayalala mineral deposits;
- SMD exploration samples sent to the ITS laboratory for sample preparation and analysis between 1998 and mid-1999. Prior to the closure of the Inchcape Testing Services (“ITS”) laboratory facility at Mandiana in Guinea, all exploration samples from the RC Drilling and RAB drilling programs (as well as all soil samples) were submitted to ITS for gold only analysis by aqua regia digest and DIBK extraction;
- SMD exploration samples processed through the SGS facility at Siguiri between mid-1999 and October 2000;

- SMD exploration samples submitted to the SMD mine Leachwell, and subsequently Pulverise and Leach (“PAL”) facility, during the approximate period from October 2000 to September 2001. Samples returning gold solution readings above 0.3g/t were then forwarded to the ITS or SGS laboratories for re-assay;
- SMD exploration samples processed exclusively at the SGS facility at Siguiri between September 2001 and September 2002;
- The Large Exploration Programme (“LEP”) exploration samples analysed under contract by Transworld at the separate exploration laboratory at the Lero mine site from September 2002 to July 2004. Excess samples and a programme of re-assay were also completed at the Transworld Tarkwa facility in Ghana;
- The SGS facility at Siguiri was used from January 2004 to enable a reduction in the back log of assays, which had accumulated as a result of accelerated drilling programmes. SGS were used as the principal laboratory from late July 2004 to October 2006;
- From 2006 to 2008, the Transworld Lero onsite laboratory was managed by SGS (while the new SGS onsite laboratory was being constructed). The pulps were then sent to the SGS laboratory in Siguiri or Kayes (Mali) for fire assay and aqua regia analysis. All samples generated from RC Drilling and diamond drilling (resource drilling) were exclusively prepared at the Transworld onsite laboratory at Lero; and
- Since November 2008, all samples have been prepared and assayed at the SGS onsite laboratory located at Lero adjacent to the CIL plant and offices. The 50g pulverized samples are assayed whilst both the coarse and fine pulverized samples are stored permanently at site in a dedicated storage facility. Assaying is carried out by fire-assay fusion with atomic absorption spectrometry (“AAS”) finish. Assaying is currently carried out for gold only.

A substantial database of bulk density data was collected using a variety of determination methodologies. The principal methodologies applied include the water displacement, and weight in water/weight in air approaches, as applied to diamond core, along with grab samples of hand specimen-sized samples, collected during mining advance. SMD’s geologists monitored and reviewed the appropriateness of the bulk density data, as part of the mineral resource estimation analysis, which was based on a number of data sources, derived via the following methodologies: Method A — Water Displacement, Method B — Diamond Core Weight in Water and Weigh in Air (date to September 2003), and Method C — Half Diamond Core Weight in Water and Weight in Air (data post-September 2003).

Consistent negative bias was identified in the early LEP analytical data generated by Transworld at the onsite laboratory, however this problem was clearly identified and rectified and included the re-assaying of mineralised pulps generated during this period. The remaining procedures, all of which have been applied at either internationally accredited laboratories or can be verified by extensive umpire assaying, are generally considered to be satisfactory and compatible with internationally accepted industry standards.

Current QA/QC procedures at the Lefa Gold Project include the insertion of a standard and duplicate sample every 20th sample for submission to the SGS on site laboratory. In addition, for every 20th diamond drillhole quarter core samples are taken for the entire length of the drillhole. The quarter core samples are sent directly to the SGS Laboratory in Bamako, Mali to act as an umpire laboratory. The residual half drillcore is then assayed at the SGS on site laboratory at the Lefa Gold Project.

Detailed quality control assessment of the analytical data generated by all laboratories has not identified any material bias. The analytical precision for both assay repeat (laboratory replicates) and field duplicate data is acceptable, albeit marginally within the expected industry limits for gold deposits of this type for earlier

exploration programmes. The RC Drilling field duplicates collected during 1999 and 2000 show lower levels of precision than would normally be expected, indicating a significant sampling error, however more rigorous recent sampling practices have improved precision to acceptable levels. The quality of the analytical data applied in resource estimation is generally considered consistent with industry standards.

Security of Samples

Prior to early 2004, RSG Global was acting as independent advisor and auditor to the Lefa Gold Project, involving a quarterly assessment of all exploration results and quality control data, and a six-monthly site visit. Each site visit incorporated an audit of the now removed onsite laboratory (Transworld), and close scrutiny of drilling and sampling procedures. While numerous changes were recommended to the drilling, sampling and analytical protocols in order to optimise the quality and effectiveness of the programme, at no time did RSG Global identify any instances of potential sample tampering or deliberately misleading practices. WAI have reviewed the current sample security procedures and consider them to be adequate.

Mineral Resource and Mineral Reserve Estimates

WAI undertook a technical due diligence of the Lefa Gold Project and this study considered all aspects of the mine from geology and resources in accordance with guidelines of the JORC Code (2004), exploration potential, mining, processing, economics, and environmental and social issues. There are no material differences between the Mineral Resource and Ore Reserve categories under the guidelines of the JORC Code (2004) used in this report and the categories of Mineral Resources and Mineral Reserves under NI 43-101. The mineral reserve estimates presented in the Lefa Technical Report have been prepared in accordance with the guidelines of the JORC Code (2004), however for consistency the term mineral reserve has been used.

Resources — Lero Karta

Mineralised zone interpretation has been based on a 0.3g/t Au grade cut-off for the low grade zone and a 3.0g/t for the high grade zone for all lithologies. A top cut value of 60g/t has been applied to the high grade zone. No top cutting of the low grade zone was carried out as all samples above 3g/t were considered as being in the high grade zone.

Gold grades were estimated within the mineralised zones using ordinary kriging for Domain 2 and inverse distance weighting (squared) for Domain 1. Alternative grades were also interpolated using inverse distance weighting and nearest neighbour estimations for validation purposes. An octant search was employed with a minimum of 3 octants required for searches 1 and 2. Estimation was carried out into the parent cell size of 20m x 20m x 10m.

The final block model was used as the basis for mineral resource evaluation. Summary results of the evaluation of the mineral resources are shown in the table below, for the cut-off grade levels: 0.3g/t Au, 0.4g/t Au and 0.5g/t Au. The cut-off grade level of 0.5g/t Au is taken as the base case.

The stated mineral resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues, to the best knowledge of the author. There are no known mining, metallurgical, infrastructure, or other factors that materially affect this mineral resource estimate, at this time.

Lero Karta Mineral Resource Estimate (WAI, 01 January 2012)					
Ore Type			Laterite/Saprolite/Transition/Fresh		
Cut Off Grade (g/t)			0.3	0.4	0.5
Measured	Tonnes (kt)		29,748	29,599	28,410
	Au (g/t)		1.48	1.49	1.53
	Metal	kg	44,160	44,104	43,555
		Koz	1,420	1,418	1,400
Indicated	Tonnes (kt)		23,163	23,063	21,921
	Au (g/t)		1.39	1.40	1.45
	Metal	kg	32,296	32,258	31,735
		Koz	1,038	1,037	1,020
Measured + Indicated	Tonnes (kt)		52,911	52,662	50,331
	Au (g/t)		1.45	1.45	1.50
	Metal	kg	76,456	76,362	75,289
		Koz	2,458	2,455	2,421
Inferred	Tonnes (kt)		16,356	16,191	15,285
	Au (g/t)		1.34	1.35	1.41
	Metal	kg	21,986	21,924	21,505
		Koz	707	705	691

Notes:

1.

Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.

2.

Mineral resources are reported inclusive of any reserves.

3.

Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

4.

Mineral resources reported at a cut-off grade of 0.5g/t Au are taken as base case

Resources — Fayalala

Mineralised zone interpretation has been based on a 0.3g/t Au grade cut-off for the low grade zone and a 3.0g/t for the high grade zone for all lithologies. A top cut value of 50g/t was applied to the high grade zones. No top cutting of the low grade zones was carried out as all samples above 3g/t were considered as being in the high grade zone.

Gold grades were estimated within the mineralised zones using ordinary kriging for Domain 2 and inverse distance weighting (squared) for Domain 1. Alternative grades were also interpolated using inverse distance weighting and nearest neighbour estimations for validation purposes. An octant search was employed with a minimum of 3 octants required for searches 1 and 2. Estimation was carried out into the parent cell size of 20m x 20m x 10m.

The final block model was used as the basis for resource evaluation. Summary results of the evaluation of the mineral resources are shown in the table below, for the cut-off grade levels: 0.3g/t Au, 0.4g/t Au and 0.5g/t Au. The cut-off grade level of 0.5g/t Au is taken as the base case.

The stated mineral resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues, to the best knowledge of the author. There are no known mining, metallurgical, infrastructure, or other factors that materially affect this mineral resource estimate, at this time.

Fayalala Mineral Resource Estimate (WAI, 01 January 2012)					
Ore Type			Laterite/Saprolite/Transition/Fresh		
Cut Off Grade (g/t)			0.3	0.4	0.5
Measured	Tonnes (kt)		18,265	18,050	16,728
	Au (g/t)		1.07	1.08	1.13
	Metal	kg	19,583	19,504	18,900
		Koz	630	627	608
Indicated	Tonnes (kt)		32,204	31,580	29,033
	Au (g/t)		1.03	1.04	1.09
	Metal	kg	33,146	32,916	31,752
		Koz	1,066	1,058	1,021
Measured + Indicated	Tonnes (kt)		50,469	49,630	45,761
	Au (g/t)		1.04	1.06	1.11
	Metal	kg	52,729	52,420	50,653
		Koz	1,695	1,685	1,629
Inferred	Tonnes (kt)		28,903	28,016	25,027
	Au (g/t)		0.88	0.90	0.95
	Metal	kg	25,531	25,206	23,843
		Koz	821	810	767
Notes:					
1. Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.					
2. Mineral resources are reported inclusive of any reserves.					
3. Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.					
4. Mineral resources reported at a cut-off grade of 0.5g/t Au are taken as base case					

Resources — Kankarta

Mineralised zone interpretation has been based on a 0.3g/t Au grade cut-off for the low grade zone and a 3.0g/t for the high grade zone for all lithologies. A top cut value of 40g/t has been applied to the high grade zone. No top cutting of the low grade zone was carried out as all samples above 3g/t were considered as being in the high grade zone.

Gold grades were estimated within the mineralised zones using ordinary kriging for Domain 2 and inverse distance weighting (squared) for Domain 1. Alternative grades were also interpolated using inverse distance weighting and nearest neighbour estimations for validation purposes. An octant search was employed with a minimum of 3 octants required for searches 1 and 2. Estimation was carried out into the parent cell size of 20m x 20m x 10m.

The final block model was used as the basis for mineral resource evaluation. Summary results of the evaluation of the mineral resources are shown in the table below, for the cut-off grade levels: 0.3g/t Au, 0.4g/t Au and 0.5g/t Au. The cut-off grade level of 0.5g/t Au is taken as the base case.

The stated mineral resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues, to the best knowledge of the author. There are no known mining, metallurgical, infrastructure, or other factors that materially affect this mineral resource estimate, at this time.

Kankarta Mineral Resource Estimate (WAI, 01 January 2012)					
Ore Type			Laterite/Saprolite/Transition/Fresh		
Cut Off Grade (g/t)			0.3	0.4	0.5
Measured	Tonnes (kt)		1,783	1,768	1,640
	Au (g/t)		1.13	1.14	1.19
	Metal	kg	2,015	2,009	1,951
		Koz	65	65	63
Indicated	Tonnes (kt)		9,539	9,437	9,043
	Au (g/t)		1.36	1.37	1.41
	Metal	kg	12,940	12,902	12,720
		Koz	416	415	409
Measured + Indicated	Tonnes (kt)		11,321	11,205	10,683
	Au (g/t)		1.32	1.33	1.37
	Metal	kg	14,954	14,911	14,671
		Koz	481	479	472
Inferred	Tonnes (kt)		11,753	11,424	10,456
	Au (g/t)		1.10	1.12	1.18
	Metal	kg	12,883	12,765	12,320
		Koz	414	410	396
Notes:					
1. Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.					
2. Mineral resources are reported inclusive of any reserves.					
3. Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.					
4. Mineral resources reported at a cut-off grade of 0.5g/t Au are taken as base case					

Resources — Additional Deposits Mineral Resources by Classification

Lefa Gold Project Additional Deposits Mineral Resources by Classification										
		Measured			Indicated			Inferred		
Deposit	COG	Tonnage (kt)	Grade (g/t Au)	Metal (Koz)	Tonnage (kt)	Grade (g/t Au)	Metal (Koz)	Tonnage (kt)	Grade (g/t Au)	Metal (Koz)
Lefa Corridor										
Firifirini	0.5	4,845	1.41	220	3,083	1.19	118	2,862	1.25	115
Banko	0.5	909	1.99	58	382	1.40	17	188	0.99	6
Banko South Extension ²	0.5	499	1.61	26	1,608	1.76	91	656	2.10	44
Tourne Tourne	0.5	268	1.24	11	576	1.20	22	693	1.19	27
Kankarta North ³	0.7	—	—		1,629	1.2	60	—	—	
Stockpiles	0.6	6,550	0.81	171	—	—	—	—	—	—
Heap Leach	—	—	—	—	2,313	0.8	57	—	—	—
Regional										
Banora	0.7	2,196	1.70	119	598	1.50	29	330	1.60	17
Notes:										
1) Updated mineral resources are based on mineral resource models produced by Hellman & Schofield in conjunction with Crew Gold and as presented in the NI 43-101 Technical Report (2009). Where applicable these resource models have been updated by WAI with the current topography. It is understood that no additional exploration drilling has been carried out on these sites since the 2009 Technical Report. The resource models upon which these figures are based have not been audited by WAI.										
2) Banko South Extension previously named Folokadi when at the exploration stage										
3) Kankarta North previously named Sanoukono when at the exploration stage										

Mineral Reserve Estimates

The Lefa Gold Project mineral reserve estimations were carried out using the mineral resource block models generated by WAI in 2012 for Lero Karta, Fayalala and Kankarta. The mineral reserves were estimated at a USD \$1250/oz gold price. The methodology applied is summarised as follows:

- Pit shells were estimated using NPV Scheduler, and a set of technical and economic parameters and Maximum cash flow pits were selected from the NPV pit shell series.
- The final pit shells were smoothed to eliminate non-operational areas and for geometry; and
- The smoothed pit shells were converted to practical pit designs, which were considered for mineral reserves reporting.

Reserve Estimate — Lero Karta

A summary of the Lero Karta mineral reserve estimate is shown in the table below. The mineral reserve estimate has been derived from the 2012 mineral resource model produced by WAI.

Lero Karta Mineral Reserve Summary (WAI, 01 January 2012)			
Ore Type			Laterite/Saprolite/Transition/Fresh
Cut Off Grade (g/t)			0.60
Proven	Tonnage (kt)		25,249
	Au (g/t)		1.65
	Metal	kg	41,662
		Koz	1,339
Probable	Tonnage (kt)		14,205
	Au (g/t)		1.75
	Metal	kg	24,914
		Koz	801
Proven + Probable	Tonnage (kt)		39,454
	Au (g/t)		1.69
	Metal	kg	66,576
		Koz	2,140

Reserve Estimate — Fayalala

A summary of the Fayalala mineral reserve estimate is shown in the table below. The mineral reserve estimate has been derived from the 2012 mineral resource model produced by WAI.

Fayalala Mineral Reserve Summary (WAI, 01 January 2012)			
Ore Type			Laterite/Saprolite/Transition/Fresh
Cut Off Grade (g/t)			0.60
Proven	Tonnage (kt)		14,288
	Au (g/t)		1.23
	Metal	kg	17,532
		Koz	564
Probable	Tonnage (kt)		19,930
	Au (g/t)		1.27
	Metal	kg	25,363
		Koz	815
Proven + Probable	Tonnage (kt)		34,218
	Au (g/t)		1.25
	Metal	kg	42,895
		Koz	1,379

Reserve Estimate — Kankarta

A summary of the Kankarta mineral reserve estimate is shown in the table below. The mineral reserve estimate has been derived from the 2012 mineral resource model produced by WAI.

Kankarta Mineral Reserve Summary (WAI, 01 January 2012)			
Ore Type		Laterite/Saprolite/Transition/Fresh	
Cut Off Grade (g/t)		0.60	
Proven	Tonnage (kt)		1,426
	Au (g/t)		1.28
	Metal	kg	1,820
		Koz	59
Probable	Tonnage (kt)		5,282
	Au (g/t)		1.76
	Metal	kg	9,273
		Koz	298
Proven + Probable	Tonnage (kt)		6,709
	Au (g/t)		1.65
	Metal	kg	11,093
		Koz	357

A summary of the mineral reserve estimates for the additional Lefa Gold Project deposits is shown in the table below. No additional exploration drilling has been carried out at these deposits since 2009. The mineral reserve estimates have been derived from the 2009 mineral resource models produced by Hellman & Schofield in conjunction with Crew Gold and contained in the 2009 Technical Report. WAI has not audited these mineral resource models but has only depleted them with updated mine surveys where applicable and re-optimised them using the current optimisation parameters.

Reserves — Additional Deposits Mineral Reserves by Classification

Lefa Additional Deposits Mineral Reserves by Classification (Nordgold 01/01/2012, WAI 01/01/2012)										
Deposit	COG	Proven			Probable			Proven & Probable		
		Tonnage (kt)	Grade (g/t Au)	Metal (Koz)	Tonnage (kt)	Grade (g/t Au)	Metal (Koz)	Tonnage (kt)	Grade (g/t Au)	Metal (Koz)
Firifirini	0.6	3,791	1.62	197	1,978	1.44	91	5,770	1.56	289
Banko	0.6	652	2.38	50	197	1.69	11	849	2.22	61
Banko South Extension 2	0.6	426	1.78	24	1,303	1.99	83	1,729	1.94	108
Tourne Tourne	0.6	210	1.41	9	440	1.35	19	649	1.37	29
Stockpiles	0.6	6,550	0.81	171	—	—	—	6,550	0.81	171
Notes:										
1) Updated mineral reserves are based on mineral resource models produced by Hellman & Schofield in conjunction with Crew Gold and as presented in the NI 43-101 Technical Report (2009). Where applicable these mineral resource models have been updated by WAI with the current topography and optimised using updated optimisation parameters. It is understood that no additional drilling has been carried out on these sites since the 2009 Technical Report. The mineral resource models upon which these figures are based have not been audited by WAI.										
2) Banko South Extension was previously named Folokadi										

Mining Operations

Mining Method

The Lefa Gold Project uses conventional surface mining methods with drilling and blasting followed by load and haul allowing for selective mining of the ore. Several smaller, higher grade satellite pits will provide supplementary feed for the mill over the life of the project. Dewatering is undertaken by way of bores and/or trenches and sump pumps.

The open pits are generally mined bench by bench with approximate heights of some 2.5m per flicht, leaving a ramp behind for access, with each bench being 5 to 6m in height. The pit haul ramps are designed with a width of 21m and a gradient of 10%. The bench height for drilling and blasting is 5 to 6m in both ore and waste with excavation of these benches done in two cuts or flichtes.

Ore from the Fayalala pit is hauled directly to the Run of Mine ("ROM") stockpiles near the process plant by the primary haul fleet. The ore from the Kankarta pit is hauled 3km to the Fayalala ROM pad. Ore from the Lero-Karta pits is trucked to a ROM pad and primary crusher facility in the vicinity of the Lero-Karta pit entrance for subsequent crushing and conveying the 8km to the main process plant at Fayalala.

It was initially intended that the majority of ore trucked to either of the two ROM pads would be tipped directly into the ROM bin by the haul trucks. However, ore that is stockpiled on either ROM pad for operational reasons is fed into the respective crusher by a dedicated front end loader. This arrangement is currently being modified whereby each ROM pad will operate a 'skyway' system with 'fingers' of differing grade/quality ore being formed before being selectively loaded by front shovels into the primary crushers. This is believed to facilitate better ore type and grade control for delivery to the plant and to improve efficiency.

Metallurgical Process

Following completion of the testwork programme, the following conclusions have been drawn:

Banora

A mineralogical investigation identified quartz as the major gangue material with plagioclase, chlorite, illite and mica also present. Various carbonaceous minerals in the Banora sample, including dolomite and siderite, were identified. Lithic fragments were host to disseminated gold grains, finer than 40µm in size. The Banora head sample assayed 2.07g/t Au. WAI has no reason to believe that the sample is not representative of the deposit.

Fayalala

A mineralogical investigation identified quartz as the major gangue material with quantities of plagioclase, chlorite, illite and mica also present. Lithic fragments were host to disseminated gold grains, finer than 40µm in size. The Fayalala head sample assayed 1.31g/t Au. WAI believes that the sample is representative of the new drilling undertaken in the northeast extension of Fayalala.

Production Forecasts and Mine Life

The table below presents the estimated LOM production schedule for the Lefa Gold Project.

Life of Mine Production Schedule from 01 January 2012													
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Waste Mined (Mt)	34.6	37.7	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	9.7	413.3
Ore Mined (Mt)	7.8	8.5	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	2.2	95.9
Au (g/t)	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47
Au (kg)	11,466	12,495	12,642	12,642	12,642	12,642	12,642	12,642	12,642	12,642	12,642	3,234	140,973
Au (Koz)	369	402	406	406	406	406	406	406	406	406	406	104	4,532

Markets

Gold is the principal commodity at Lefa Gold Project and is freely traded, at prices that are widely known, so that prospects for sale of any production are virtually assured. Prices are usually quoted in US\$ per troy ounce.

Contracts

There is no contract for gold sale at the Lefa Gold Project.

Environmental Conditions

A formal Air Quality Management Plan is not in place, but operational air quality and noise levels are reported to be comparable with relevant World Health Organisation (“WHO”) guidelines. Dust monitoring is reported to be undertaken in the dry season in proximity to the haul roads. There are no permanent gas monitors on site; however, gas monitoring is undertaken prior to confined space work being undertaken.

Vibration generated during blasting is reported to be monitored by a blast meter at the edge of the villages closest to the mine site. Soil sampling has been undertaken at the Lefa project in 2011. A similar survey will be undertaken for the Firifirini and Toume Toume projects. No investigations into rare or protected flora and fauna have been carried out at the site; however practices have been put in place to enable the site to notify the local authority and return rare species to the wild if necessary.

Taxes

Prior to the doré disembarking Conakry the gold is weighed for royalty (5%) and taxation (0.4%) purposes.

TABORNOE GOLD PROJECT

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Tabornoe and Gross Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Tabornoe and Gross Technical Report. Reference should be made to the full text of the Tabornoe and Gross Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

Nordgold has commissioned a technical report in accordance NI 43-101 on the Gross and Tabornoe Gold Projects in Russia. The Tabornoe and Gross Technical Report documents the geological block modelling, the mineral resources, ore reserves, mineral processing, environmental and social issues and financial assessment of the mining operations at Tabornoe from project commencement to end of the mine life.

Project Description and Location

The Tabornoe Project is owned by "LLC Neryungri-Metallic" Company a wholly owned indirect subsidiary of Nordgold. The Projects comprises one exploration licence for the Tabornoe Project and the Gross Project (YaKU — 12112BP) covering a total area of 58km² and the mining licence for the Tabornoe Project (YaKU — 01860BR). The Projects are located in a remote area in the SW of the Yakutia (Saha) region of the Russian Federation. The Tabornoe and Gross deposits are located approximately 125km north east of the Baykal-Amur trunk line ("BAM") railway station of Ikabya. Access to this mining operation is possible via a new 4WD vehicular access road that is currently being repaired in some areas.

The exploration licence (No. YaKU- 12112BP), covering an area of 58km², contains both the Tabornoe, Temny Tabornoe and Gross mineral occurrences, and has been held by the "LLC Neryungri-Metallic" Company ("Neryungri-Metallic"), (now wholly owned by Nordgold) since 22 December 2003. The validity of the exploration licence (No. YaKU 12112BP) was extended until December 31, 2013.

The mining licence for the Tabornoe Project (No. YaKU- 01860BR), held by Neryungri-Metallic, which is now wholly owned by Nordgold, is currently valid until the end of 2020. The licence covers an area of 0.93km². Neryungri-Metallic received the licence in 2001.

There is no licence for the water discharge from the site into the local water course, as licences are only issued for clarified discharges, and the settlement pond at the site is not yet built. The site has a hazardous waste management licence, emissions permission, limits for domestic and industrial waste disposal and water use agreements. It would be questioned the legality of discharges to surface water course without discharge permits. It was reported by the Environmental Manager that a permit is not in place as these are only issued for clarified discharges, which the site water isn't.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Project is located in a remote region. There is no permanent population in the area, the nearest settlements of Olekma, Khani and Ikabya being located approximately 80km south on the BAM. The main transport link to the Project is by road. A rail link is available at Ikabya, a distance of approximately 125km from the site. Air transport is available by helicopter, weather dependent, and a new helipad is being constructed at the site to allow larger helicopters to land.

The climate is extreme continental with a long winter and short, hot summer. The maximum temperature is +35°C (July) whereas the minimum is -55°C (December, January) with the annual average of -8.5°C. Annual precipitation averages 370mm, with most falling in July — August. Rivers are frozen from November — April/ May. Snow cover is normal between October and May. Permafrost exists to a depth of 400-450m. Soil melts during summer to depths of 1-3m; however north facing slopes barely defrost at all.

The Tabornoe deposit is located in mountainous terrain incised by river valleys, with the elevation of the area typically ranging from 1,100 to 1,375masl. At the altitude of the Projects site there are few trees and the vegetation consists of low level and ground covering species. Some pine species are present, but only limited growth occurs. The ground cover species include mosses and succulent species.

All power requirements are provided by on-site diesel generation. Water supply to the Tabornoe Project mine is mainly via road tankers that transport water from Lake Usu approximately 8km due south from the mine.

History

The Tabornoe deposit was discovered in 1978 as a result of a government geological survey mapping programme at a scale of 1:50,000 and a subsequent prospecting campaign. Prospecting works comprised trenching, pitting, a lithochemical survey and panning. From 1990-1991 a further stage of preliminary exploration was undertaken with trenches excavated on a spacing of 500m along strike.

In 1995-1999 the Uzhyakutgeology Government Exploration Company continued exploration at Tabornoe. Exploration consisted of geological mapping traverses (252km), chip and grab samples (156 and 238 samples respectively), trenching with a bulldozer (24,500m³), core drilling (34 boreholes totalling 4,571.6m), churn drilling (709m), channel sampling (777.6m sampled), core sampling (4206.7m sampled) and churn hole sampling (309m sampled). Metallurgical testwork at the Tabornoe Project was undertaken on one sample, which demonstrated a recovery of 75-85% in laboratory heap leach tests. Trial mining at Tabornoe first started in 2001, with the trial heap leach being commissioned in November 2002. The Tabornoe deposit is mined by conventional open pit techniques with drill and blast, and haulage utilising BELAZ trucks. In 2011, the ore mining rate was 2.5Mtpa and a processing rate at approximately 2.6Mtpa.

Geological Setting

The Tabornoe and Gross deposits are situated in the southwestern corner of the Uguskiy Graben. This graben is filled with Lower Proterozoic — Olonnokonskiy Formation sediments which discordantly overlie early Archean gneisses and crystalline schists of the Olekminski Formation, intruded by later Archean granites of the Khaninskiy Intrusive Complex.

The Olonnokonskiy Formation comprises a basal conglomerate and gravels which in some areas can be up to 20-30m thick. The conglomerate horizon is overlain by fine to medium grained, grey to reddish brown sandstones which are either horizontal or shallow dipping and have a thickness of 300-400m. Rocks of Archean and Proterozoic age are intruded by occasional diabase dykes of Riphean age, as well as by dykes and sills of alkaline syenite and syenite-porphyry of Mesozoic age.

The principal tectonic features in the area consist of a set of N-S striking, steeply dipping faults (Kondinskiy Fault Zone), a NE — SW striking and steeply dipping shear zone and a shallow thrust of E-W strike. Although the Tabornoe and Gross deposits are situated approximately 1km to the S of the main thrust fissure, it is believed that gold mineralization is directly related to this thrust which dips to the south at 20-30°.

The Tabornoe and Gross deposits are hosted by a potassic metasomatite zone, developed in the sandstones, which strikes E-W and dips to the south, parallel to the orientation of the thrust zone. Apart from Tabornoe and Gross, there are a number of deposits and mineral occurrences of the same type in the area, the most significant of which is Black-Tabornoe. There is also potential for the discovery of new deposits lying within the Tokkinskiy Fault Zone to the west of Tabornoe.

Tabornoe Project Geology

Stratigraphy

The Tabornoe deposit is hosted by early Proterozoic sandstones of the Olonnokonskiy Formation. The sandstones are fine to medium grained, and of quartz-feldspar and feldsparquartz composition. These were observed to be well-bedded and disrupted by several rock mass discontinuities, with an overall horizontal or shallow dip to the north, northeast and east, typically at dips of 10-30°. There exists an unconformity or shallow fault between the horizontal top sandstones unit and the bottom sandstone unit which dips to the north-east.

Intrusive Rocks

A syenite porphyry dyke of Riphean Age, striking from NEE — SWW and dipping at 70° to the south is heavily altered and disrupted, has a maximum thickness of 25m, a proven strike length of 700m and is mineralised, often carrying good gold grades.

Structure

The Tabornoe deposit is located within a northeast striking shear zone, the associated discontinuities forming natural west and east boundaries to Zone 1. The wedge zone between the discontinuities is broken by a system of east-west and northeast striking upthrows, dipping to the south at 70° and thrusts, dipping at 10-35°, also to the south.

Lithology and Alteration

Three main lithologies have been identified at the Tabornoe deposit: sandstones, syenite porphyry dyke and metasomatites. Four stages of alteration have been identified in the open pit as follows:

1. Fresh sandstone with tabulate foliation;
2. Bleached and light fawn altered sandstones with a recognizable original sandstone structure;
3. Spotted, light fawn, massive quartz-potassium feldspar metasomatites, in which the original sandstone structure can hardly be recognised, and
4. Limonite-quartz-potassium feldspar metasomatites of brown colour in which the original structure cannot be distinguished.

Altered sandstones and metasomatites contain mono- or polyminerally veinlets of quartz, potassium feldspar and clinozoisite, 0.1 to 0.8mm in thickness, and also contain very finely disseminated molybdenite, oxidised pyrite crystals, possibly other sulphide minerals, dendritic pyrolusite and very rare free gold.

Exploration

Initial exploration work on the placers in the Tabornoe and Temniy streams where substantial gold was found identified the Black (Dark) Tabornoe and the Gross exploration targets with maximum grades from selected trench channel samples of 5.7-7.1g/t Au.

Two hydrogeological boreholes were drilled in the Tabornoe area during the period from 1980-1984 as part of a government hydrogeological survey by Uzhyakutgeology Government Exploration Company ("UGEC"). Borehole 12^Г (depth 194m) was drilled on the western bank of the Usu lake. It intersected mylonitised amphibole granite-gneiss. Borehole 14^Г (depth 905.5m), located just below the mouth of the Burniy stream, intersected horizontally bedded red sandstones of the Olokonnosk Formation. From the thermometry performed in this borehole a thickness of permanently frozen rock of up to 400-450m was identified. Water flow in both boreholes was of the order of 0.1l per minute.

From 1990-1991 a further stage of preliminary exploration was undertaken. Trenches were excavated on a spacing of 500m along strike. In 1995-1999 the UGEC continued exploration at the Taborne Project. Exploration consisted of geological mapping traverses (252km), chip and grab samples (156 and 238 samples respectively), trenching with a bulldozer (24,500m³), core drilling (34 boreholes totaling 4,571.6m), churn drilling (709m), channel sampling (777.6m sampled), core sampling (4206.7m sampled) and churn hole sampling (309m sampled). Metallurgical testwork for the Taborne deposit was undertaken on one sample, which demonstrated a recovery of 75-85% in laboratory heap leach tests.

Trial mining at the Taborne Project first started in 2001 by CJSC “TPA Arlan” (“Arlan”) the previous license owners, with the trial heap leach being commissioned in November 2002. Please see “— Drilling” for additional information relation to exploration.

Mineralization

The Taborne deposit comprises a complex set of orebodies occurring in altered sandstone and a syenite porphyry dyke. Gold bearing mineralisation occurs in all altered rocks types, notably including the syenite porphyry dyke.

Taborne Zone 1 comprises a series of lenses which normally have no geological contacts and could not be identified from field observations, the outline being identified by assay cut-off grade only. Interpretation of the individual “payable” orebodies should be considered as highly speculative and at best conceptual.

It appears that the geological structure and in particular the rock mass discontinuities, such as faulting, jointing, bedding, shear zones and unconformities potentially played a significant role in the mineralisation. There requires further investigations to improve knowledge and understanding of the factors controlling gold mineralisation within the sandstone host rock. This may be achieved by detailed geological mapping and associated investigations within the open pit, paying particular emphasis to the discontinuities, geological structures and mineralogy. The syenite porphyry dyke identified within Ore Zone 1 controls high grade mineralisation and more attention should be paid to the three dimensional interpretation of this dyke by in-pit mapping and drilling.

Drilling

Exploration Drilling

During 2009-2010, Neryungri Metallic undertook an extensive drilling programme on the west and SE side of the Taborne Project open pit in order to improve confidence in the open pit reserves for short and medium term planning.

WAI observed both the rigs drilling HQ wireline core on site and overall was impressed by both the performance of the rigs and the drill practices of the two crews. Core recovery seemed to be very good and the dressing of the core was to a very high standard. The boreholes were being drilled on a 20x20m spacing for a total of 5,000m of drilling on 5 profiles. From recent field observations, WAI noted that core recoveries were also very good, averaging between 90-95%. Reported borehole average core recovery for 2002-2005 drilling varied from 67 to 100% with an overall average of 86%. At some selected intervals, however, there was no recovery.

The table below contains a detailed breakdown of drilling from 2008-2011.

Detailed Breakdown of Drilling (2008 -2011 Nordgold)								
Area	2008		2009		2010		2011	
	No. Holes	Total Metres	No. Holes	Total Metres	No. Holes	Total Metres	No. Holes	Total Metres
Gross Prospecting & Exploration	154	29,142	156	39,651	150	39,438	216	73,316
Gross Technology Holes					30	4,905		
Gross Geotechnical Holes					12	1,218		
Site Investigation Drilling Gross							17	1,711
Temniy-Tabornoe Prospecting & Exploration	97	23,365	125	19,321	35	11,122		
Temniy-Tabornoe Technology Holes					12	810		
Site Investigation Drilling Temniy-Tabornoe					8	798		
Temniy-Tabornoe & Vysokiy Geotechnical Holes					4	80		
Vysokiy			51	8,440	4	686		
Rudniy			10	1,848				
Tokkinskiy			19	3,956				
Yuzhniy	26	3,445			15	3,704		
Tabornoe open pit					132	12,501	6	796

All of the sample data collated for the current project are summarised in the table below.

Sample Data Summary			
	No. of Holes	No of Samples	Total Length(m)
Diamond Drillholes	1,619	123,040	125,542
Blastholes	18,043	24,329	124,078
Rip-line Grab Samples	—	21,734	—

Grade Control Drilling in the Pit

Grade Control

For grade control Nordgold utilises blast hole sampling in the hard ores, which appears to work efficiently.

Blast Hole Sampling

One composite sample is taken from each 5m deep blast hole, and is collected on a sampling pan during the drilling of each hole. The sample, approximately 3-5kg in size, is bagged and taken to the site laboratory for analysis.

Sample Preparation and Assay Blast Hole Sample

All production control blast hole drilling samples are prepared and assayed in separate facilities to those for the exploration undertaken at the Tabornoe Project. The on site laboratory is accredited to the Russian National Standard via the Moscow Institute of Materials.

Site Grade Control

The blast pattern is set out in advance of the drilling by the site survey team. The blast pattern and hole coordinates are sent to the on site laboratory. The laboratory, following sample analysis add, the assay result to the spreadsheet against each borehole. This information is returned to the site engineer who creates a plot, of the blast with the three bands of ore defined by different colours in accordance with the cutoffs:

- +0.7g/t Au above cut-off grade i.e. “ore”;
- 0.7-0.4g/t Au below cut-off grade but above waste, low grade ore referred to on site as “off balance”;
- and
- 0.4-0.0g/t Au waste.

The engineer then defines lines to delineate the boundaries between ore and low grade and low grade and waste.

Once the blast has been contoured into the optimal mining pattern and discussed with the geologists and site production team, the surveyors return to the blasted area and set out the two contours i.e. between ore and low grade and low grade and waste. Both ore and waste envelopes are taped out on the bench by the surveyors in readiness for excavation. The band between these two contours i.e. the low grade range of 0.4-0.7g/t Au is mined separately and delivered to a low grade out-of-pit stockpile.

It was reported that the overall mine design undertaken by the Moscow based Nordgold mine designers was based on a dilution of 13% and mining losses of 3%. The site reported the actual dilution calculated was between 6-12% and the mining losses were 3%.

Sampling and Analysis

Samples received at the laboratory are first dried in ovens at 95-105°C, with the sample bag with the sample placed into a steel tray. The samples are crushed using a Rocklabs Boyd—Rotating Sample Divider (“RSD”) combination jaw crusher and splitter to a nominal top size of 2mm. The crushed material is automatically split to produce a sample of approximately 1kg for further size reduction. The approximately 1kg sample is pulverised using a Rocklabs Standard Ring Mill pulveriser. The pulverised sample is divided, with 250g, duly labelled and stored in transportation boxes sent to the SGS Vostok Limited laboratory (“SGS”) based in Chita. All prepared sample pulps (250g) from the Nordgold exploration drill programmes at the Tabornoe and Gross Projects are sent to SGS located in the regional centre in Chita. Samples are fire assayed for gold.

The WAI audit of the QA/QC data has identified a number of risks within the sample data. The risks were mainly classified as low risk which means that there is little or no perceived risk, or low uncertainty. Data were provided for analysis undertaken at the SGS Chita, Stewart Group (“SG”) (location of which is not stated in information provided) and ALS (location of which is not stated in information provided) laboratories. All of the laboratories are owned and run by internationally recognised analytical firms with internationally recognised accreditation for analytical testing.

There are no formal documented standard operating procedures or quality assurance (“QA”) documents governing the drilling and sampling work; instead staff are trained by “word of mouth” using Russian standard and accepted practices. Drilling of the Gross project started in 2008 but the submission of certified standards and blanks did not start until 2009. Blanks and standards were submitted at a rate of approximately 1 in 20. Umpire analysis based on returned sample pulps was conducted using both the SGS Chita Laboratory and the Alex Stewart laboratory in Moscow both of which hold internationally recognised certification for sample analysis.

WAI has inspected the drilling and the core logging facilities and has found that they have been undertaken in a proficient manner, and reviewed the core logging procedures and protocols established for describing lithological types, structure, mineralisation and alteration and all of them have been found them all to be of a good standard.

Security of Samples

WAI has inspected the core logging facilities and reviewed the core logging procedures and protocols established for describing lithological types, structure, mineralisation and alteration and have found them all to be of a very high standard that would equal any established western best practices. WAI considers that the computerised logging sheet that has been written for the Projects is excellent. The introduction of standards into the sample stream is a relatively recent process and as such, no results are available for WAI to review.

Mineral Resource and Mineral Reserve Estimates

WAI undertook a technical due diligence of the Tabornoe Project and this study considered all aspects of the mine from geology and resources and in accordance with guidelines of the JORC Code (2004), exploration potential, mining, processing, economics, and environmental and social issues. There are no material differences between the Mineral Resource and Ore Reserve categories under the guidelines of the JORC Code (2004) used in this report and the categories of Mineral Resources and Mineral Reserves under NI 43-101.

Mineral Resource

An analysis of the Tabornoe Project dataset was carried out to attempt to define a natural cut-off grade upon which to define the mineralisation. A statistical analysis and contiguous length analysis was carried out on this dataset to attempt to define a natural cut-off grade upon which to define the mineralisation. A constant global density of 2.4t/m³ has been supplied by Nordgold and applied to the model.

The final block model was used as the basis for the mineral resource evaluation. Summary results of the evaluation of the unmined, in-situ resources are shown in the table below for the cut-off grade levels: 0.3g/t, 0.4g/t and 0.5g/t Au.

Tabornoe Mineral Resource Estimate (WAI, January 01, 2012)						
Ore Type				Sulphide		
Cut Off Grade (Au g/t)				0.3	0.4	0.5
Measured	Tonnes (kt)			4,545	4,322	3,742
	Au (g/t)			0.95	0.98	1.06
	Metal	kg		4,308	4,224	3,963
		Koz		139	136	127
Indicated	Tonnes (kt)			21,536	20,338	16,284
	Au (g/t)			0.75	0.77	0.86
	Metal	kg		16,200	15,752	13,923
		Koz		521	506	448
Measured + Indicated	Tonnes (kt)			26,081	24,660	20,026
	Au (g/t)			0.79	0.81	0.89
	Metal	kg		20,508	19,976	17,887
		Koz		659	642	575
Inferred	Tonnes (kt)			72,296	59,520	38,850
	Au (g/t)			0.64	0.69	0.83
	Metal	kg		46,044	41,365	32,128
		Koz		1,480	1,330	1,033
NB —						
1. Mineral resources are not ore reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.						
2. Mineral resources are reported inclusive of any ore reserves.						
3. Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.						

The base case model used for the estimation of the ore reserves was at a cut-off grade of 0.3 g/t gold. Grade estimation was carried out using Ordinary Kriging (“OK”) as the principle interpolation method. Inverse Power of Distance Squared and Nearest Neighbour were also used for comparative purposes. The OK method used estimation parameters defined by the variography. The estimation was performed only on mineralised material.

Ore Reserve Estimates

WAI Pit Optimisation

As a continuation of mineral resource modelling of Tabornoe Project, WAI has undertaken a pit optimisation using the mineral resource Block Model prepared by WAI and updated in January 2012. The model was depleted to contain only those mineral resources, which have not been extracted as of January 01, 2012. WAI used NPV Scheduler® software for the optimisation, applying conceptual financial and technical parameters, provided by Nordgold.

The metal price used for the pit optimisation was US\$1,250/oz Au. The major Key Performance Indicators such as mining and processing costs, and other parameters, considered during the optimisation, have been supplied by Nordgold as actual results of year 2008 to 2011 production.

One of the most crucial geotechnical parameters is the overall pit slope angle. An overall pit slope angle of 34° was used for the optimisation (as supplied by Nordgold and observed by WAI at the site).

The results of the WAI Base case optimisation as calculated by NPV Scheduler® are presented in the table below.

Tabornoe Deposit Open Pit Optimisation Results (WAI 2012, COG=0.46g/t)								
Case	Gold Price (US\$/oz)	Plant Recovery (%)	Annual Discount (%)	Ore (kt)	Au (g/t)	Au (kg)	Waste* (kt)	Stripping Ratio Estimation (t/t)
Base Case	1,250	75	10	13,286	0.84	11,098	36,821	2.77
Note:								
9% dilution and 97% mining recovery applied								
Waste is given inclusive of Inferred mineral resources, which are also treated as waste								

Based on the described above open pit optimisation, WAI estimated Tabornoe Project open pit ore reserves. Detailed results of this estimation are given in the table below.

Tabornoe Open Pit Ore Reserves as of January 01 2012 (WAI) (in accordance with the guidelines of the JORC Code (2004))															
		Proven				Probable				Proven + Probable				Pit Summary	
Ore Type	COG	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Ore (kt)	Au (g/t)	Au (kg)	Au (Koz)	Waste (kt)	Stripping Ratio (t/t)
Oxide (In-situ)	0.46	4,126	0.93	3,849	124	9,160	0.79	7,248	233	13,286	0.84	11,098	357	36,821	2.77
Stockpiles (All Types)	0.50		—		—	2,801	0.51	1,433	46	2,801	0.51	1,433	46		
Total		4,126	0.93	3,849	124	11,962	0.73	8,681	279	16,088	0.78	12,530	403		
Note:															
Mining Factors of 9% Dilution and 97% Mining Recovery applied															
Global density of 2.4t/m ³ applied to both ore and waste															

Metallurgical Process

Initial testwork on the Tabornoe deposit was conducted in 1998 at Irgiredmet, Irkutsk. The most recent testwork performed on the Tabornoe deposit was in 2008. This work was undertaken by TulaNIGP, based in Tula, Russia. Two samples were taken from the open pit, designated LTP-1 (high grade) and LTP-2 (low-grade). It was found that recoveries of 90.0% and 88.8% were achieved for LTP-1 and LTP-2 respectively. As expected, leaching efficiency was greatest at a particle size of 100% passing 10mm. At this size recoveries of 87.7% and 76.8% were achieved for LTP-1 and LTP-2 respectively.

Production Forecast and Mine Life

The table below describes the mining schedule for the base case open pit shell designed by WAI.

Tabornoe Project LOM Mining Schedule (WAI January 01 2012)							
		2012	2013	2014	2015	2016	TOTAL
Rock	kt	11,347	13,727	11,443	11,507	2,083	50,107
Waste	kt	8,432	10,724	8,445	8,512	708	36,821
Stripping Ratio	t/t	2.89	3.57	2.82	2.84	0.52	2.77
Total Ore	Kt	2,916	3,003	2,998	2,995	1,375	13,286
Au Grade	g/t	0.83	0.84	0.81	0.86	0.86	0.84
Contained Metal	kg	2,419	2,515	2,419	2,565	1,179	11,098
	Koz	78	81	78	82	38	357

Markets

Gold is a metal that is traded on world markets, with benchmarks prices generally based on the London market (London fix). Gold has two principal uses: product fabrication and bullion investment.

Contracts

Nordgold advise that there are no contracts for mining, smelting, refining, transportation, handling or sales that are outside of normal or generally accepted practices within the mining industry.

Environmental Impact Assessment

The Environmental Impact Assessment (“ESAI”, also referred to in Russia as an “OVOS”) for the site was developed in Yakutsk by the “Institute of Applied Ecology of the North” in 2007. Providing that the mining and processing methods at the project do not change, an update to the OVOS is not required during the life of the mine.

Exploration

Exploration to date has been focused both within the known Tabornoe deposit (in-pit ore definition drilling on a 20 x 20m basis) as well as at the following mineral occurrences and prospecting areas: Western Extension of Tabornoe Open Pit; Temniy Tabornoe Occurrence; Tokkinskiy Prospecting Area; and Gross Project. The main exploration targets for 2012 are currently envisaged to include the following (subject to approval): completion of all exploration drilling in the Tabornoe Project open pit and at least 7 x 1.5t samples will be subjected to further metallurgical testing to determine optimum gold recovery.

THE SUZDAL PROJECT, RUSSIA, MINING AND TECHNICAL INFORMATION

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Suzdal Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Suzdal Technical Report. Reference should be made to the full text of the Suzdal Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

WAI was commissioned by Nordgold to prepare an NI 43-101 compliant report on the Suzdal Gold Mine in Kazakhstan. The Suzdal Technical Report documents the geological block modelling, the mineral resources and mineral reserves, mineral processing, environmental and social issues and the financial assessment of the mining operations from project commencement to end of mine life.

Property Description and Location

The Suzdal Gold Mine is located 55km southwest of Semipalatinsk ("Semey") in the northeastern part of Kazakhstan. Nordgold has a 100% interest in the Suzdal Gold Mine through the acquisition of Celtic Resources Holdings Ltd who in turn had a 100% indirect shareholding in Alel, the local operator. The Licence to the mine was granted to Alel in 1995 and the mine was operated to produce gold rich quartz flux to feed Kazakhstan smelters. The Suzdal Gold Mine comprises a Mineral Licence (No:35) covering a total area of 5.9km². The licence was issued in 1995 and expires in 2017. The mining licence covers production down to the -820m level. The Suzdal property is leased from the state, with no current land ownership by private individuals, even though there have been third party landowners historically. WAI is not aware of any significant factors and risks that may affect access, title, or the right or ability to perform work at the Suzdal Gold Mine.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The site is accessed via an initial 32km long asphalt road followed by a further 23km on a reasonably well graded dirt road. The route allows access for trucks and other vehicular traffic to service the Suzdal Gold Mine. The relief of the region is characterised by a gently rolling steppe, with absolute elevation changes from 390 — 500m. There are no rivers, or permanent bodies of water and the mine is located in a seismically quiet zone. Ground water is typically encountered at a depth of 6-7m with a flow direction to the southeast. The climate of the region is typical continental, with maximum summer temperatures from +23° to +42°C, and minimum winter temperatures from -25° to -40°C. Precipitation is generally light with about 330mm per year. Snow is present from mid-November, with the total for the winter of approximately 25-30cm. Ground conditions freeze up to a depth of 1-1.5m. Operations are conducted throughout the year. Due to the low level of rain fall on the Kazakh steppe there are few trees and limited vegetation with most locations comprising grasslands and sandy areas. The nearest population centre is Znamenka (Pop. 2,000 in 2008) located approximately 12km to the west of the deposit, on a minor un-surfaced road.

The mine comprises a number of disused open pits (one of which contains the portal for the decline), waste dumps, plant, offices, maintenance buildings, accommodation and canteen. Power comes from 2 x 6kV power lines, with potable water from an underground aquifer pumped from bores 1.3km to the north of the deposit. Process water is provided from underground water pumped directly from the mine. WAI believes that the Licence is of sufficient area to house all of the mining operations including housing for mine personnel, waste disposal area, the heap leach pad and the processing plant.

History

The Charsk Belt has undergone considerable geological exploration, but it was not until 1980-83 that the oxide part of the Suzdal Gold Mine was discovered and from 1984-87, limited core drilling and trenching was undertaken. Mining of the oxide zone by JSC Altaizoloto began in 1985 and continued until 1995 when

bankruptcy led to the transfer of the licence to a joint venture between the local mining company Alel (50%), Dabney (15%) and a subsidiary of the Australian mining/construction company Multiplex Constructions, Danae Resources NL (35%).

Under Alel a mining licence was granted in 1995 for a period of 22 years. Alel operated the Suzdal Gold Mine for several years providing a gold rich quartz flux to smelters in Kazakhstan. Dabney Industries Corporation ("Dabney") was the operator of the Suzdal Gold Mine between 1998 and 1999 and brought it into continuous production treating the oxide cap through open pit mining and heap leaching. In 2000 Dabney was acquired by Celtic Resources Ltd providing them with an initial 15% stake in the Suzdal Gold Mine. Between 2000 and 2002 Celtic Resources Ltd gradually increased its ownership in the Suzdal Gold Mine from 15% to 100% through the acquisition of Danae Resources NL and Alel. From 2004 to 2006 the operation saw the transition from open pit mining of the oxide ore to the development of underground workings to mine sulphide ore as remaining stocks of oxide ore were depleted. In August 2007 Nordgold acquired a 22% stake in Celtic Resources Ltd and then increased this to 100% in January 2008 thus acquiring indirectly 100% rights to the Suzdal Gold Mine.

Exploration works between 1984 and 1987 were undertaken by Semipalantinsk GRE. Shallow drilling on a grid of 500 x 50m (250 x 25m in mineralised areas) was instigated between 1986 and 1988 and outlined the broad mineralised zones, and between 1987 and 1990, 427,017m of drilling recovered 31,531m of core, with exploration undertaken by Gornostayevskaya Party AGGE. During 1990-93, continued exploration down to 500m was undertaken using core drilling (59,738m) culminating in a C2 reserve calculation. In 1997, a formal resource evaluation was made. Exploration works prior to the acquisition of the mining licence by Alel in 1995 were largely conducted through surface drilling. In total the pre-1995 surface exploration drilling comprised 362 drillholes totalling 99,173.1m. Drilling undertaken pre-1995 utilised SKB-4, Mil-650 and UCB-5C drill rigs.

Geology

Eastern Kazakhstan, including the Charsk Gold Belt, is mostly underlain by fragments of Kipchak and Altai paleo-island-arc systems. The region is characterised by ophiolite slivers separated by marine sedimentary basins. Between the Mesozoic and Eocene eras, the region underwent deep surface weathering and chemical erosion producing the current weathering profile. Surface oxidation reaches an average thickness of approximately 30m, except in proximity to fault and alteration zones where it reaches up to 100m. Quaternary loams, clays and sands cover a very large portion of the Charsk Gold Belt area.

The dominant tectonic structure within the region is the Char-Gornostai-Zimunai fault which strikes to the northwest and comprises a series of closely spaced faults; the fault passes to the northeast of the Suzdal Gold Mine. The second main structure is the Suzdal fault which is a series of sub-parallel northeast striking faults. Separating the faults are blocks of highly fractured and hydrothermally metasomatic altered sandstones, siltstones and limestones. The fault zone is 700-1300m wide, dips 45°-85° to the southeast and can be traced along strike for 50km. In the northeastern part of the Suzdal fault zone are four tectonic blocks including the Suzdal block which hosts the Suzdal Gold Mine. The Suzdal block is bound to the southwest by the Semeytauskim block and to the north by the Char-Gornostai-Zimunai thrust fault. The Suzdal Gold Mine is located at the juncture of the Char-Gornostai-Zimunai fault which strikes NW and the Suzdal fault which strikes NE. The Suzdal Gold Mine is hosted within volcano-sedimentary sequences of upper-Devonian to Quaternary age.

Mineralisation

Four SW-oriented en echelon orebodies are recognised with dips of 40° to 90° SE. Combined orebodies 1/3 and 2 in the northeastern part of the Suzdal Gold Mine possibly merge at depth and are hosted by a predominantly calcareous facies, whilst orebody 4 to the south west is hosted by sandstone and carbonaceous siltstone. The orebodies intersect or are subconcordant with bedding. Individual orebodies extend to a depth of 400m, are 1.5 to 2km in length and 20 to 150m thick, and can be traced for 200 to 800m at the surface, with a thickness of 1 to 40m.

Exploration

Exploration at the Suzdal Gold Mine has utilised numerous techniques including surface diamond core drilling, underground diamond core drilling and underground channel sampling. Between 1984 and 1987, limited diamond core drilling was undertaken combined with some trenching. The exploration works during this phase primarily focussed on defining the oxide mineralisation. Mining of the oxide zone commenced in 1985 and continued through till 1995 when bankruptcy led to Alel acquiring the Licence. Exploration works from the underground workings also included channel sampling. Channel samples have been taken during the establishment of development drives with samples taken on each face advance (approximately every 5m) channel samples were also taken from a number of cross cuts.

Summary of Suzdal Gold Mine Underground Channel Sampling					
Method	Ownership	Year	Number of Channels	Metres	Number of Samples
Underground Channel Sampling	Celtic	2006	1651	9494.7	7734
		2007	1240	7225.4	6357
	Nordgold	2008	908	7763.5	5865
		2009	882	5472.2	4047
		2010	1223	7084.5	5157
		2011	986	5327.6	4333
	Total		6890	42367.9	33493

Drilling

The mineralisation was broadly defined based on shallow drilling on a 500m x 50m grid (250m x 25m grid in mineralised areas) which was undertaken between 1985 and 1988. The current database comprises 44 drillholes from this period totaling 9,267.6m. During 1990-95, continued exploration down to 500m was undertaken using core drilling, the current database comprises 318 holes from this period (89,905.5m) culminating in a C2 mineral reserve calculation. Core recovery between 1984 and 1995 averaged >70%. In 1997, a formal mineral resource evaluation was made.

A summary of the surface drilling between 2001 and December 2007 is given in the table below. Surface drilling during these periods of exploration saw surface drillhole density increase to a grid of approximately 50m x 50m, with holes orientated to the northeast. Core recovery prior to 2003 has been reported as >70%, since 2003 this has increased to >90%.

Summary of Suzdal Gold Mine Surface Drilling Campaigns					
Method	Ownership	Year	Number of Drillholes	Metres	Number of Samples
Surface Core (Wireline)	Celtic	2001	10	851.5	595
		2002	32	4,135.2	1,881
		2003	30	2,519.7	1,303
		2005	12	2,053.4	1,134
		2006	5	1,274.5	701
		2007	23	6,604.4	4,207
	Nordgold	2008	44	21,292.5	13,344
		2009	55	28,559.4	11,843
		2010	43	26,580.1	11,674
		2011	63	29,778.0	10,924
	Total		317	123,648.7	57,606

In 2004 the Suzdal Gold Mine saw a transition from open pit mining of oxide ore to the development of an underground mining operation to extract sulphide mineralisation in orebodies 1/3. The provision of underground developments enabled exploration from the underground workings comprising underground diamond core drilling and underground channel sampling. To date there are 24 development levels in the mine. A summary of the annual underground drilling campaigns at the Suzdal Gold Mine is shown in the table below.

Summary of Suzdal Gold Mine Underground Drilling					
Method	Ownership	Year	Number of Drillholes	Metres	Number of Samples
Underground Core	Celtic	2005	24	1,930.5	1,708
		2007	58	2,985.5	2,865
	Nordgold	2008	45	3,925.5	3,595
		2009	110	9,677.3	9,559
		2010	264	21,402.1	18,148
		2011	526	31,123.6	27,544
	Total		2,677	71,044.5	63,419

Sampling and Analysis and Security of Samples

Detailed core logging is undertaken on site in a suitable purpose built wooden building. The core is laid out on wooden racks in a well-lit wooden building, or weather permitting, racks are set up outside and logging is carried out in the open air. Core is logged on paper logging sheets which are then incorporated into a digital database. The core is marked up by the senior geologist, labelled for sampling and photographed before cutting with a diamond saw. Samples are placed in sample bags with a sample tag placed in the bag along with the sample id recorded on the outside of the bag.

The core logging room benefits from having good lighting however heating seemed to be limited and could be an issue in winter. Due to the limited size of the building the amount of core that could be placed on the racks at any one time appeared restricted. Core is logged by the senior geologist and his assistant, initially this is carried out on paper logging sheets before incorporation into a digital database. The core cutting facility is located in a separate building. The drillhole is tagged up for cutting by the geologist into sample intervals typically of 2.0m length, reducing to smaller intervals where lithology or mineralisation dictates (as specified by the site geologist). The core is then cut into half, taking due cognisance of any structures in the cores (and cut perpendicular to them) and then bagged up with a tag placed into the bags containing the sample ID, the same sample ID is written on the outside of the sample bag. Samples are stored securely before being transported across the mine site to the laboratory.

The Suzdal Gold Mine operates two sample preparation and laboratory facilities, one for the geological samples which then go for Atomic Absorption Spectrometry (“AAS”) analysis, and one for the plant samples which are submitted for Fire Assay (“FA”). WAI visited the sample preparation and laboratory facilities on October 12, 2011. In general both preparation facilities and laboratories are appropriately equipped and have accreditations including STRK ISO/IEC 17025-2007. The current accreditation certification was allocated on September 9, 2011. WAI has visually verified the certification. Preparation of the samples follows a typical comminution process whereby material is reduced to P₈₀ at 74µm. Sample preparation equipment is cleaned in between each sample with compressed air. Between different products crushed glass is passed through the preparation equipment to give a more thorough clean and to avoid contamination between samples.

The Suzdal Gold Mine AAS and Inductive coupled plasma spectrometry (“ICP”) laboratories are housed in a separate building away from the fire assay laboratory elsewhere on site to reduce the risk of contamination between samples. Fire assay is undertaken for gold and silver and follows standard practice. Samples are mixed

with a flux comprising Pb oxide, borax, soda ash and flour and are smelted in a cupola. The resulting lead button undergoes cupellation and the resulting silver and gold bead is digested by aqua regia before being weighed and undergoing AAS.

Following the initial sample comminution preparation, samples for AAS or ICP are calcined, the furnaces being used at the laboratory are old but the furnaces still function well and temperature can be well regulated. Following calcining samples are digested in aqua regia for 2 hours on a hotplate, a hydrochloric solution is then added to 250ml of the solution of which 50ml is then taken and shaken for half an hour. To speed up this whole process and to reduce the 2 hours on a hotplate the laboratory has now acquired ultrasound baths. Following shaking the solution water is added and the resultant oil extract is taken for analysis. The laboratory has a number of spectroscopy analytical machines these include a Russian made AAS, a Spectra AAS, Varian 240 AAS, and a Varian ICP. The ICP has special accreditation in Kazakhstan to allow for its use, the reason for this accreditation is due to a lack of use of ICP in laboratories within Kazakhstan. The ICP calibrates between samples.

Internal and external QA/QC procedures for the test work appear to be limited. The laboratory does not insert a regular number of standards but instead relies on the client to insert their own. With regards to blanks sometimes the laboratory puts in its own blanks but this is not a regular practice. Currently the laboratory puts in about 5% of a sample batch as internal and external duplicates. External duplicate control assays for 2009 and 2010 were performed by Alex Stewart Laboratories in Kara Balta, Kyrgyzstan, ISO 9001 accredited.

WAI was provided by the Suzdal Gold Mine geology department with the results of internal duplicate assays for 2009, 2010 and 2011. The internal duplicate results were separated out into 4 grade ranges:

- 0.10-0.90g/t Au;
- 1.00-4.99g/t Au;
- 5.00-19.99g/t Au;
- 20.00-49.99g/t Au; and
- >50g/t Au.

Overall the results showed a good correlation between the primary assays and the duplicate assays, thus demonstrating a good level of precision within the laboratory. Results for the grade range 0.10-0.90g/t Au showed a weaker correlation and therefore a lower level of precision, this is most likely due to the close proximity to the detection limits of the machine. Modeling of the deposit has been undertaken at a cut-off grade of 1.5g/t Au. The majority of samples therefore in the 0.10-0.90g/t Au group will be excluded from any subsequent estimations and the impact of samples in this grade range will be negligible.

Results of the external duplicate assays were provided to WAI for 2009, 2010 and 2011, a report covering the external results for 2004-2008 was also provided. Overall the results of the external duplicate assays showed the same correlation trends as the internal duplicate results.

The WAI audit of the QA/QC data has identified a number of risks within the sample data. The overall rating of risk falls in the moderate risk (Risk present which could lead to a small material error in the mineral resource model) category based on the QA/QC audit, this is due to limited QA/QC work being undertaken. It is standard practice under GKZ guidelines for internal and external duplicates to be the main, and sometimes only QA/QC method to be undertaken. Duplicate samples only yield results demonstrating level of precision. To test for accuracy a standard certified reference material of a known grade is required to be inserted regularly into the sample stream. Currently no standard certified reference material is being inserted. Blank samples are only inserted rarely into the sample stream. The use of blanks for QA/QC is important for ascertaining cross contamination in the sample preparation and analytical stages of testing. As with the use of standards, blanks should be inserted regularly into the samples stream.

Although WAI has identified a moderate risk in the QA/QC data, it believes that the impact on the quality of the sample database is satisfactory for use in the estimation of the mineral resource and subsequent mineral reserve. WAI considers that there are no drilling, sampling or recovery factors that could materially impact the accuracy and reliability of the subsequent mineral resource estimation.

Mineral Resources & Mineral Reserves

Mineral Resources

The Mineral Resource and Mineral Reserve estimate presented in the Suzdal Technical Report have been prepared in accordance with the guidelines of the JORC Code (2004). WAI believes no material differences exist between the JORC (2004) guidelines and the CIM Standards. There are no material differences between the Mineral Resource and Ore Reserve categories under the guidelines of the JORC Code (2004) used in this report and the categories of Mineral Resources and Mineral Reserves under NI 43-101.

The diamond drillholes have generally been laid out approximately on 50m spaced sections, oriented along the strike of the deposit at approximately 050°. The deposit is dipping steeply towards the south-east. Surface holes have generally been started on the eastern side of the deposit hangingwall in two main groups, inclined at angles generally between 50° and 90°. Underground channel samples have been taken from several underground levels within the area covered by the larger group of surface drillholes. Levels are vertically spaced at approximately 8 to 12m. Underground drilling has been carried out from levels within the area covered by the larger group of surface drillholes.

A new set of mineralised zone envelopes were defined, which encompass the four main ore types found at the Suzdal Gold Mine. This interpretation has been developed from coded lithologies, as well as a cut-off grade of 1.5g/t Au, and produced 5 principal ore zones.

A rotated volumetric block model was set up with a columnar 2.5m x 2.5m parent block size. The volumetric model is constrained at surface by the October 01, 2011 topographical surfaces and the interpreted mineralised zones. Within the mineralized zones, sub-blocks were generated, down to minimum dimensions of 1.25m x 1.25m with the block length in the Z direction (across strike) being controlled by the wireframe limits. The 800m width in the Z direction was used in order to create the columnar model in which cells are fitted to the width of the wireframe, rather than being constrained by a block boundary. Mined out parts, both open pit and underground stoping and development were separately coded to enable accurate depletion of the final model.

A density of 2.70t/m³ for sulphide and waste material has been supplied by Alel and applied to the model. The site geologists have previously submitted 408 samples of sulphide ore for bulk density determination with samples weighed both in air and water to derive bulk density measurements. The average bulk density for sulphide recorded is 2.70t/m³.

Grade estimation was carried out using Ordinary Kriging (“OK”) as the principal interpolation method. Inverse Power of Distance Squared (“IDW2”) and Nearest Neighbour (“NN”) were also used for comparative purposes. The OK method used estimation parameters defined by the variography. The estimation was performed only on mineralised material contained within the mineralised zones with each zone estimated separately.

The OK estimation was run in a three pass kriging plan, the second and third passes using progressively larger search radii to enable the estimation of blocks un-estimated on the previous pass. Grades were estimated using the composite data from diamond drillholes, underground channel samples and underground drillholes. The search parameters were derived from the variographic analysis, with the first search distances corresponding to the distance at 2/3rds of the variogram sill value and the second search distance approximating up to the variogram range.

Sample weighting during grade estimation was determined by variogram model parameters for the OK method. Block discretisation was set to 3 x 3 x 1 to estimate block grades. Sub cells received the same estimate

as the parent cell. Directional control strings defining the local variation in the strike and dip of the deposit were defined. Strike orientation strings were defined through the deposit. The strike and dip direction of the strings were used as vectors to interpolate dip directions and dip values into the block model. These orientations were subsequently used during grade estimation to orient the search ellipses independently for each block. This dynamic anisotropy procedure gives a more realistic reflection of the local variations in the strike and dip of the deposit. Any un-estimated blocks remaining after the third pass were estimated using the third search ellipse parameters but without using octants and only requiring one composite sample.

WAI is not aware, at the time of preparing this report, of any modifying factors such as environmental, permitting, legal, title, taxation, socioeconomic, marketing, and political or other relevant issues that may materially affect the mineral resource estimate herein; nor that the mineral resource estimate may be affected by mining, metallurgical, infrastructure or other relevant factors.

The final depleted block model was used as the basis for mineral resource evaluation. The grades in the final mineral resource model were derived using the OK estimation method for Au. Summary results of the evaluation of the un-mined, mineral resources are shown in the table below for three different cut-off grade levels: 1.5g/t, 2.0g/t and 4.0g/t. A cut-off grade of 4g/t Au most closely represents the economic cut-off grade for underground extraction. It should be noted that a minimum mining width of 1.2m has been applied to the model prior to resource evaluation. Grades in resource model blocks with a width of <1.2m were diluted to account for the required dilution to achieve a minimum mining width of 1.2m.

Suzdal Gold Mine Resource Estimate (WAI, January 01, 2012) with applied minimum mining width of 1.2m (in accordance with the guidelines of the JORC Code (2004))					
Ore Type		Sulphide		Sulphide	
Cut Off Grade (g/t)		1.5		2.0	
<i>Measured</i>	Tonnage (kt)	759	738	626	
	Au (g/t)	10.23	10.48	11.81	
	Metal	kg	7,770	7,733	7,393
		Koz	250	249	238
<i>Indicated</i>	Tonnage (kt)	2,859	2,754	1,999	
	Au (g/t)	7.19	7.39	9.02	
	Metal	kg	20,549	20,365	18,028
		Koz	661	655	580
<i>Measured + Indicated</i>	Tonnage (kt)	3,619	3,492	2,625	
	Au (g/t)	7.83	8.05	9.68	
	Metal	kg	28,320	28,098	25,421
		Koz	911	903	817
<i>Inferred</i>	Tonnage (kt)	2,534	2,476	1,639	
	Au (g/t)	6.01	6.11	7.60	
	Metal	kg	15,238	15,137	12,451
		Koz	490	487	400

Notes:

1. Mineral resources are not mineral reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral resources are reported inclusive of any mineral reserves.

3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.
4. A cut-off grade of 4g/t Au most closely represents the economic cut-off grade for underground extraction.

Mineral Reserves

WAI has produced a mineral reserve estimate for the Suzdal Gold Mine based upon the mineral resource block models updated and reviewed by WAI in January 2012. The mine design and mineral reserves are based on measured and indicated mineral resources only, derived from the WAI, 01 January 2012 mineral resource block model. The mineral reserves quoted exclude material stockpiled as of January 01, 2012, due to uncertainties regarding stockpile tonnage and grade. The model has been depleted to take account of areas mined up to 01 January 2012. The WAI block model, and ergo the mineral reserve estimate, does not include works carried out in Q1 2012.

The underground mine design for the Suzdal Gold Mine has been carried out using Mine2-4D software, which is an automated mining software package. It allows the user to accurately design mine excavations such as development and stoping, and then allows the operator to apply time-dependent mining activities such as backfilling and cable bolting in a fully three-dimensional graphical environment. Following the design of excavations and associated activities, mining activities can be sequenced, with time delays built into the sequence where appropriate. Once the design is complete and the associated activities applied, the mine design is then exported into the Enhanced Production Scheduler (“EPS”) which is a direct representation of the 3D mine design in a Gantt chart format. The sequence and delays built into the model in Mine2-4D are also exported to EPS.

The stope blocks for the Suzdal Gold Mine have been designed to a minimal average block grade of 4g/t Au. The economic cut-off grade of 4g/t Au was provided by Nordgold. WAI is of the opinion that this cut-off grade is representative of this type of deposit. The table below summarises the mineral reserve estimate for the Suzdal Gold Mine, based upon the measured and indicated mineral resources. Global mining factors of 15% dilution and 95% mining recovery have been applied on a basis of historically achieved indices together with forecasted dilution within stopes, planned for extraction in later periods. Only the measured and indicated mineral resources were utilised in the optimisation.

Suzdal Gold Mine Mineral Reserve Estimate (WAI January 2012) In accordance with the Guidelines of the JORC Code (2004)				
Zone	Classification	Tonnes (t)	Au Grade (g/t Au)	Contained metal (kg)
Orebody 1/3	<i>Proven</i>	385,388	9.12	3,514
	<i>Probable</i>	1,264,659	7.61	9,621
	Total	1,650,047	7.96	13,135
Orebody 4	<i>Proven</i>	—	—	—
	<i>Probable</i>	310,130	5.72	1,775
	Total	310,130	5.72	1,775
Total	<i>Proven</i>	385,388	9.12	3,514
	<i>Probable</i>	1,574,790	7.24	11,396
	Total	1,960,178	7.61	14,910

Notes:

1. Reported at a cut-off grade of 4.0g/t Au.
2. 15% dilution and 95% mining recovery applied.
3. WAI is not aware that this mineral reserve estimate could be materially affected by mining, metallurgical, infrastructure or other relevant factors other than changes to those factors given in section 15.

Mining Operations

Mining at the Suzdal Gold Mine comprises various modified sub-level open stoping methods dependent on orebody geometry. Where ore extraction is within proximity to shaft pillars and long-term tunnels then backfilling has been used. Principal mining horizons have been developed on 10m levels between the +260m and -180m levels in orebody 1/3. Drilling and blasting is carried out with single beam jumbo rigs and handheld jacklegs with blasting undertaken using ANFO with non-electric initiators. Blasting is performed four times a day. Ore and waste is transported via CAT R1300G scoop trams and 20t underground dump trucks to ore passes where they are transferred to 30t articulated dump trucks for haulage to surface. Ore is stockpiled on a ROM pad close to Decline No.2.

Ore extracted from the Suzdal Gold Mine is refractory to cyanidation and therefore the treatment of ore requires the use of a BIOX[®] system. The initial processing of the ore is through crushing and grinding using a conventional crushing and ball mill circuit. Ore is initially crushed to 500mm and then to 100mm before passing to the ball mills where the size is reduced to <75µm. The pulverised ore is sent to a three stage froth flotation circuit where a gold rich sulphide concentrate is produced. In addition to the Suzdal Gold Mine rich sulphide concentrate a further three externally sourced concentrates are blended to increase the sulphur content of the product for the BIOX[®] plant.

The gold rich sulphide concentrate which typically assays 12% sulphur and 4.2% As is sent to the BIOX[®] plant which can treat 8tph, this amounts to oxidising 23t of sulphur per day. The oxidised concentrate is washed and leached using carbon-in-leach (“CIL”). The in-line capacity of the CIL plant is 8-10tph with a typical residence time of 28 hours. Gold is recovered from the loaded carbon via standard desorption-electrowinning-smelting technologies. The loaded carbon grades up to 3.5g/t Au and is stripped in batches of 2.5t. A final Suzdal Gold Mine ore product contains approximately 95% Au.

WAI has prepared an LOM model based on the mineral reserve, estimated in accordance with the guidelines of the JORC Code (2004). The following table describes the mining schedule for the Suzdal Gold Mine.

TABLE 22.2 Suzdal Gold Mine LOM Mining Schedule (WAI January 2012)						
Year	2012	2013	2014	2015	2016	Total
Ore (Kt)	386	532	503	494	87	2,002
Au (g/t)	6.53	9.52	7.90	6.22	5.38	7.54
Au (kg)	2,521	5,063	3,977	3,073	468	15,102

Notes:

1. 15% dilution and 95% mining recovery applied.
2. Waste is inclusive of inferred mineral resources.
3. LOM based on measured and indicated mineral resources only.

THE TAPARKO-BOUROM ASSETS, BURKINA FASO, MINING AND TECHNICAL INFORMATION

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Taparko-Bouroum Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Taparko-Bouroum Technical Report. Reference should be made to the full text of the Taparko-Bouroum Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

WAI was commissioned by High River to prepare an NI 43-101 compliant report on the Taparko-Bouroum Assets in Burkina Faso.

The Taparko-Bouroum Technical Report documents the geological block modelling, the mineable reserve, mineral processing, environmental and social issues and the financial assessment of the mining operations from project commencement to end of mine life.

Property Description and Location

The Taparko-Bouroum Group Property comprises two Exploitation Licences, covering areas of 666.5km² in Taparko and 11.7km² in Bouroum and owned by High River whose right to the Taparko-Bouroum gold project is held through the Société des Mines de Taparko, SOMITA SA, a Burkinabe subsidiary. SOMITA SA is 90% owned by High River with the remaining 10% carried interest held by the Government of Burkina Faso. High River has exploration permits in Nairy, Baola, Yeou and Ankouma deposits. The Taparko-Bouroum gold project is located in the Namantenga Province, Burkina Faso in West Africa, approximately 200km northeast of Ouagadougou, the Capital City of Burkina Faso.

An Exploitation Permit for gold is in place for Taparko and covers an area of 666.5km². It was granted in August 2004 and is valid for 20 years. Under the provision of the Code, this can be renewed for 5 further years. An Exploitation Permit is also in place for Bouroum. This licence applies to an area of 11.7km². It was granted on 22nd June 2005 and is also valid for 20 years, with an option to renew for 5 further consecutive years.

Burkina Faso's 2003 Mining Code requires funds to be allocated to the Bank of West Africa to cover environmental protection and rehabilitation costs, and this code also stipulates compliance with the Burkinabe Environment Code.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Taparko-Bouroum Project area comprises two separate sites. The Taparko mine is located in a sparsely populated area readily accessible by road from Ouagadougou. The road to Taparko, a distance of approximately 200km, is paved, giving a driving time of approximately 2 hours. The Bouroum site is located approximately 49km northwest of the main Taparko site where all the mining and milling infrastructures are located. It is accessible from Taparko via a gravel road.

The Taparko and Bouroum sites' topography is relatively flat with some basalt hills on the east side of Taparko. Surface cover over the majority of the sites is a hard laterite capping with the remainder comprising sandy soil.

The climate is characterised by a wet season extending from June to September with the heaviest rains in August, and mean annual rainfall between 400 and 600mm. Typical daytime temperatures range from 25°C in December to 45°C in May, decreasing by 10°C at night. No surface accumulations of water remain throughout the year except for man-made storage reservoirs.

Local infrastructure around Taparko is minimal with the exception of the Yalogo water reservoir and a state owned telecommunications tower providing access to worldwide telephony and internet services. There is no infrastructure at Bouroum. The project water requirements, recycling as much water as possible, can be met from the reservoir without impacting other uses.

Water for the processing operation is supplied from the Yalgo dam. Water is collected during the rainy season and pumped to Dam No. 4 where it is stored before further pumping to the process water tanks for use on site. The national power grid at Ouagadougou is unable to supply the power requirements for the mine. Therefore, diesel powered generation (9.6MW) on site is employed. Security measures for dealing with artisanal miners are in effect.

History

The original discovery at Taparko was made in 1980 by the Burkina Faso Government department of geology and mining. Minorex, a Canadian consultancy, continued exploration starting in 1987. Incanore Gold Mines Ltd, (“Incanore”) and High River entered into a joint venture agreement for the Taparko property in August 1993. Since 1995, exploration work has consisted of extensive surface trenching, diamond and, to a lesser extent, reverse circulation (“RC”) drilling; In August 2004, High River was granted the exploitation permit for Taparko.

During the period 1985-1987, the French Bureau de Recherches Géologiques et Minières (“BRGM”) and BUMIGEB (the Burkina Faso geological survey) carried out regional exploration studies in the Bouroum area and resulted in the assessment of auriferous quartz veins in F12. Artisanal mining activity at F-12 commenced in 1987 following the departure of BUMIGEB. In 1994, Channel Resources was granted the Bouroum Licence. In May 2002, Channel entered into a joint venture agreement with AXMIN Limited and completed a Bankable Feasibility Study. High River signed a Heads of Agreement with AXMIN to conduct a joint prefeasibility study on the Taparko and Bouroum properties. The field work in 2002 and 2003 included detailed geological mapping and geochemical surveys in addition to drilling. The Government of Burkina Faso issued the exploitation permit for the Bouroum property in June 2005.

Taparko

For the exploration of the main deposits, since 1995, exploration work has consisted of extensive surface trenching (142 @ 8,141m), diamond drilling (374 @ 41,891m) and, to a lesser extent, RC drilling (101@5,794m); outside the mineral resource area the respective figures are 40/2,491m, 38/2,997m and 88/6,146m.

Core recovery in the mineralised zones was between 73-93% even in the saprolite where triple-tube technology was used, aided by the addition of drilling muds and polymers. No additional drilling was performed on the auriferous zones after 2003 until the recent 2010-11 drilling campaign.

Bouroum

AXMIN optioned the property in 2000 and the field work in 2002 and 2003 included detailed geologic mapping and geochemical surveys in addition to the drilling. The latter is summarised by area in the table below.

Bouroum Exploration Data				
	Diamond Drilling		RC Drilling	
	Holes	Length (m)	Holes	Length (m)
2000			6	429
2001	0		0	
2002	13	1,083	16	862
2003	37	3,030	0	
Total	50	4,113	22	1,291
Bissinga North	7	487	5	165
Bissinga South	0		0	
F 12	32	2,671	10	651
Welcome Stranger	11	954	7	475
Other Areas	0		0	
Total	50	4,113	22	1,291

Geology and Mineralisation

The Taparko/Bouroum areas lie within the early Proterozoic Birimian Greenstone Belt of the West Africa Craton. The area was deformed repeatedly between 2,400 to 1,200Ma, but has remained a relatively stable craton since. The Birimian rocks are bounded on the east and west by Infracambrian Pan-African mobile zones. Rocks have been metamorphosed to greenschist facies mineral assemblages.

The Birimian rocks are subdivided into an early and a late volcano-sedimentary sequence, each followed by an orogenic episode of folding and metamorphism (“Eburnean 1” and “Eburnean 2” orogenies). Gold deposits formed during the Eburnean 1 cycle are of the “syngenetic” type whilst during the Eburnean 2 cycle ongoing tectonic movements led to the development of shear zones of regional importance that were important source for many of the major West African gold deposits. Taparko and Bouroum gold deposits are hosted on opposite limbs of the Y-shaped Bouroum-Yalogo greenstone belt 15km wide and trending NNW. Several prominent faults have been identified.

The Taparko and Bouroum gold deposits comprise sulphide-poor quartz veins hosted by shear zones of differing orientation. At Taparko, gold occurs in the quartz veins and in quartz vein selvages, and is also sometimes found in the shear zone itself where gold grades similar to the quartz vein mineralisation occur. Graphite is spatially associated with the gold mineralisation. Much of the gold mineralisation at Taparko and Bouroum available for mining is developed in the weathered zone; the saprolite profile at Taparko is between 20-30m thick and 10-20m at Bouroum.

The geology of the area is characterised by clastic metasedimentary rocks intercalated with minor mafic tholeiitic flows and sills and overlain by a thick series of subaqueous flows and tholeiitic sills with intercalated, epiclastic and pyroclastic rocks. Metapelites, ferruginous quartzite and finally andesitic to dacitic volcanic rocks capped the older stratigraphy. The Bouroum East and West Faults define a “deformation corridor” of brittle-ductile deformation in which second order shear zones are locally developed and contain goldbearing quartz veins.

Gold at Taparko occurs predominantly associated with the Taparko shear zone, a northwesterly trending splay off the regional Markoye Fault, located along a thin band of metavolcanic and metasedimentary rocks enclosed by granodiorite. This structure, traced over a strike length >10km, dips at 40° to 50° to the northeast. Gold-bearing, sulphide poor quartz veins and veinlets occur throughout most of the known length of the Taparko shear zone, but economically important mineralisation is restricted to a number of discrete zones which include the GT Zone in the south, the contiguous 2N/2K Zone and the 3/5 Zone further north.

The GT Zone, the most southerly and highest grade auriferous zone was the source of the initial production from the mine, and has a strike extent of 400m. The gold mineralisation is concentrated in the upper of two quartz vein systems over true widths between 5 and 15m. The lower quartz vein system is virtually barren. Zone 2 extends over a distance of 500m, subdivided into 2N, (southern) and 2K (northern), and separated by a short very low grade interval. Zone 2 is characterised by relatively local and restricted accumulations of white quartz with good gold grades in a generally low-grade environment. Zone 3/5 is the largest of the individual ore zones with an overall quartz content of 60% and extends over a distance of 1,100m. The gold grade distribution has excellent grade continuity above cut-off and is not substantially different between the quartz veins and the shear zone material itself. The width of the zone above cut-off varies from 10 to 20m, dipping to the east.

The Bissinga Zone, occurring along a south-trending shear zone dipping to the west at 65° to 70°, consists of the North and South Prospects some 500m apart. The North Prospect comprises a relatively short lenticular shoot of quartz-carbonate veining (80 x 20m to a depth of 60m) hosting pyrite and gold mineralisation at a grade of around 5g/t Au dipping to the west at 55°. The F-12 Zone is by far the most important of the three auriferous zones on the Bouroum property and consists of a southern “tail” dipping steeply west, curving to form an east-west-trending oriented central section that is characterised by two massive, white “buck reef” quartz vein splays with little to no sulphide, and reaches widths of about 70m on the surface.

Both quartz veins are associated with zones of intensely silica and carbonate-altered basalt, often containing moderate pyrite (>2%) and gold mineralisation and separated by a zone of folded siliceous basalt containing minor pyrite and low-grade gold mineralisation that is better developed in the footwall rocks of the “footwall” splay where brecciation is also evident. To the east, the deposit thins substantially before being abruptly truncated by a northnortheast fault. The strike length of the F-12 Zone is approximately 500m.

The Welcome Stranger Zone is situated some 150m to the north of the F-12 Zone close to the contact between layered clastic metasedimentary rocks (hangingwall) and mafic volcanic rocks (footwall) and interpreted as a “sigmoidal tension gash”. The core of this zone is a white quartz vein extending over a strike length of 180m (unfolded) and is up to 10m wide on the surface.

A zone of shearing sympathetic to the regional foliation with a surface width of 35m transects the central part of the sigmoidal vein structure and hosts a secondary, generally narrow quartz vein set developed over a strike length of about 70m. Alteration and gold mineralisation are restricted to the quartz veins and their immediate wall rocks. However, at the intersection of the two vein structures, the alteration and gold mineralisation is much stronger, creating an ore shoot with increased gold grade that plunges moderately to the north where >17g/t Au have been recorded.

Gold mineralisation is associated with quartz veining hosted in granodiorite close to a major sheared contact (to the south) with mafic metavolcanic to gabbroic rocks. Most of the veining is parallel to the shear zone although some extensional and/or tension gash veining more or less perpendicular to the main trend, are present.

The trend can be extended southeast for several kilometres based on exposures, IP chargeability and resistivity, whilst magnetics help to establish the location of the sheared contact. The Zemce prospect which lies some 4km west of Taparko comprises two zones of white quartz veins, one approximately 100m long, the other 80m with widths varying from 2-10m, striking approximately east-west and dipping at a shallow angle (≈30°) to the northnortheast.

The Ankouma North prospect, which lies some 23km north of Bouroum in the Ankouma licence, comprises a suite of mafic volcanics which have been cut by a north-northwest trending main shear zone some 800m long, as well as other sub-parallel smaller shears. The main zone is well delineated by gold geochemistry, the sub-parallel units less so. The mineralisation also appears to be well defined by resistivity which shows an anomalous zone larger than the known mineralised outcrop. Other trenches show variable amounts of mineralisation with some good individual assays, a similar trend to that seen in the drillholes.

Taparko-Bouroum Group Property is underlain by geology considered to be similar to that of other Birimian-age volcano-sedimentary sequences. Hence, this region is considered prospective for orogenic gold deposits, which typically exhibit a strong relationship with regional arrays of major shear zones.

The gold mineralization found at Taparko and Bouroum may be characterized as formed in a classic mesothermal setting during the later stages of orogenic events, with a strong structural control. As such, these deposits are not expected to show a strong grade or mineralogical zoning that is typical of epithermal gold deposits. At Taparko, segments of an extended shear zone host quartz veins that carry gold mineralization, as well as the surrounding rocks within the shear zone, over significant widths. At Bouroum, a structurally complex setting has produced several smaller deposits that are characterised by strong gold enrichment in structurally-controlled shoots.¹

Exploration

Since 1995, there have been several exploration programmes carried out on the area and includes geological mapping, extensive surface trenching, diamond drilling, RC Drilling and geochemical surveys. Considering the large competency differences between saprolite and quartz veins, there are gaps in the sample coverage in the trenches, and the sample size was not always uniform. Trench sample assay results are slightly lower than the first tier of drill hole assay data. To limit the depth influence of the trench assay data, a near-surface infill drilling programme was completed in 2003.

Although there were variations in the amount of core (quarter/half core and sample length) taken for assay prior to 2003, the geological contacts were observed in all field campaigns. Sampling of the RC Drilling was completed over regular 1m intervals and approximately 20kg of cuttings were recovered for each interval. From each original sample, a 2kg sub-sample was produced from repeated passes. The reverse circulation rejects were stored at the camp for future reference.

SRK Consulting (Canada) Inc. ("SRK") was of the opinion that the sampling methods used by High River at Taparko met industry best practices. No new exploration activity has been undertaken at Bouroum, although it is reported that artisanal miners have uncovered some extensions to mineralisation.

In 2002 the sample interval was an even 2m, without regard for geological boundaries; however in 2003, in contrast, the sample interval was reduced to 1m and geological boundaries were generally honoured. For the reverse circulation samples collected in 2002, 2m samples were collected in large plastic bags from below the cyclone. A three-way splitter was used to reduce the size of the sample to obtain 2 and 3kg. Within each batch of drilling samples, a duplicate of every 10th sample was collected from the remaining quartered core (not repeated in 2003) and Laboratory Standards and blank added. SRK concluded that the sampling methodology used by AXMIN generally meets industry best practices.

Drilling

A new programme of infill and exploratory drilling, using HQ core rigs, began in December 2010 at Taparko to test the down dip and along strike extensions to mineralisation. More than 8,000m of drilling had been undertaken principally as infill and southern extension to the 3/5 Zone and deeper drilling below the GT Zone.

¹ Boruges et al (1998) and Gilbertson (2002)

For the drilling at 3/5, the sample preparation and assaying has been done at Taparko Mine, although to-date, no external QA/QC has been undertaken on the results. Furthermore, samples are only now being shipped to ALS laboratory in Ouagadougou for the deep GT drilling and thus no results are currently available. At 3/5, results show the continuation of the ore zone at depth. At GT, although no assays are available, the mineralised interval has been intersected at the postulated depth.

The exploration database for the Taparko Project comprises 560 trenches (30,820m), 495 core boreholes (48,808m) and 189 reverse circulation boreholes (11,940m). All trench locations and drill hole collars have been surveyed on completion of the different field campaigns and were referenced to a local grid orientated north-south, with 20m spaced cross-section lines orientated east-west. Subsequently all borehole collar and trench local grid coordinates were transformed to UTM coordinates using the WGS-84 and Clarke 1880 datum. Down hole surveys ensure that the locations of the mineralised intersections are accurate spatially.

Core description includes information about core recovery, rock quality determination, oxidation level, core hardness, clay content, lithology, alteration, geological structures and mineralisation. SRK audited about 10% of the original drill logs to confirm the accuracy and completeness of the core logging and the accuracy of the borehole database.

During the 2003 campaign, geotechnical logging used SRK recommendations and involved the detailed description of the overburden and saprolite horizons, and the detailed measurements of angles of all fractures on oriented core. Additional measurements included solid core recovery and RQDs. Reverse circulation chips, recovered from the fines with a sieve, were logged from a 1kg sub-sample of the original field sample. The quantities of coarse and fine fractions were estimated as well as the percentages of the various rock types for each interval.

In the Bouroum project area, the collars of the 1995 and 1996 boreholes were originally surveyed by Channel or Viceroy. In 2002, detailed new local grids were established at the F-12, Welcome Stranger and Bissinga prospects. Down-the-hole survey data are only available for the holes drilled in 2002 and 2003 by AXMIN. The majority of borehole surveys were within 5° of the planned azimuth and 2° of the planned dip.

Little is known about the RC Drilling logging procedures used by Channel and Viceroy in 1995 and 1996, other than the chip samples were logged and collected in plastic chip boxes. AXMIN's boreholes were logged and sampled by the same field geologists. The logging procedures included geotechnical and geological descriptions captured in Excel spreadsheets.

Logging data include information about core recovery, weathering, rock competency, rock quality determination, fracture distribution and orientation, lithology, structural data, alteration and mineralisation. Core was photographed with a digital camera before sampling. Reverse circulation chips collected in 2000 and 2002 were also logged to record information about alteration, lithology and mineralogy. A total of 19514m of RC drilling (157 holes) is contained within the database. Nine of them were drilled in 2008 and the rest of them were drilled in 2010 and 2011

The database supplied by High River for Baola contains the mixture of RAB and RC drilling. The RAB drilling has been used in a regional exploration context. Exploration at Baola consists of 15,007m of RC drilling (131 holes) 11 of which were drilled in 1999 and the rest of which were drilled in 2010 and 2011. The database supplied for F12 and Welcome Stranger includes a total of 29,302.43m of drilling. This is made up of 3922m of diamond drilling and 25,381m of RC drilling. Drillhole sections in the main areas of interest are 20-40m apart.

Notwithstanding this, High River plans to undertake more than 6,000m of extension and infill drilling at Welcome Stranger and F12. In addition to this, some 25,000m of drilling is planned as infill works at Goengo and Zemce in order to up-rate these satellite orebodies.

Sample Preparation, Analysis and Security of Samples

Specific gravity was measured on a large number of core specimens (pre 2003) representing all rock types in the Taparko gold deposits. The specific gravity data are noisy, as expressed by their relatively high standard deviation values, and local tonnage estimates will therefore be subject to some uncertainties. However, the overall figures look reasonable and provide a good basis for global tonnage calculations. With little in the way of inherent rock porosity, the specific gravity data may be directly translated into bulk density estimates.

The density of the gold mineralisation within the saprock and saprolite zones presents a special problem because of its changing quartz content. The quartz veins are not subject to mass reduction during weathering, while the sheared rocks making up to other one-half or so of the mineralisation are. For resource estimates, this question was handled by estimating the average bulk density for each lithological interval based on the visual estimation of the amount of quartz and then filling the balance with either saprock or saprolite. Derived tonnage factors used for this process were 2.60 for quartz (less than the theoretical value of 2.65 to account for the observed porosity), and 2.00 and 2.30 for saprolite and saprock. The resultant average figures for the quartz-dominated and halo zones of the mineralised zone at Taparko are shown in bolded italics and are in good agreement with the specific gravity determinations done by KCA on whole core. The result of specific gravity measurements for Bouroum are summarised in in the table below.

As at Taparko, the auriferous zone consists of varying proportions of quartz, not subject to change during weathering, and schistose rocks. The bulk density of the mineralisation within the saprolite zone was determined by interpolating the relatively few available data. The result at 2.13t/m³ would appear to be slightly low, given the percentage of quartz present.

It is probable that the slightly high saprolite figures, a consequence of not being fully dried (5-6% moisture), mainly affects the waste tonnage. The sample preparation methods over time in the two projects are summarised in the table below. The assaying procedures were the same for all types of samples submitted for assaying.

At the time the samples were assayed none of the laboratories were accredited.

Summary of Sample Preparation Protocols (SRK 2008)					
Sample Type		Mean Field Sample Mass	Crush to 100% Passing	Split for Pulverization	Pulverize to 95% Passing
	Year	(g)	(mm)	(g)	(pm)
Taparko					
Trench	1996	2,300	2	2,000	75
	1997	2,300	2	2,000	75
	1998	2,300	2	2,000	75
Core	1996	2,300	2	2,000	75
	1997	3,000	2	2,000	75
	1998	2,300	2	2,000	75
	2001	2,300	2	1,000	75
	2003	3,000	2	3,000	75
RC Chips	1988/99	2,000	2	2,000	
	2003	2,000	2	500	
Bouroum					
Core	2002	2,00 (NO) 3,500(HQ)	2	1,000	75
	2003	2,00 (NQ) 3,500(HQ)	2	1,000	75
RC Chips	1995		No Information		
	1996		No Information		
	2000	2,000	2	1,000	75
	2002	2,500	2	1,000	75

Gold Assay Protocols Used (SRK 2008)				
Year	Laboratory	Aliquot size (grams)	Assay Method	Finish
Taparko				
1996	Analabs, Ouagadougou	50	Fire Assay	AAS*
1997	Analabs, Ouagadougou	50	Fire Assay	AAS
1998	Analabs, Ouagadougou	50	Fire Assay	AAS
1999	Analabs, Ouagadougou	50	Fire Assay	AAS
2001	SGS, Ghana	50	Fire Assay	AAS
2003	Abilab, Bamako	50	Fire Assay	AAS
			Gravimetric (>5 g/t)	
Bouroum				
1995	Analabs, Ghana		No Information	
1996	Analabs, Ouagadougou		No Information	
2000	Performance Laboratory, Ghana		Fire Assay	AAS
2002			Fire Assay	AAS
2003			Fire Assay	AAS
* Note: AAS = atomic absorptions spectroscopy				

SRK were of the opinion that the assay samples collected by High River at The Taparko-Bouroum Area were handled properly and there is no evidence that voluntary or inadvertent contamination has occurred.

Data Verification

WAI has been provided by the Client with an SRK technical report, “Taparko-Bouroum Gold Mine Independent Technical Report, Burkina Faso, 31 March 2008”, and additional assay results of Standard Samples and Blank Samples implemented since 2008. The SRK technical report included a review of the database used for their resource estimation. The database implemented was up to date as the end of the 2003 drilling programme approximately 10% of the original drill logs from 1996 to 1999 to confirm the accuracy and completeness of the core logging and the correctness of the database. In the opinion of SRK, the exploration database for the Taparko project is reliable.

WAI has reviewed the SRK technical report and verification methods applied and believe that the database is satisfactory for the purpose of resource estimation. The methodologies implemented for the database creation have not changed on site, since the SRK technical report, and therefore WAI deems that the verification process in place is still satisfactory.

WAI has been provided with assay results for a total of 3 different Certified Reference Materials (standard) which were used in the batches of samples analysed at the ALS (formerly named as Abilab), Somita Lab, Intertek Mineral Services and ACTLABS Laboratories. WAI has been provided with copies of the relevant certification for the three Geostats PTY Ltd. WAI has been informed by High River that all the QA/QC data available for review at this time are standard samples. The B3 standard was considered by the Client as a blank due to its value being well below the expected grades of the deposit and therefore not representative. Standards S2 and S1 were used as a low and high grade standards respectively. From the review WAI feels that the performance of the standards (S1 and S2) and blank sample (B3) are satisfactory.

High River has informed WAI that since August 2011, further exploration at the site has included additional QA/QC controls, however at this time the results of these additional controls are unavailable for review due to

sample selection and laboratory time constraints. SRK reviewed the database and methodologies associated with its development for use in the resource estimation at Bouroum, which includes drilling data collected by Channel, Viceroy and AXMIN. The database used was up to-date, to the end of 2003. SRK considers the assay data for the Bouroum project sufficiently reliable for the purpose of resource estimation.

WAI has reviewed the SRK technical report and verification methods applied and believe that the database is satisfactory for the purpose of resource estimation. The methodologies implemented for the database creation have not changed on site since the SRK technical report and therefore WAI deems them to still be satisfactory.

Mineral Resources and Reserves

Resources

The Mineral Resource and Mineral Reserve estimate presented in the Taparko-Bouroum Technical Report have been prepared in accordance with the guidelines of the JORC Code (2004). There are no material differences between the Mineral Resource and Ore Reserve categories under the guidelines of the JORC Code (2004) used in this report and the categories of Mineral Resources and Mineral Reserves under NI 43-101. Resource estimates have been prepared by WAI for Taparko, Bouroum (F12), Nairy, Baola, Yeou and Ankouma as of 1 January 2012.

Taparko Resources

A total of 115,828m of drilling and trenching are contained within the Taparko database. Split by type this equates to 48,008m of diamond drilling, 30,820m of trenching, 23,062m of RAB drilling and 11,940m of RC drilling. There are a further 1,999m of drilling listed as RC and Diamond drilling where holes were begun with RC and completed with diamond coring at depth. A cut-off grade of 0.5g/t Au has been chosen for subsequent interpretation and modeling work. This is considered to be an appropriate grade level in terms of what might also qualify for heap leach purposes.

Mineralised zone wireframes were constructed for four zones; Zone 3/5, Zone 3/5 South, Zone 2N2K and Zone GT based on a cut-off grade of 0.5g/t Au. Zones 2N2K and GT strike roughly north-south and dip towards the east. Zone 3/5 and Zone 3/5 South strike north-north west to south-south east dipping roughly towards the north east.

In general, the mineralised zones were not extrapolated more than 50m beyond any individual drillhole intersections. The individual mineralised zone wireframes have all been tested for open edges, shared surfaces and crossovers and all have been verified correctly. Samples were selected where they are located inside the interpreted mineralised zones. The sample data indicates approximately log-normal populations of Au grades within each of the mineralised zones with a small outlier population.

To identify the need for top cuts, the log probability plots and quantile distribution for each element were studied to identify the presence of any outlier values. Top cuts were applied to these outliers in order to reduce any undue influence during grade estimation. Values above the top cut value are reduced to that value. A value of 40g/t Au was selected for Zone 3/5, a value of 26g/t Au for Zone 3/5 South, a value of 18.5g/t Au for Zone 2N2K and a value of 40g/t Au for Zone GT. A 2.0m composite sample length has been selected for Zones 3/5, 2N2K and GT. A 2.0 composite sample length has been selected for Zones 3/5, 2N2K and GT. A 3.0m composite length has been chosen for Zone 3/5 South. Compositing is to give a consistent level of support for geostatistical analysis.

Directional semi-variograms for the along strike, down dip and across strike directions were generated for Au in each of the four Zones using the composited samples. The nugget variances were modelled from average downhole variograms based on a 2.0m or 3.0m lag reflecting the downhole drillhole composite spacing. A

volumetric block model was set up with a 5m x 5m x 5m block size. Density values were assigned from an Inverse Power of Distance estimation using density figures contained within the drillhole database.

Gold grades were estimated within the mineralised zones using ordinary kriging. Alternative grades were also interpolated using inverse distance weighting and nearest neighbor estimations for validation purposes. Estimation was carried out with a multi pass Kriging plan with expanding search ellipses.

The final block models were cut against the topographic/pit surveys dated 01 January 2012 and used as the basis for resource evaluation. Summary results of the evaluation of the insitu resources for each Zone are shown in the tables below for four different cut-off grade levels: 0.5g/t, 1.0g/t, 1.5g/t and 2.0g/t Au.

Mineral Resource Estimate — in-situ Resources OK- Zone 3/5 — 01 January 2012 in accordance with the guidelines of the JORC Code (2004)							
Cut Off Grade				0.5	1.0	1.5	2.0
Measured	Tonnage (kt)		0	0	0	0	
	Au (g/t)		0	0	0	0	
	Metal	kg	0	0	0	0	
		oz	0	0	0	0	
Indicated	Tonnage (kt)		3,048	2,793	2,379	1,841	
	Au (g/t)		2.83	3.02	3.32	3.78	
	Metal	kg	8,625	8,435	7,899	6,958	
		oz	277,293	271,180	253,947	223,703	
Measured + Indicated	Tonnage (kt)		3,048	2,793	2,379	1,841	
	Au (g/t)		2.83	3.02	3.32	3.78	
	Metal	kg	8,625	8,435	7,899	6,958	
		oz	277,293	271,180	253,947	223,703	
Inferred	Tonnage (kt)		1,112	991	803	640	
	Au (g/t)		2.50	2.71	3.05	3.39	
	Metal	kg	2,781	2,686	2,451	2,171	
		t oz	89,408	86,351	78,791	69,789	

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Mineral Resource Estimate—in-situ Resources OK — Zone 3/5 South — 01 January 2012 (in accordance with the guidelines of the JORC Code (2004))						
Ore Type			Laterit/Saprolit/Transition/Fresh			
Cut Off Grade (g/t)			0.5	1.0	1.5	2.0
Measured	Tonnage (kt)		0	0	0	0
	Au (g/t)		0	0	0	0
	Metal	kg	0	0	0	0
		oz	0	0	0	0
Indicated	Tonnage (kt)		58	40	33	27
	Au (g/t)		2.64	3.52	4.02	4.49
	Metal	kg	154	141	132	122
		oz	4,938	4,532	4,245	3,917
Measured + Indicated	Tonnage,(kt)		58	40	33	27
	Au (g/t)		2.64	3.52	4.02	4.49
	Metal	kg	154	141	132	122
		oz	4,938	4,532	4,245	3,917
Inferred	Tonnage (kt)		2	1	1	1
	Au (g/t)		1.41	2.43	2.63	2.65
	Metal	kg	3	2	2	2
		oz	111	65	61	60

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Mineral Resource Estimate — in-situ Resources OK — Zone GT — 01 January 2012 (in accordance with the guidelines of the JORC Code (2004))							
Cut Off Grade				0.5	1.0	1.5	2.0
Measured	Tonnage (kt)			0	0	0	0
	Au (g/t)			0	0	0	0
	Metal	kg	0	0	0	0	
		oz	0	0	0	0	
Indicated	Tonnage (kt)			1,232	1,162	1,069	943
	Au (g/t)			3.99	4.19	4.44	4.80
	Metal	kg	4,914	4,868	4,748	4,525	
		oz	157,990	156,503	152,654	145,468	
Measured + Indicated	Tonnage (kt)			1,232	1,162	1,069	943
	Au (g/t)			3.99	4.19	4.44	4.80
	Metal	kg	4,914	4,868	4,748	4,525	
		oz	157,990	156,503	152,654	145,468	
Inferred	Tonnage (kt)			373	341	296	248
	Au (g/t)			4.21	4.54	5.03	5.66
	Metal	kg	1,570	1,548	1,491	1,406	
		t oz	50.464	49.768	47.934	45.203	

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Bouroum

Samples were coded based on their locations relative to the mineralised domains defined as described above. All samples falling within the defined mineralised zones based on the Au cut-off grade were selected for further processing. Statistical analysis has been carried out on the samples to identify any potential bias that may be present within the data. An approximately log-normal population was found for Au.

To identify the need for top cuts, the log probability plots and quantile distribution for each element were studied to identify the presence of any outlier values. Samples above this top cut limit were reduced to the top cut value. At Nairy a top cut value of 16.4 g/t Au was applied. The overwhelming majority of samples are 2m in length and so a composite length of 2m was chosen for further processing in order to give a consistent level of support for geostatistical analysis.

Directional semi-variograms Au were generated for the along strike, across strike and down dip directions using the composited and top cut data. Nugget variances were modeled from average downhole variograms based on a 2m lag distance reflecting the drillhole composite spacing. Directional variograms exhibited poor structure and an omnidirectional variogram was fitted and modelled.

Gold grades were estimated within the mineralised zones using ordinary Kriging as the main estimator. Alternative grades were also interpolated using inverse distance weighting and nearest neighbour estimations for validation purposes. For the mineralised zones the OK estimation was run in a three pass kriging plan, the second

and third passes using progressively larger search radii to enable the estimation of blocks unestimated on the previous pass. Because the variography was deemed to not be particularly robust the search dimensions were set with regard to zone thickness and average drillhole spacing.

The directional control settings defining the local variation in the strike and dip of the mineralised zone that were defined during the modelling process were utilised during grade estimation. The dip and dip directions were used as vectors to interpolate dip directions and dip values into the block model. These orientations were subsequently used during grade estimation to orient the search ellipses independently for each block. This dynamic anisotropy procedure gives a more realistic reflection of the local variations in the strike and dip of the deposit.

The final block model was used as the basis for resource evaluation. Summary results of the evaluation of the in-situ resources are shown in the table below, for four different cut-off grade levels: 0.3g/t, 0.5g/t, 1.0g/t and 1.5g/t Au.

Nairy Mineral Resource Estimate — Total in-situ Resources (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))						
Cut Off Grade			0.3	0.5	1.0	1.5
Measured	Tonnage (kt)		—	—	—	—
	Au (g/t)		—	—	—	—
	Metal	kg				
		oz	—	—	—	—
Indicated	Tonnage (kt)		1,167	989	503	248
	Au (g/t)		1.17	1.31	1.87	2.54
	Metal	kg	1,366	1,296	941	630
		oz	43,904	41,667	30,262	20,264
Measured + Indicated	Tonnage (kt)		1,167	989	503	248
	Au (g/t)		1.17	1.31	1.87	2.54
	Metal	kg	1,366	1,296	941	630
		oz	43,904	41,667	30,262	20,264
Inferred	Tonnage (kt)		2,608	2,086	895	331
	Au (g/t)		0.94	1.07	1.56	2.15
	Metal	kg	2,451	2,232	1,396	713
		oz	78,816	71,775	44,880	22,913

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

The database supplied for Baola is a mixture of RAB and RC drilling. The RAB drilling has been used in a regional exploration context, generally away from the main Baola site, and as such is discounted from the resource modelling exercise. Exploration at Baola consists of 15,007m of RC drilling (131 holes) 11 of which were drilled in 1999 and the rest in 2010 and 2011.

A cut-off grade of 0.3g/t Au has been chosen for subsequent interpretation and modeling work. This is considered to be an appropriate grade level in terms of what might also qualify for heap leach purposes. Based on a cut-off grade of 0.3g/t Au, eight separate mineralized zones have been identified and wireframes constructed for each. The mineralised zones have a general steep dip towards the south west. In general, the mineralised zones were not extrapolated more than 50m beyond any individual drillhole intersections. The individual mineralised zone wireframes have all been tested for open edges, shared surfaces and crossovers and all have been verified correctly.

Samples were coded based on their locations relative to the mineralised domains defined as described above. All samples falling within the defined mineralised zones based on the Au cut-off grade were selected for further processing. Statistical analysis has been carried out on the samples to identify any potential bias that may be present within the data. An approximately log-normal population was found for Au. To identify the need for top cuts, the log probability plots and quantile distribution for each element were studied to identify the presence of any outlier values. Samples above this top cut limit were reduced to the top cut value. At Baola a top cut value of 9.5g/t Au was applied. The overwhelming majority of samples are 2m in length and so a composite length of 2m was chosen for further processing in order to give a consistent level of support for geostatistical analysis.

Directional semi-variograms Au were generated for the along strike, across strike and down dip directions using the composited and top cut data. Nugget variances were modeled from average downhole variograms based on a 2m lag distance reflecting the drillhole composite spacing. Directional variograms exhibited poor structure and an omnidirectional variogram was fitted and modelled.

A volumetric block model was set up within the mineralised zone wireframes with a 4m x 10m x 5m (across strike x along strike x vertical) block size. Subcells to a minimum size of 2m along strike and 1m vertically were allowed. Across strike the cells were fitted exactly to the wireframe dimensions. The block model was rotated 337° around the Z axis to better fit the mineralised zone geometry. Density values were not supplied by High River and no lithology data is yet included within the sample database. A blanket density of 2.7t/m³ was applied across the whole block model. Gold grades were estimated within the mineralised zones using ordinary Kriging as the main estimator. Alternative grades were also interpolated using inverse distance weighting and nearest neighbour estimations for validation purposes.

For the mineralised zones the OK estimation was run in a three pass kriging plan, the second and third passes using progressively larger search radii to enable the estimation of blocks unestimated on the previous pass. Because the variography was deemed to not be particularly robust the search dimensions were set with regard to zone thickness and average drillhole spacing.

The directional control settings defining the local variation in the strike and dip of the mineralised zone that were defined during the modelling process, were utilised during grade estimation. The dip and dip directions were used as vectors to interpolate dip directions and dip values into the block model. These orientations were subsequently used during grade estimation to orient the search ellipses independently for each block. This dynamic anisotropy procedure gives a more realistic reflection of the local variations in the strike and dip of the deposit. Summary results of the evaluation of the in-situ resources are shown in the table below, for four different cut-off grade levels: 0.3g/t, 0.5g/t, 1.0g/t and 1.5g/t Au.

Baola Mineral Resource Estimate — Total in-situ Resources (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))							
Cut Off Grade				0.3	0.5	1.0	1.5
Measured	Tonnage (kt)			—	—	—	e
	Au (g/t)			—	—	—	—
	Metal	kg					
		oz	—	—	—	—	—
Indicated	Tonnage (kt)			674	532	84	16
	Au (g/t)			0.72	0.79	1.31	2.00
	Metal	kg	485	420	109	32	
		oz	15,603	13,516	3,519	1,041	
Measured + Indicated	Tonnage (kt)			674	532	84	16
	Au (g/t)			0.72	0.79	1.31	2.00
	Metal	kg	485	420	109	32	
		oz	15,603	13,516	3,519	1,041	
Inferred	Tonnage (kt)			981	817	359	189
	Au (g/t)			1.00	1.12	1.65	2.02
	Metal	kg	981	915	592	381	
		oz	31,526	29,430	19,036	12,244	

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

For the Welcome Stranger and F12 prospects, a total of 29,302.43m of drilling is contained within the database. This is made up of 3922m of diamond drilling and 25,381m of RC drilling. Drillhole sections in the main areas of interest are 20-40m apart.

Mineralised zones are generally steeply dipping towards the northwest. The F12 prospect strikes east-west in the north but swings round to a tail in the south that strikes north-south. The Welcome Stranger prospect strikes roughly north-south. Mineralised zone wireframes were constructed to a cut-off grade of 0.6g/t Au. Sample data indicate approximately log-normal populations of gold grades for both the F12 and Welcome Stranger mineralised zones. A geostatistical study of 2m composites by mineralised zone group indicated variogram ranges of approximately 20m x 11m x 12m (along strike/across strike/down dip) for the F12 area and 24m x 11m x 13m for Welcome Stranger.

A volumetric block model was set up with 10m x 10m x 5m block sizes. Density values were assigned on the basis of lithology with mean density grades from the drillhole database being assigned to blocks depending on their position relative to the base of a DTM representing the base of the weathered Saprolite. Density values used for F12 were 2.09t/m³ above the base of the Saprolite and 2.70t/m³ below. Density values used for Welcome Stranger were 2.03t/m³ above the base of the Saprolite and 2.60t/m³ below. Gold grades were estimated within the mineralised zones using ordinary kriging parameters. Alternative grades were also interpolated using inverse distance weighting and nearest neighbour estimations for validation purposes.

The final block models were used as a basis for resource evaluation. Summary results of the evaluations of in-situ resources are shown in the tables below for various cut-off grade levels.

F12 Resource Estimate (WAI 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))							
Cut Off Grade				0.5	1.0	1.5	2.0
Measured	Tonnage (kt)			0	0	0	0
	Au (g/t)			0	0	0	0
	Metal	kg		0	0	0	0
		oz		0	0	0	0
Indicated	Tonnage (kt)			2,364	2,217	1,836	1,326
	Au (g/t)			2.52	2.63	2.91	3.36
	Metal	kg		5,948	5,829	5,345	4,449
		oz		191,240	187,416	171,845	143,031
Measured + Indicated	Tonnage (kt)			2,364	2,217	1,836	1,326
	Au (g/t)			2.52	2.63	2.91	3.36
	Metal	kg		5,948	5,829	5,345	4,449
		oz		191,240	187,416	171,845	143,031
Inferred	Tonnage (kt)			646	604	550	442
	Au (g/t)			2.74	2.88	3.04	3.34
	Metal	kg		1,772	1,738	1,669	1,477
		oz		56,956	55,889	53,665	47,490

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Welcome Stranger Resource Estimate (WAI 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))							
Cut Off Grade				0.5	1.0	1.5	2.0
Measured	Tonnage (kt)			0	0	0	0
	Au (g/t)			0	0	0	0
	Metal	kg	0	0	0	0	
		oz	0	0	0	0	
Indicated	Tonnage (kt)			0	0	0	0
	Au (g/t)			0	0	0	0
	Metal	kg	0	0	0	0	
		oz	0	0	0	0	
Measured + Indicated	Tonnage (kt)			0	0	0	0
	Au (g/t)			0	0	0	0
	Metal	kg	0	0	0	0	
		oz	0	0	0	0	
Inferred	Tonnage (kt)			210	199	181	162
	Au (g/t)			5.03	5.26	5.67	6.12
	Metal	kg	1,054	1,045	1,023	989	
		oz	33,875	33,601	32,900	31,799	

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

WAI has also been able to prepare preliminary resource models for the Yeou prospect and Ankouma, the details of which are provided below.

Yeou Mineral Resource Estimate (WAI 01 January 2012)							
COG	JORC Classification	Volume (m ³)	Tonnes (kt)	Density	Au (g/t)	Contained Metal	
						(kg)	(troy oz)
0.4	Inferred	426,790	1,066.052	2.50	2.39	2,550	81,980
1.0	Inferred	333,567	821.087	2.46	2.87	2,357	75,765
1.5	Inferred	211,808	523.880	2.47	3.76	1,968	63,286
2.0	Inferred	144,568	359.517	2.48	4.62	1,663	54,459

Ankouma Mineral Resource Estimate (WAI 01 January 2012)							
COG	JORC Classification	Volume (m ³)	Tonnes (kt)	Density	Au (g/t)	Contained Metal	
						(kg)	(troy oz)
0.5	Inferred	708,507	1,815.679	2.56	1.26	2,296	73,825
1.0	Inferred	352,915	896.641	2.54	1.78	1,599	51,417
1.5	Inferred	161,162	396.308	2.46	2.37	941	30,254
2.0	Inferred	63,619	159.579	2.51	3.27	522	16,792

Reserves

As a continuation of Mineral Resource modelling of the Taparko deposit, WAI has undertaken a pit optimisation using the Mineral Resource Block Model prepared by WAI and updated in January 2012. The model was depleted to contain only those Mineral Resources which have not been extracted as of 01 January 2012. WAI used NPV Scheduler® software for the optimisation, applying conceptual financial and technical parameters, provided by High River.

The NPV Scheduler® programme comprises three components, the ultimate pit shell generator, a push back generator and the optimising scheduler. The ultimate pit generator is the first stage of the optimisation process and utilises a Lerchs-Grossman algorithm to generate an economic open pit shell from the Mineral Resource block model based on the initial input parameters.

The objective of this study was to obtain an optimised pit shell containing economically viable Mineral Resources, which therefore will provide an estimate of Mineral Reserves. The estimate of Mineral Reserves will form a basis for the mining schedule.

Prior to importing into NPV Scheduler®, the Mineral Resource block model was expanded by adding waste cells. Zero grade values for gold were assigned to each waste cell. The metal price used for the pit optimisation was US\$1,250/oz Au. The major Key Performance Indicators (“KPI”) such as mining and processing costs, and other parameters, considered during the optimisation, have been supplied by High River as actual results of years 2008-2011 production. Based on the open pit optimisation runs, WAI has estimated the Taparko open pit Mineral Reserves as shown in the table below.

Taparko Open Pit Mineral Reserves as of 01 January 2012 (WAI)(in accordance with the guidelines of the JORC Code (2004))					
Open Pit (Area)		GT	2N2K	3/5	Total
Cut Off Grade (g/t)		0.67	0.67	0.67	—
Proven	Tonnage(kt)	—	—	—	—
	Au(g/t)	—	—	—	—
	Metal	kg			
		Koz	—	—	—
Probable	Tonnage(kt)	993	1,187	2,779	4,959
	Au(t)	4.18	1.67	2.86	2.83
	Metal	kg	4,149	1,976	7,945
		Koz	133	64	255
Proven + Probable	Tonnage(kt)	993	1,187	2,779	4,959
	Au(t)	4.18	1.67	2.86	2.83
	Metal	kg	4,149	1,976	7,945
		Koz	133	64	255

Bouroum F12 open pit Mineral Reserves are given in the table below.

Bouroum F12 Open Pit Mineral Reserves as of 01 January 2012 (WAI) (in Accordance with the Guidelines of the JORC Code (2004))			
Open Pit (Area)			F12
Cut Off Grade (g/t)			0.82
Proven	Tonnage(kt)		—
	Au(g/t)		—
	Metal	kg	—
		oz	—
Probable	Tonnage(kt)		2,087
	Au(g/t)		2.42
	Metal	kg	5,049
		oz	162,324
Proven + Probable	Tonnage(kt)		2,087
	Au(g/t)		2.42
	Metal	kg	5,049
		oz	162,324
Note: 6% dilution and 97% mining recovery applied			

Mining

The open pits are operated by hydraulic excavators loading pre blasted ore/waste for onward processing/disposal via rigid body dumptrucks. Mining is currently based on 10m high benches for ore and waste and both are excavated on 2.5m high lifts.

Main production comes from Pit 3/5 at approximately 88kt per month. Production from the GT Pit had resumed, following a suspension of production between October 2010 and May 2011, and it was producing about 110kt per month. Pit 2N/2K was not currently being worked having previously being mined between October 2010 and May 2011.

The Taparko processing plant consists of conventional crushing, grinding and carbon-in leach (“CIL”) circuits which recover gold for the production of doré. Run-of-mine material is initially crushed using one of two crushing circuits depending on whether it is classified as being “hard” or “soft”, after which it is ground using a rubber lined ball mill, operating in closed circuit with a cluster of hydrocyclones, to a target p70 of 75µm.

The ground pulp is mixed with sodium cyanide at a concentration of 0.4g/l and the gold allowed to leach into the solution from which it is recovered using activated carbon. This carbon is separated from the pulp using a series of screens after which it is washed and the gold extracted using an atmospheric Zadra elution process. The pregnant eluate then undergoes electrowinning in order to plate the gold on to steel wool cathodes with a subsequently washed, calcined and then smelted in order to produce doré bars which typically contain 70% Au.

The original design capacity of the plant was 1.0Mtpa; however, since 2010, attempts have been made to increase the total capacity to 1.5Mtpa. This has resulted in a number of changes to the plant operating parameters, most significantly an increase in the grind size of the mill product, which has resulted in an overall reduction in the amount of gold recovered.

Exploration and Development

The exploration works at Taparko and Bouroum have generally been done to a good standard. Licence documentation are in good order and suitable for the future needs. Nairy and Baola are also considered as potential sources of the Taparko Plant.

In Yeou deposit, the magnitude and spatial distribution of the anomalous zones gives positive results for further work. Ankouma North represents a positive exploration prospect that requires further drilling to better understand the structure.

BISSA ASSET, BURKINA FASO, MINING AND TECHNICAL INFORMATION

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Bissa Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Bissa Technical Report. Reference should be made to the full text of the Bissa Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

WAI was commissioned by High River to prepare an NI 43-101 compliant report on the Bissa Asset Assets in Burkina Faso.

The Bissa Technical Report documents the geological block modelling, the mineable reserve, mineral processing, environmental and social issues and the financial assessment of the mining operations from project commencement to end of mine life.

Property Description and Location

The Bissa Gold Deposit is located about 85km north of Ouagadougou, the Capital City of Burkina Faso. The Bissa Group Property is accessible via Route Nationale 22, a sealed road, connecting Kongoussi to Ouagadougou. Travel time from Ouagadougou is about 1.5 hours. The airport at Ouagadougou has flight connections to the major cities in Europe.

Bissa is an advanced gold exploration project and Bissa group permits are underlain by volcano-sedimentary rocks on the northeast edge of the Boromo greenstone belt, part of the extensive lower Proterozoic Birimian greenstone belts of the West African craton. More particularly, the Bissa Hill deposit is located within the Sabce shear zone, a regional structure which extends for more than 30km on the property.

For exploration purposes "Exploration Permits" are granted upon the submission of an application, designated budget and schedule of work for the first year. This permit is issued for 3-years and can be renewed twice for consecutive periods of three further years. Activity must commence within 6-months and the permit applies to a maximum surface area of 250km. Upon the second renewal, the area must reduce in size by one fourth and ultimately only contain the area of interest by the final application. An Exploration Permit can be upgraded to an Exploitation Permit upon application. Bissa Gold is an advanced exploration company and Bissa Gold SA, which owns the exploitation permits, is owned 90% by High River through High River Gold West African Ltd. The remaining 10% interest in the mining permit is held, according to the law, by the State of Burkina Faso. The Bissa gold exploitation permit, which includes areas that were previously part of the Namtenga exploration permit, was obtained in June 2011 and valid for 20-years.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Bissa Group Property is accessible via Route Nationale 22, a sealed road, connecting Kongoussi to Ouagadougou. Travel time from Ouagadougou is about 1.5 hours. The topography of the permit area is undulating, several low ridges with lateritic caps, where some gold deposits occur, rising approximately 100m above the flat semi-desert.

The climate is characterised by a wet season extending from June to September with the heaviest rains in August, and mean annual rainfall between 400 and 600mm. Typical daytime temperatures range from 25°C in December to 45°C in May, decreasing about 10°C at night. No surface accumulations of water remain throughout the year except for manmade storage reservoirs.

The national power grid at Ouagadougou will be unable to supply power requirements for the mine, hence diesel powered generation on site will be used and 2 50,000l storage tanks are being currently being constructed.

History & Production

In 2004, Jilbey Burkina acquired an option on the Bissa and Zandkom permits and conducted extensive verification of the historical work. Following the successful takeover of Jilbey Burkina in September 2005, High River resumed drilling on the Bissa Group Property and over 31,000m of drilling were completed.

Exploration work was initiated by previous operators during the 1990's leading to the discovery of a small, near surface gold resource at Bissa Hill. Further exploration programmes followed in 2004, (Jilbey Burkina — resampling and drilling to verify historical data), 2005-2006, 2007 and 2008 (Jilbey Burkina and High River — trenching and RC and core drilling).

Geology

The Bissa Hills lies within the early Proterozoic Birimian Greenstone Belt of the West Africa Craton. The area was deformed repeatedly between 2,400 to 1,200Ma, but has remained a relatively stable craton since. The Birimian rocks are bounded on the east and west by Infracambrian Pan-African mobile zones. Rocks have been metamorphosed to greenschist facies mineral assemblages.

The Birimian rocks are subdivided into an early and a late volcano-sedimentary sequence, each followed by an orogenic episode of folding and metamorphism (“Eburnean 1” and “Eburnean 2” orogenies). Gold deposits formed during the Eburnean 1 cycle are of the “syngenetic” type whilst during the Eburnean 2 cycle ongoing tectonic movements led to the development of shear zones of regional importance that were important source for many of the major West African gold deposits.

The Bissa Gold Project occurs on the northeast portion of the Boromo greenstone belt. The dominant geological features in this area include the Kogkoundi Granodiorite, an elongated northeast-southwest felsic intrusion and the Sabce deformation zone with a large linear chain of gold-in-soil anomalies located along its northwest margin. The volcano-sedimentary sequence comprises mafic to intermediate volcanic and clastic sedimentary rocks, the contact between the two being characterised by a thin and discontinuous quartz-pebble conglomeratic sub-unit.

Exploration work on the Bissa and Zandkom permits has led to the delineation of a number of near surface gold deposits that have been traced by trenching and drilling over a strike length of approximately 5km. The gold mineralisation consists of disseminated sulphides, sulphide stringers, quartz veining and attendant hydrothermal alteration and quartz breccia bodies developed in highly strained sedimentary and volcanic rocks, loosely sub-parallel to the dominant foliation fabric of the Sabce shear zone.

Exploration

Preliminary results provided by High River and not audited by WAI from the 2010 exploration programme are as follows:

- Group of Bissa-Kindo-Kaya permits: the main target Bouly is in the Bissa Gold exploitation permit which generated a number of positive intersections confirming continuity of low-grade gold-copper style mineralisation hosted by propylites after undeformed diorites.
- Gougre in the Gargo permit has been tested by 5 DD holes for potential of deep levels. Only two holes are ready at the moment with relatively modest results. A final conclusion is awaited.
- Banfora group of permits: the Labola property with an extensive vein suite has generated first assays with grades of 1-3g/t Au, per 1-4m intervals that provide a positive indication of the continuity of gold mineralisation.

- Mapping and soil sampling with ground IP gradient surveys at the Danfora and Labola permits will allow follow-up of this mineralisation.
- Ouaga group of permits: the Wayin property has revealed a very large north-south striking gold-copper anomaly in soils and in termite mounds with a total extent of more than 5km. Two RC profiles values between 0.5-1g/t Au, and with very impressive silver grades at the level 50-100g/t over approximately 100m. It seems that Wayin is a high volume/low grade silver-gold-copper porphyry target located in the outer portion of undeformed diorites subjected to propylitic alteration. The Mango property came up with a number of high grade intersections from quartz-tourmaline veins in diorites (e.g.: RC-7 19m@1.48g/t Au, RC-8 4m@15.67g/t Au, RC-9 2m @22.65g/t Au). The Gandi property has revealed good intersections in trenches or in RC holes (best trench_29 gave 22m@3.55g/t Au, RC-9 10m@2.58g/t Au) which mainly cross-cut two types of mineralisation: quartz veins and sulphide impregnation after altered aplite dykes.

Recently, High River has met some problems with a shortage of drill rigs available in Burkina Faso, coupled with a long turnaround in the sample preparation and assaying.

Mineralisation

The principal areas of gold mineralisation are summarised below:

- At Bissa Hill, two elongated tabular auriferous bodies are located along the discontinuous quartz pebble conglomerate contact between clastic sedimentary rocks and mafic volcanic rocks and the mineralisation consists of quartz breccias and veins and sulphide-rich veinlet. It was traced by drilling over a strike length of approximately 900m to a depth of approximately 100m where it tapers off (from 60m at surface to 15m) and grades drop. The zone plunges 20° to the northeast. Borehole BS04-007 drilled to 63m, showed some high grade intersections including 20m @ 6.09g/t Au from 36 – 56 m.
- The Bissa South Extension (“Bissa SE”) area, which has a strike length of about 1.3km, represents the strike extension of the Bissa Hill deposit; however gold mineralisation (with some high grades >30g/t Au) is mainly developed in mafic schists to the southeast of the sedimentary-volcanic rock contact.
- The Bissa Southwest (“Bissa SW”) area is situated to the west of Bissa Hill and Bissa SE; the gold mineralisation is related to weak to moderate hydrothermal alteration, developed along the sheared limbs of a train of folds affecting argillaceous and sandstone sub-units. An analysis of core from Bissa Southwest again showed some excellent intersections, albeit not as enriched as Bissa Hill e.g. borehole ZK05-061, which produced several intersections including 25m @ 1.01g/t Au (44-69m), 13.5m @ 1.25g/t Au (72.5-86m), 11m @ 1.06g/t Au (99-110m) and 13.5m@1.96g/t Au.
- The IO area is located to the southwest of Bissa SE and gold mineralization occurs in mafic volcanic rock and forms a crescent shaped zone shallowly plunging to the northeast. This zone has recorded some spectacular drill intersections including 16m @ 17.6g/t Au (from 66-82m) with visible gold.
- Further to the southwest, Zones 51, 52 and 53 comprise gold mineralization developed predominantly in mafic schists of volcanic origin over a broad area extending south of Bissa South Extension and Bissa Southwest to Imioukou village. Zone 51 which has a strike length of approximately 1.5km, is hosted in volcanic rocks, appears relatively thin and has a sub-vertical attitude, whilst Zone 52, which is also volcanic hosted, and also has a 1.5km strike length, has recently been extended by drilling.

Some 3km further to the southwest, the Boken area, which is partially off-set by NNE trending faults, has an estimated resource of approximately 300,000oz Au at 1.4g/t.

Drilling

A total of 20,533m of RC Drilling, 167m diamond drilling and 27,354m of RAB has been carried out at Bissa Gold Deposit during January and August of 2011.

Trenches were excavated by hand or using a backhoe. Typically trenches reach depths varying between 1-4m. Potentially auriferous zones are determined visually by a geologist and sampled on 1m interval, or less depending on the lithology. All trench assay samples are collected underneath the lateritic cap by hand using chisels and a rock hammer.

Channel samples are taken by chiselling a continuous groove approximately 0.15m above the toe of one wall of the trench. Sample size approximates HQ-diameter half-core. A rock saw is used to collect samples in very hard material like quartz on the floor of the trench. Assay samples are placed in clean individual bags and average between three and four kilograms in size. Sample length varies between 0.3 and 1.6 metres, averaging approximately 1.03 metres.

Duplicate samples are also typically collected in trenches at regular intervals. Duplicate samples are collected by chipping an additional sample over the same length and width in order to duplicate original sample weight.

Reverse circulation drill samples are collected directly from the drill rig cyclone at metre intervals in a white plastic knitted bag, and individually identified. Samples average approximately 30-40kgs in weight, increasing in weight with depth. Samples are collected for assaying directly on site. Each sample is weighed and a 2kg sample is split with a mechanical splitter. The subsample is marked and bagged on site. A duplicate sample is created at regular intervals from a second sample split using the same procedure and inserted in sequential order following the primary sample. Descriptive information on colour, alteration, oxidation state, lithology, structural features, etc, is recorded onsite. The sample rejects are replaced in the original bag, sealed and stored in a secure area at the project.

Core recovered from drilling is placed in clean wooden core boxes, where it is visually inspected for consistency and appropriately labelled and sealed for transfer to the core warehouse in Kongoussi or Tanlouka. Rock quality determinations, core recovery and core density are routinely measured after each drilling run directly at the drill site. Core recovery is measured as actual recovered core length against drill run length and recorded as a percentage. In general, core recoveries are very good in saprolite and fresh rock except near the surface in lateritic material. Density is measured on whole core using a volumetric method.

In late September 2009, High River initiated a field work campaign to gather enough data to complete a feasibility study on the Bissa — Zandkom orebody. This included some 15,900m RC Drilling, 1,600m diamond drilling and 1,700m of trenching. New workings were emplaced either as infill (down to 20 or 40m) to upgrade data density/resource classification or to extend known mineralised zones.

The Bissa exploration database used in Resource Estimation comprises 167 trenches (~15,395m), 244 core boreholes (~33,310m) and 1178 reverse circulation boreholes (~105,868m), as shown in the table below.

Summary of Bissa Exploration Campaigns used in Resource Estimation										
Type	Diamond Drilling									Total
Year	1998	2004	2005	2006	2007	2008	2009	2010	2011	
Number	30	38	59	28	10	51	10	—	18	244
Min Length	42	26	61	76	107	57	135	—	150	654
Max Length	240	113	227	203	261	229	206	—	287	1766
Total Length	3372	2171	8840	4179	1650	7340	1734	—	4024	33310
Mean Length	112	57	150	149	165	144	173	—	224	1174
Type	Reverse Circulation									
Year	—	2004	2005	2006	2007	2008	2009	2010	2011	
Number	—	45	211	17	4	240	242	8	411	1178
Min Length	—	20	50	58	87	10	24	97	15	361
Max Length	—	102	162	132	138	137	130	120	198	1119
Total Length	—	2614	23495	1859	468	20865	18248	893	37426	105868

Summary of Bissa Exploration Campaigns used in Resource Estimation										
Type	Trenches									
Year	—	2004	2005	2006	2007	2008	2009	2010	2011	
Number	—	40	33	4	3	41	38	1	7	167
Min Length	—	20	20	100	180	52	25	150	51	598
Max Length	—	60	224	135	240	216	131	150	109	1265
Total Length	—	3661	2843	476	660	4662	2350	150	593	15395

Sample Preparation, Analysis and Security of Samples

High River staff uses industry best practices to collect, handle and assay trench and drilling samples from the Bissa Gold Project. Trenches and angled boreholes sample the Bissa gold mineralisation approximately normal to its strike and dip along sections spaced at between 20 and 80m.

Core assay samples were collected from half core sawn lengthwise or cut with a knife over intervals averaging 1m; sections of core were used to measure specific gravity at regular intervals using a volumetric method and a water immersion technique with wax coating.

The determination of specific gravity is part of the comprehensive field procedures implemented by High River. Specific gravity is measured on representative core samples from each drill run. This ensures representative specific gravity data across all rock types irrespective of gold grade. Specific gravity is measured using two methods.

At the drill site, rock density is determined on wet whole core using a volumetric method based on measured length (0.1-0.6m), theoretical core diameter and weight. The length is determined as an average of three measurements. A total of 11,751 densities were recorded using the volumetric method which measures wet densities and does not provide a reliable estimate of the rock specific gravity; therefore these data were not considered for resource estimation.

After logging and sampling, a representative sun-dried core sample is selected from each drilling run. Each sample is individually marked and flagged in the drill log. Samples from each borehole are collated separately prior to testing. One of three reference quartz control sample (Qz2, Qz3 and Qz4) is inserted within each sample sequence on regular intervals to monitor scale calibration and instrumental drift. Quartz samples consist of plain quartz devoid of fractures and other gangue material.

Specific gravity is measured at the core warehouse using a water immersion method. Each sample is weighed in air, then coated in wax and weighed in air and immersed and weighed in water. A total of 10,205 measurements were made on core samples. After testing, each sample is carefully replaced at its original location in the core box. SRK Consulting (Canada) Inc. ("SRK") examined core from several boreholes and no misplaced core was noticed. The water immersion method is considered by SRK to provide accurate estimates of variations in bulk specific gravity throughout the Bissa Gold Project.

WAI reviewed a single month's QC data from the 2010 RC programme, and found that:

- Laboratory results for standards show no apparent drift, all being within one standard deviation of the certified values. Where control standards failed, whole batches were reassayed;
- There is a no contamination; only a single blank sample out of 150 had an assay value of 0.06ppm Au, all other blanks had assay values below 0.05ppm Au;
- Assays of duplicates show some erratic results at low grades, not reflected in the standards, and explained by the erratic behaviour of a few samples with coarse gold;

- Assay results for the control samples sent to SGS show that the laboratory precision is excellent; and
- Where control samples have failed, batches have been reassayed.

As part of their resource work, SRK conducted a series of routine verification procedures to ensure the reliability of the electronic data provided by High River, and was of the opinion that the electronic data are reliable, appropriately documented and comprehensive.

In general, the performance of the control samples inserted with samples submitted for assaying is acceptable. Few potential failures identified in the dataset relate to sample mislabelling and these have been investigated by High River. Ultimately, SRK was of the opinion that the analytical results delivered by Abilab are sufficiently reliable for the purpose of resource estimation.

Mineral Resources and Reserves

Resources

The Mineral Resource and Mineral Reserve estimate presented in the Bissa Technical Report have been prepared in accordance with the guidelines of the JORC Code (2004). There are no material differences between the Mineral Resource and Ore Reserve categories under the guidelines of the JORC Code (2004) used in this report and the categories of Mineral Resources and Mineral Reserves under NI 43-101.

A cut-off grade of 0.3g/t Au has been chosen for subsequent interpretation and modelling work. The steps used in the mineralised zone interpretation and modelling are summarised below:

1. An additional 'mineralisation limit' wireframe model was also defined. This defined an approximate limit to mineralisation.
2. Existing cross-sections for the deposit were used to define directional strings down the centre of the principal mineralised structures. Two sets of strings were defined; along strike directional strings and across strike dip strings. These directional control strings were converted to vectors in the estimation process described below to define local dip and strike in order to control search ellipse orientation.
3. The sample data were converted into 1m composites. The composites were then flagged if they were above the 0.3g/t Au cut-off level. A minimum of 1m above cut off was required for a composite to be included for modelling. A maximum of 1m internal waste was allowed for inclusion within multiple composites.
4. Based on the flagged composites, and using the directional strings for controlling the dip and strike of the search ellipse, an indicator estimation was carried out using a 50m x 50m x 4m search ellipse (along strike x down dip x across strike) to estimate those areas inside the approximate mineralisation limit that are above cut-off grade for Au. The estimation, using nearest neighbour method, was carried out in to a block model rotated 50° to fit the general strike with block sizes of 1m x 10m x 5m (across strike x along strike x down dip). Blocks were flagged as being above or below cut-off and those below were deleted from the final model defining the mineralised zones.

Surfaces representing weathering layers across the deposit were supplied by High River Gold for the 2010 mineral resource estimate. These surfaces were modified in line with the logging data from the 2011 holes. In some areas adjacent holes were logged with very different weathering information and so in some cases a best fit was used for the editing of the wireframe surfaces. The surfaces provided separate the ore body into four units. From surface they are; a zone of highly weathered laterite with a medium weathered saprolite, a slightly weathered saprock and unweathered fresh rock.

The interpreted mineralised areas were split in to three zones based on similar trends in orientation of structure. Samples were selected where they are located inside the interpreted mineralised zones. The sample data indicate approximately log-normal populations of Au grades within each of the mineralised zones with a small outlier population.

To identify the need for top cuts, the log probability plots and quantile distribution for each element were studied to identify the presence of any outlier values. Top cuts were applied to these outliers in order to reduce any undue influence during grade estimation. Values above the top cut value are reduced to that value. A value of 60g/t Au was selected for Zone 1, a value of 50g/t Au for Zone 2 and a value of 10g/t Au for Zone 3, the Boken area.

A 1.0 m composite sample length has been selected for all zones. Compositing gives a consistent level of support for geostatistical analysis.

Within each zone composites were coded by weathering state and populations were assessed independently for the variographic study. The laterites across all three zones were assessed independently. In Zone 1 the Saprock and Fresh rock populations were assessed together with the Saprolite independently. In Zone 2 and Zone 3 the Saprolite, Saprock and Fresh rock were assessed together.

Directional semi-variograms for the along strike, down dip and across strike directions were generated for Au in each of the zones and lithological groups using the composited samples. The nugget variances were modelled from average downhole variograms based on a 1.0m lag reflecting the downhole drillhole composite spacing.

The indicator block model was reset to a 5m x 10m x 5m parent block size whilst keeping the resolution defined during the indicator process. Density values were calculated from a density database by weathering type. Density values used were 2.19t/m³ for Laterite, 2.03t/m³ for Saprolite, 2.31t/m³ for Saprock and 2.73t/m³ for Fresh rock.

Gold grades were estimated within the mineralised zones using ordinary Kriging as the main estimator. Alternative grades were also interpolated using inverse distance weighting and nearest neighbour estimations for validation purposes. The directional control settings defining the local variation in the strike and dip of the mineralised zone that were defined during the modelling process, were utilised during grade estimation. The dip and dip directions were used as vectors to interpolate dip directions and dip values into the block model. These orientations were subsequently used during grade estimation to orientate the search ellipses independently for each block. This dynamic anisotropy procedure gives a more realistic reflection of the local variations in the strike and dip of the deposit.

A model validation process included the examination of block model versus composites, and the building up of a model grade profile, to compare average grades on vertical slices, as derived from the composites directly, as well as from interpolated model grades.

Criteria for defining resource categories were also derived from the geostatistical studies. Key drillhole spacings for the allocation of resources by area can be summarised as follows:

- Measured resources — 20m x 20m (along strike and down dip) drillhole spacing within defined mineralised zones.
- Indicated resources — 40m x 40m (along strike and down dip) drillhole spacing within defined mineralised zones.
- Inferred resources — 80m x 80m (along strike and down dip) drillhole spacing within defined mineralised zones.

The final block model was used as the basis for resource evaluation. Summary results of the evaluation of the in-situ resources are shown in the table below, by rock type, for four different cut-off grade levels: 0.3g/t, 0.5g/t, 1.0g/t and 1.5g/t Au.

In 2010, WAI revisited several of the exploration projects in the vicinity of Bissa with a view to preparing initial resource models in compliance with JORC Code (2004) guidelines. The tables below show the resource estimates for these projects.

Bouly Mineral Resource Estimate — (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))			
Applied Cut Off Grade (g/t)			0.6
Measured	Tonnage (kt)		0
	Au (g/t)		—
	Metal	kg	0
		oz	0
Indicated	Tonnage (kt)		9,037
	Au (g/t)		0.84
	Metal	kg	7,625
		oz	245,139
Measured + Indicated	Tonnage (kt)		9,037
	Au (g/t)		0.84
	Metal	kg	7,625
		oz	245,139
Inferred	Tonnage (kt)		32,150
	Au (g/t)		0.75
	Metal	kg	24,127
		oz	775,673

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Gougre Mineral Resource Estimate — Total in-situ Resources — (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))						
Cut Off Grade (g/t)			0.5	1.0	1.5	2.0
Measured	Tonnage (kt)		—	—	—	—
	Au (g/t)		—	—	—	—
	Metal	kg	—	—	—	—
		oz	—	—	—	—
Indicated	Tonnage (kt)		3,044	2,468	1,669	1,080
	Au (g/t)		1.90	2.16	2.60	3.07
	Metal	kg	5,785	5,335	4,338	3,314
		oz	185,997	171,509	139,473	106,554
Measured + Indicated	Tonnage (kt)		3,044	2,468	1,669	1,080
	Au (g/t)		1.90	2.16	2.60	3.07
	Metal	kg	5,785	5,335	4,338	3,314
		oz	185,997	171,509	139,473	106,554
Inferred	Tonnage (kt)		3,121	1,862	947	528
	Au (g/t)		1.39	1.83	2.41	2.96
	Metal	kg	4,352	3,410	2,282	1,566
		oz	139,922	109,644	73,637	50,360

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Liliga Mineral Resource Estimate — Total in-situ Resources — OK (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))					
Cut Off Grade (g/t)		0.5	1.0	1.5	2.0
Inferred	Tonnage (kt)		4,155	2,571	1,385
	Au (g/t)		1.52	1.99	2.67
	Metal	kg	6,315	5,117	3,698
		oz	203,047	164,505	118,890

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Bissa Sud Mineral Resource Estimate — Total in-situ Resources Inverse Distance Weighting (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))						
Cut Off Grade (g/t)		0.3	0.5	1.0	1.5	
Inferred	Tonnage (kt)		721	568	168	47
	Au (g/t)		0.83	0.94	1.39	1.89
	Metal	kg	599	534	234	90
		oz	19,249	17,179	7,520	2,878

Labola Resource Estimate (WAI January 2012) (in accordance with the guidelines of the JORC Code (2004))				
Cut Off Grade (g/t)	Inferred			
	Tonnes (kt)	Density	Au (g/t)	Metal Au (oz)
0.4	1,231	2.4	1.22	48,136
0.6	905	2.4	1.48	42,927
1.0	481	2.4	2.09	32,272
2.0	163	2.4	3.43	17,950
3.0	68	2.4	4.84	10,552
4.0	35	2.4	6.17	7,027

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Zinigma Mineral Resource Estimate — Total in-situ Resources OK (WAI, 01 January 2012) (in accordance with the guidelines of the JORC Code (2004))						
Cut Off Grade (g/t)			0.5	1.0	1.5	2.0
Inferred	Tonnage (kt)		3,687	1,854	839	361
	Au (g/t)		1.17	1.60	2.06	2.51
	Metal	kg	4,317	2,959	1,725	904
		oz	138,792	95,150	55,465	29,071

Notes:

1. Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility study or pre-feasibility study.
2. Mineral Resources are reported inclusive of any reserves.
3. The contained Au represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.

Reserves

The metal price used for the pit optimisation was US\$1,250/oz Au. The major Key Performance Indicators such as mining and processing costs, and other parameters, considered during the optimisation, have been supplied by High River within the Feasibility Study, performed by Genivar. WAI has reviewed the Feasibility Study and technical data, obtained from High River both during site visit and by request. The results of the WAI Base Case optimisation as calculated by NPV Scheduler®. Only the measured and Indicated Mineral Resources were utilised in the optimisation as only these categories of Mineral Resources can become Mineral Reserves. Based on the described above open pit optimisation, WAI estimated Bissa open pit Mineral Reserves. Detailed results of this estimation are given in the table below.

Bissa Open Pit Mineral Reserves as of 01 January 2012 (WAI, COG=0.9g/t Au) (in Accordance with the Guidelines of the JORC Code (2004))			
Ore/Rock Type	Ore (kt)	Au (kg)	Au (g/t)
Weathered Proven	114	294	2.57
Weathered Probable	10,742	18,655	1.74
Fresh Proven	1,365	4,031	2.95
Fresh Probable	16,807	30,304	1.80
Weathered Proven and Probable	10,856	18,949	1.75
Fresh Proven and Probable	18,172	34,335	1.89
Total Proven and Probable	29,028	53,284	1.84
Waste* (kt)	159,989		
Note: Mining Factors of 6% Dilution and 97% Mining Recovery applied. * Waste is given inclusive of Inferred material, which is also treated as waste			

A summary of the results is given in the table below.

Bissa Reserve Pit Summary (WAI, 01 January 2012)			
Ore (Mt)	Waste (Mt)	Strip Ratio	Total Rock (Mt)
29.028	160	5.52	189
Note: Ore Cut Off of 0.9g/t Au applied Waste is given inclusive of Inferred material at ore grades			

The Gougre Mineral Reserve estimate includes 1.5Mt of Probable ore at an average grade of 1.76g/t Au and 89.66Koz of contained gold. The current mining schedule equates to 3 years of production, targeting production of 750kt of ore in Years 1 and 2 and ramping down to 83kt in Year 3.

Gougre Open Pit Mineral Reserves as of 01 January 2012 (WAI) (in accordance with the guidelines of the JORC Code (2004))						
Parameter		Unit	Year			Total
			1	2	3	
Rock Mined		kt	7,119	4,653	175	11,947
Probable Ore	Oxide	kt	99.4	—	—	99.4
		g/t	1.44	—	—	1.44
		kg	143	—	—	143
	Transition	kt	301.9	4.0	—	305.8
		g/t	1.85	2.47	—	1.86
		kg	560	10	—	570
	Sulphide	kt	348.9	745.9	83.3	1,178.1
		g/t	1.62	1.82	1.89	1.761
		kg	564	1,354	158	2,076
Total Probable Ore		kt	750	750	83	1,583
		g/t	1.69	1.82	1.89	1.76
Contained Metal		kg	1,267	1,364	158	2,789
		Koz	40.73	43.86	5.08	89.66
Waste*		kt	5,852	3,289	17	9,158
Strip		t/t	7.80	4,.39	0.21	5.78

Note: Mining Factors of 6% Dilution and 97% Mining Recovery applied.

Cut-off-grade: Oxide 0.57g/t, Sulphide 0.78g/t.

* Waste is given inclusive of Inferred material.

Mining Operations

The gold deposits at Bissa are near surface and suitable for conventional truck and shovel open pit mining. Ore will be hauled from the pits and taken to a run of mine (ROM) stockpile where it will be dumped prior to being tipped in the primary crusher.

The topsoil and any sensitive material will be removed and stockpiled, to be used in the rehabilitation of mine site and waste from the pits will be mainly composed of overburden (laterite, argillite and saprolite) and will be dumped near the topsoil stockpile. The two waste dumps will be located near the pits on the south side.

The operation at Bissa envisages open pit mining at an annual rate of approximately 3 Mtpa, utilising drill & blast with a truck and shovel approach to ore and waste haulage. A CIL process route was proposed for the Bissa mine at a nominal rate of 3Mtpa, although the new design target throughput is nearer to 4Mtpa.

Exploration and Development

An exploration budget was estimated at US\$24M for 2011, with the main part allocated to RC and DD drilling at the flagship properties of Nairy, Labola, Baola and Gougre. For the Bissa deposit, a preliminary budget of US\$5M has been allocated for infill, step out drilling, as well as for condemnation drilling in areas planned for infrastructure.

GROSS GOLD PROJECT

Portions of the following information are based on assumptions, qualifications and procedures which are described in the Tabornoe and Gross Technical Report but which are not fully described in this Schedule. The following does not purport to be a complete summary or extract of the Tabornoe and Gross Technical Report. Reference should be made to the full text of the Tabornoe and Gross Technical Report which is available for review on Nordgold's SEDAR profile located at www.sedar.com.

Introduction

Nordgold has commissioned a technical report in accordance with NI 43-101 on the Gross and Tabornoe Gold Projects in Russia. The Technical Report documents the mineral resource estimate, ore reserve and inputs to mineral processing at the Gross Gold Project provided by Snowden.

Project Description and Location

The Gross Project is located in a remote area in the SW of the Yakutia (Saha) region of the Russian Federation. The Gross Project is situated approximately 4km to the east of Tabornoe Project open pit, in the upper reaches of the Gross stream. The project exploration licence is centred on the following co-ordinates: WGS84 Latitude : 57°38'55" North and WGS84 Longitude: 119°54'17" East.

The Tabornoe Project comprises one exploration licence for Tabornoe and Gross (collectively, the "Projects") (YaKU — 12112BP) covering a total area of 58km². The exploration licence (No.YaKU-12112BP), contains both the Tabornoe, Temny Tabornoe and Gross mineral occurrences, and has been held by the "LLC Neryungri-Metallic" Company ("Neryungri-Metallic"), (now wholly owned by Nordgold) since 22 December 2003. The exploration licence is valid until December 31, 2013 and contains the Tabornoe and Gross mineral occurrences along with several smaller prospects: West Tabornoe, Temniy Tabornoe and Kanava Number 7.

The mining licence for the Tabornoe Project (No.YaKU- 01860BR), held by Neryungri-Metallic, which is now wholly owned by Nordgold, is currently valid until the end of 2020. The licence covers an area of 0.93km². Neryungri-Metallic received the licence in 2001.

There is no licence for the water discharge from the site into the local water course, as licences are only issued for clarified discharges, and the settlement pond at the site is not yet built. The site has a hazardous waste management licence, emissions permission, limits for domestic and industrial waste disposal and water use agreements. It would be questioned the legality of discharges to surface water course without discharge permits. It was reported by the Environmental Manager that a permit is not in place as these are only issued for clarified discharges, which the site water isn't.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Projects are located in a remote region. There is no permanent population in the area, the nearest settlements of Olekma, Khani and Ikabia being located approximately 80km south on the Baykal-Amur trunk line ("BAM"). The main transport link to the Project is by road. A rail link is available at Ikabya, a distance of approximately 125km from the site. Air transport is available by helicopter, weather dependent, and a new helipad is being constructed at the site to allow larger helicopters to land.

The Tabornoe and Gross deposits are situated in the southwestern corner of the Uguskiy Graben. The climate is extreme continental with a long winter and short, hot summer. The maximum temperature is +35°C (July) whereas the minimum is -55°C (December, January) with the annual average of -8.5°C. Annual precipitation averages 370mm, with most falling in July-August. Rivers are frozen from November—April/May. Snow cover is normal between October and May. Permafrost exists to a depth of 400-450m. Soil melts during summer to depths of 1-3m; however north facing slopes barely defrost at all.

The Gross deposit is located in mountainous terrain incised by river valleys, with the elevation of the area typically ranging from 1,100 to 1,375masl. At the altitude of the Projects site there are few trees and the vegetation consists of low level and ground covering species. Some pine species are present, but only limited growth occurs. The ground cover species include mosses and succulent species.

All power requirements are provided by on-site diesel generation. Gross has a heap leach project under development. A pre-feasibility study has recently been completed by Snowden. The Usu lake is located to the south of the Projects. There are no other significant surface water features in the area. The potable water supply for the mine is from the local lake.

History

The Tabornoe deposit was discovered in 1978 as a result of a government geological survey mapping programme at a scale of 1:50,000 and a subsequent prospecting campaign. Prospecting works comprised trenching, pitting, a lithochemical survey and panning. From 1990-1991 a further stage of preliminary exploration was undertaken with trenches excavated on a spacing of 500m along strike.

In 1995-1999 the Uzhyakutgeology Government Exploration Company continued exploration at Tabornoe. Exploration consisted of geological mapping traverses (252km), chip and grab samples (156 and 238 samples respectively), trenching with a bulldozer (24,500m³), core drilling (34 boreholes totalling 4,571.6m), churn drilling (709m), channel sampling (777.6m sampled), core sampling (4206.7m sampled) and churn hole sampling (309m sampled). Metallurgical testwork at the Tabornoe Project was undertaken on one sample, which demonstrated a recovery of 75-85% in laboratory heap leach tests. Trial mining at Tabornoe first started in 2001, with the trial heap leach being commissioned in November 2002. The Tabornoe deposit is mined by conventional open pit techniques with drill and blast, and haulage utilising BELAZ trucks. In 2011, the ore mining rate was 2.5Mtpa and a processing rate at approximately 2.6Mtpa.

Geological Setting

Regional Geology

This graben is filled with Lower Proterozoic — Olonnokonskiy Formation sediments which discordantly overlie early Archean gneisses and crystalline schists of the Olekminskiy Formation, intruded by later Archean granites of the Khaninskiy Intrusive Complex.

The Olonnokonskiy Formation comprises a basal conglomerate and gravels which in some areas can be up to 20-30m thick. The conglomerate horizon is overlain by fine to medium grained, grey to reddish brown sandstones which are either horizontal or shallow dipping and have a thickness of 300-400m. Rocks of Archean and Proterozoic age are intruded by occasional diabase dykes of Riphean age, as well as by dykes and sills of alkaline syenite and syenite-porphyry of Mesozoic age. The principal tectonic features in the area consist of a set of N-S striking, steeply dipping faults (Kondinskiy Fault Zone), a NE—SW striking and steeply dipping shear zone and a shallow thrust of E-W strike. Although the Tabornoe and Gross deposits are situated approximately 1km to the S of the main thrust fissure, it is believed that gold mineralization is directly related to this thrust which dips to the south at 20-30°.

Local Geology

The Tabornoe and Gross deposits are hosted by a potassic metasomatite zone, developed in the sandstones, which strikes E-W and dips to the south, parallel to the orientation of the thrust zone. Apart from Tabornoe and Gross, there are a number of deposits and mineral occurrences of the same type in the area, the most significant of which is Black-Tabornoe. There is also potential for the discovery of new deposits lying within the Tokkinskiy Fault Zone to the west of Tabornoe.

Gross Project Geology

The Gross deposit comprises a zone of potassium feldspar metasomatite hosted within early Proterozoic sandstones of the Olonnokonskiy Formation. The zone was originally traced by geochemical and radiometric geophysical anomalies.

Exploration

At the Gross Project a new geophysical technique has been utilised, namely, AMTZ (a method of audio-magnetic-telluric sounding). Clearly the edges of the metasomatic zone are well defined by the survey and from interpretation of the cross section it would appear that the entire zone is associated with a strong steeply dipping structure. WAI considers that the technique has proved itself very useful, but the results clearly require further interpretation.

Five drillhole profiles were drilled at the Gross Project in 2004-2005 by the previous owner, Arlan Associates (Arlan), containing a total of 87 holes. Low grade Tabornoe-type gold mineralisation was intersected on drill profile No. 1, whilst profiles drilled at approximately 260m to the west and 800m to the east from profile No. 1 showed limited economical mineralisation. From the results of drilling, Arlan were able to identify preliminary mineral envelopes at cutoff-grades of 0.30 and 0.70g/t Au.

A comprehensive drill programme conducted by Neryungri-Metallic in 2008 identified at least four shallow southerly dipping (30°) consistent zones of gold mineralisation which contain comparable grades to those at Tabornoe Ore Zone No. 1, and can be traced both down dip (up to 440m) and along strike for a distance of at least 640m. It has been inferred that the zone of metasomatism is fault bounded, with the hangingwall marked by a flat lying, very shallow dipping fault zone which has a southerly dip, whilst the footwall in contrast is marked by a south dipping fault zone with a much steeper dip (30-35°).

Further drilling took place at the Gross Project in 2009, 2010 and 2011, to explore both the eastern flank extension of the deposit and, by extension of all profiles to the south of the deposit, to identify whether or not the deposit forms a bowl shaped synform i.e. the dip of the deposit to the south changes to a northern dip, thereby potentially allowing exploitation of the whole of the hill and not just the northern flank. However, the shallow north flank of the hill and the gentle southerly dip of the ore zones into it, potentially will give a very low strip ratio, consequently making this target extremely attractive for open pit mining.

The exploration drilling programme at the Gross Project continued throughout 2010-2011. Up to August 11, 2011, there were 7 drilling rigs on site and this had included the drilling of approximately 216 boreholes on a 20x20 and 40x40m grid spacing, totalling some 73,316m of drilling. The boreholes were HQ diameter and each borehole was also investigated by inclinometer and gamma logs. The average rate of drilling varied from 68.2 to 48.7m per day and the average borehole depth was 256.7m. An additional 17 site investigation boreholes had also been drilled, totalling 1,711m. The total numbers of boreholes drilled during the period 2008-2011 is 735, totalling some 189,381m of core

Mineralization

The Tabornoe deposit is a complex set of mineralised zones hosted by early Proterozoic sandstones and a syenite porphyry dyke. The sandstones are fine to medium grained, and of quartz-feldspar and feldspar-quartz composition. These are observed to be well-bedded and disrupted by several rock mass discontinuities, with an overall horizontal or shallow dip to the north, northeast and east. The deposit is located in a northeast striking shear zone with the discontinuities forming boundaries to the main zone to the east and the west.

Four stages of alteration have been identified have been identified in the Tabornoe Project form fresh rock to highly altered metasomatites. Altered sandstones and metasomatites contain mono- or polymineraleic veinlets of quartz, potassium feldspar and clinozoisite, 0.1 to 0.8mm in thickness, and also contain very finely disseminated molybdenite, oxidized pyrite crystals, possibly other sulphide minerals, dendritic pyrolusite and very rare free gold.

Gold bearing mineralisation occurs in all altered rock types with the highest grades being found in the syenite porphyry dyke. The main zone at the Tabornoe Project comprises a series of lenses which have no defined geological contacts and whose outlines are defined by assay alone. It is interpreted that local geological structure, and in particular faulting, bedding, jointing, shear zones and unconformities, played a significant role in mineralization at Tabornoe but this still requires further work to improve knowledge.

The mineralised zones strike east-west for up to 1km and dip shallowly (between 5° and 25°) to the south for up to 1km. The Gross Project occurrence appears to be a natural eastwards continuation of the mineralisation at the Tabornoe Project, occurring in an analogous structural and lithological setting.

Drilling

Exploration Drilling

At the Gross Project UranTsvetMet were employed as the main drilling contractor for the drilling that commenced in August 2009. At the peak period in the programme 7 rigs were located on site. The contractor utilised winterised crawler mounted Longyear LF90 drill rigs, employing wireline down the hole drilling equipment for improved penetration rates.

All holes have been drilled vertically, with holes length varying from 50.0-620m, but average 3-400.0m. A total of some 15 holes has been drilled further south on profile lines 1068 and 1092, to a depth greater than 500.0m, in order to investigate the sandstones at depth and their relationship with the underlying Archean basement. WAI understands that of these, 6 holes intersected the Archean.

All of the holes are collared off in PQ (1.5-2.0m) and quickly reduce to HQ, typically to a depth of 400.0m where reduction is then to NQ. Holes greater than 500m have drilled through the zone of permafrost which lies at approximately 4-500m and as consequence have lost drilling water. Zones with pockets and lenses of permanently frozen ground have also been intersected at higher levels.

Drill holes are surveyed with an EGM 36, down-the-hole survey instrument, at regular intervals of 20.0m plus the bottom of the hole. Borehole drift is understood to be less than 3°. After drilling all holes are clearly marked for reference with collar location posts and are well labelled with metal markers.

Detailed Breakdown of Drilling (2008 - 2011 Nordgold)								
Area	2008		2009		2010		2011	
	No. Holes	Total Metres	No. Holes	Total Metres	No. Holes	Total Metres	No. Holes	Total Metres
Gross Prospecting & Exploration	154	29,142	156	39,651	150	39,438	216	73,316
Gross Technology Holes					30	4,905		
Gross Geotechnical Holes					12	1,218		
Site Investigation Drilling Gross							17	1,711
Temniy-Tabornoe Prospecting & Exploration	97	23,365	125	19,321	35	11,122		
Temniy-Tabornoe Technology Holes					12	810		
Site Investigation Drilling Temniy-Tabornoe					8	798		
Temniy-Tabornoe & Vysokiy Geotechnical Holes					4	80		
Vysokiy			51	8,440	4	686		
Rudniy			10	1,848				
Tokkinskiy			19	3,956				
Yuzhniy	26	3,445			15	3,704		
Tabornoe open pit					132	12,501	6	796

Grade Control Drilling in the Pit

Grade Control

For grade control Nordgold utilises blast hole sampling in the hard ores, which appears to work efficiently.

Blast Hole Sampling

One composite sample is taken from each 5m deep blast hole, and is collected on a sampling pan during the drilling of each hole. The sample, approximately 3-5kg in size, is bagged and taken to the site laboratory for analysis.

Site Grade Control

The blast pattern is set out in advance of the drilling by the site survey team. The blast pattern and hole coordinates are sent to the on site laboratory. The laboratory, following sample analysis add, the assay result to the spreadsheet against each borehole. This information is returned to the site engineer who creates a plot, of the blast with the three bands of ore defined by different colours in accordance with the cutoffs:

- +0.7g/t Au above cut-off grade i.e. “ore”;
- 0.7-0.4g/t Au below cut-off grade but above waste, low grade ore referred to on site as “off balance”; and
- 0.4-0.0g/t Au waste.

The engineer then defines lines to delineate the boundaries between ore and low grade and low grade and waste.

Once the blast has been contoured into the optimal mining pattern and discussed with the geologists and site production team, the surveyors return to the blasted area and set out the two contours i.e. between ore and low grade and low grade and waste. Both ore and waste envelopes are taped out on the bench by the surveyors in readiness for excavation. The band between these two contours i.e. the low grade range of 0.4-0.7g/t Au is mined separately and delivered to a low grade out-of-pit stockpile. It was reported that the overall mine design undertaken by the Moscow based Nordgold mine designers was based on a dilution of 13% and mining losses of 3%. The site reported the actual dilution calculated was between 6-12% and the mining losses were 3%.

Sampling and Analysis

Samples received at the laboratory are first dried in ovens at 95-105°C, with the sample bag with the sample placed into a steel tray. The samples are crushed using a Rocklabs Boyd – Rotating Sample Divider (“RSD”) combination jaw crusher and splitter to a nominal top size of 2mm. The crushed material is automatically split to produce a sample of approximately 1kg for further size reduction. The approximately 1kg sample is pulverised using a Rocklabs Standard Ring Mill pulveriser. The pulverised sample is divided, with 250g, duly labelled and stored in transportation boxes sent to the SGS Vostok Limited laboratory (“SGS”) based in Chita. All prepared sample pulps (250g) from the Nordgold exploration drill programmes at the Tabornoe and Gross Projects are sent to SGS located in the regional centre in Chita. Samples are fire assayed for gold.

There are no formal documented standard operating procedures or quality assurance (“QA”) documents governing the drilling and sampling work; instead staff are trained by “word of mouth” using Russian standard and accepted practices. Drilling of the Gross project started in 2008 but the submission of certified standards and blanks did not start until 2009. Blanks and standards were submitted at a rate of approximately 1 in 20. Umpire analysis based on returned sample pulps was conducted using both the SGS Chita Laboratory and the Alex

Stewart laboratory in Moscow both of which hold internationally recognised certification for sample analysis. Snowden's analysis of the Quality Control ("QC") results yielded the following observations:

- All of the drilling to date has been completed using diamond coring methods with 50% of the core retained on site. As such no field duplicates have been submitted;
- The results from the blanks indicate there have been some issues with contamination from time to time, but overall Snowden considers the results to be acceptable;
- The results from the standards and pulp duplicates show a reasonable level of accuracy and precision has been achieved but, as with the blanks, there have been periods where groups of results fall outside the control lines; and
- The results from the standards and pulp duplicates show a reasonable level of accuracy and precision has been achieved but, as with the blanks, there have been periods where groups of results fall outside the control lines; and
- Nordgold monitored the QC data regularly and followed up on problems when identified with the laboratory. Snowden is not aware if sample batches have been re-submitted following poor QC results.

Data were provided for analysis undertaken at the SGS Chita, Stewart Group ("SG") (location of which is not stated in information provided) and ALS (location of which is not stated in information provided) laboratories. All of the laboratories are owned and run by internationally recognised analytical firms with internationally recognised accreditation for analytical testing.

The QA/QC results for gold are only presented within this report as this is the only element assessed within the mineral resource estimate. Internal duplicate controls were provided for multiple elements. The internal controls were assayed at both the SGS and ALS laboratories between 2008 and 2012. External duplicate controls were provided for multiple elements. The external controls were assayed at the SGS, ALS and SG laboratories between 2008 and 2012. Upon analysis of the duplicate data provided it is clear that all the duplicates from all the laboratories have performed well and thus the risk applied on the main database is low. From the data provided by Nordgold, results of blank standards were provided for 2008, and standard information for the 1st and 2nd Quarter of 2011. This analysis shows that the blanks and standards performed well and introduced a low risk factor into the data set. However the amount of data is somewhat limited in that blank and standard test data is not available for all years.

From the analysis of the QA/QC results provided overall, a low to moderate risk can be assigned to the database with regards to sample errors from sample preparation and assaying at all of the laboratories used. There is a lack of standard and blank data for some years and as such the overall risk applied has been increased from low to moderate. There is only a moderate risk due to the volume and good performance of duplicates. During further drilling programs blanks and standard samples should be included within the sample stream to ensure that all QA/QC components are tested.

Security of Samples

WAI has inspected the core logging facilities and reviewed the core logging procedures and protocols established for describing lithological types, structure, mineralisation and alteration and have found them all to be of a very high standard that would equal any established western best practices. WAI considers that the computerised logging sheet that has been written for the project is excellent. The log sheet has been thoroughly thought out and has a comprehensive database that will allow correlation between both rock type, structure, style of mineralisation and assay grade to be assessed. The introduction of standards into the sample stream is a relatively recent process and as such, no results are available for WAI to review.

Mineral Resource and Mineral Reserve Estimates

The Gross Project mineral resource estimate was classified and reported in accordance with the guidelines of 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC,

2004) using a 0.5g/t Au cut-off. There are no material differences between the Mineral Resource and Ore Reserve categories under the guidelines of the JORC Code (2004) used in this report and the categories of Mineral Resources and Mineral Reserves under NI 43-101.

Mineral Resource

The tables below present the mineral resource for the Gross Project (gr03012v1.dm) based on no cut-off (i.e. mineralised envelopes) and a 0.50 g/t Au cut-off.

Mineral Resource for the Gross Deposit as at March 20, 2012 (no cut-off)			
Category (no cut-off grade)	Tonnes (Mt)	Au (g/t)	In-situ Au (t)
Measured	15.1	0.64	9.6
Indicated	307.2	0.50	153.7
Inferred	409.8	0.46	188.1
Measured and Indicated	732.1	0.48	351.4

Mineral Resource for the Gross deposit as at March 20, 2012 @ 0.50 g/t gold cut-off				
Category (0.5g/t cut-off grade)	Tonnes (Mt)	Au (g/t)	Ag (g/t)	In-situ Au (t)
Measured	10.8	0.73	2.57	7.9
Indicated	126.8	0.73	3.35	92.3
Inferred	147.7	0.74	3.77	108.6
Measured and Indicated	137.6	0.73	5.92	100.2
Notes: 1. Mineral resources are not ore reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study. 2. Mineral resources are reported inclusive of any ore reserves. 3. Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.				

Snowden were supplied with a drillhole database in excel format along with QA/QC data and topography surveys from both project areas. Snowden accepted the data supplied on an “as-is” basis but carried out limited validation checks as part of preparing the data for estimation. No significant errors were found in the topography or the drilling data. Snowden visited Gross Project site in March 2011. Two issues were identified by Snowden during the site visit which were material to the mineral resource estimate:

- There was no in-situ bulk density data available for the Gross Project; and
- Routine downhole survey measurements including both bearing and dip measurements were not being collected as part of the Gross Project drilling campaigns.

Both issues were subsequently addressed by Nordgold as follows:

- Nordgold started to collect core measurements using the water displacement method as part of the ongoing drilling work being conducted at the Gross Project.
- The down hole survey procedure was changed so that both dip and inclination data were recorded as part of each downhole survey which are typically taken every 30m downhole.

Snowden modelled the Gross Project mineralisation based on the following criteria:

- The mineralisation envelopes used for the resource estimate were generated using a nominal cut-off grade of 0.3g/t Au. Snowden modelled six domains; however, the bulk of the mineralisation (97%) falls within one lens;
- Areas of internal weakly mineralised strata were determined using a cut-off grade of 0.2g/t Au;
- Narrow barren zones (<0.2g/t Au) of less than 10m thick were projected 10m along strike and barren zones greater than 10 m thick were projected 20m along strike; and
- The boundaries of mineralised zones were projected between 20m and 40m beyond the last section of drilling.

Ore Reserve Estimates

Snowden has classified the Gross Project *Measured* and *Indicated* mineral resource as *Probable*. The *Measured* mineral resources could be upgraded to *Proved*, upon further work confirming:

- the geotechnical parameters used for the study, and
- the processing recoveries and processing costs.

The table below presents the Probable Ore Reserves for the Gross Project as of April 2012 compiled in accordance with the JORC Code (2004) guidelines.

Summary of the Gross Probable Ore Reserve by Cut-off Grade as at April 2012			
Gross Ore Reserves^{1 2}	Tonnes (Mt)	Au (g/t)	Au (t in-situ)
Low grade (0.4-0.5 g/t)	47.8	0.45	21
High Grade (+0.5 g/t)	108.3	0.72	78
Probable Ore Reserves	156.2	0.64	100

Snowden is confident in the economic viability of the Gross Project. It is satisfied that the project has been studied in sufficient detail at pre-feasibility study level to demonstrate this and that any impediments to implementation have been identified and will be satisfactorily resolved in operation.

The reasons for this assessment are as follows:

- Gold price:
 - Snowden is satisfied that gold price (net to the mine) used (A\$1,250/oz) is appropriate; and
 - At the time of writing this document the gold has been trading over the last 12 months in a band between US\$1,473/oz and US\$1,900/oz.
- Metallurgical recovery:
 - Snowden is satisfied that Nordgold has addressed potential metallurgical recovery issues; and
 - An 82.5% overall metallurgical gold recovery was used.
- Processing (i.e. infrastructure, administration and heap leach) operating costs:
 - Snowden is satisfied that Nordgold has provided fair processing, infrastructure and administration cost estimates; and

1. The Ore Reserves were compiled using the JORC 2004 guidelines by Mr. Alan Cooper, Principal Mining Consultant for Snowden Mining Industry Consultants. For the purposes of NI 43-101 compliance, Mr. Jeremy Peters assumes responsibility for Reserve estimates.
2. The mineral resource includes the Ore Reserve.

- The full processing cost (including general and administration) was US\$5.27/t.
- Mining costs:
 - Snowden has estimated mining costs based on good mining practice. Snowden is satisfied that Nordgold has the capability of achieving these mining standards (and therefore these costs);
 - The mining costs estimated by Snowden are similar to costs currently achieved by the nearby Tabornoe Project operation;
 - The full mining cost including amortisation of the mining equipment fleet capital was US\$2.16/t; and
 - The full mining operating cost (i.e. excluding the mining equipment fleet capital) was US\$1.86/t.
- Mining ore recovery and dilution:
 - Snowden has regularised the block model to 10m (east) x 10m (north) and 5m (level) to account for mining ore loss and dilution; and
 - This is considered fair for the proposed mining method and equipment selection.
- Geotechnical risks:
 - Although geotechnical test-work is absent, Snowden is satisfied that the pit slope designs used are fair; and
 - The slope designs were based on observations from the nearby Tabornoe operation and adjusted for the greater depth of the Gross Project pit.
- Other risks:
 - Snowden has no reason to conclude the following risks have not been appropriately assessed or mitigated by Nordgold:
 - Marketing assessment
 - Legal issues
 - Infrastructure access
 - Environmental approvals
 - Statutory approvals
 - Tenement ownership
 - Sovereign risks

Mining Operations

Markets

Gold is a metal that is traded on world markets, with benchmark prices generally based on the London market (London fix). Gold has two principal uses: product fabrication and bullion investment.

Contracts

Nordgold advise that there are no contracts for mining, smelting, refining, transportation, handling or sales that are outside of normal or generally accepted practices within the mining industry.

Environmental Impact Assessment

The Environmental Impact Assessment (“ESAI”, also referred to in Russia as an “OVOS”) for the site was developed in Yakutsk by the “Institute of Applied Ecology of the North” in 2007. Providing that the mining and processing methods at the project do not change, an update to the OVOS is not required during the LOM.

Exploration and Development

Since 2010 and throughout 2011 (to-date) most of the mineral exploration activities have now been focused on the Gross Project, which is considered to be the prime exploration target. The main exploration targets for 2012 are currently envisaged to include the following (subject to approval): completion of the drilling on a 40x40m grid at the Gross Project and continue with geotechnical investigation at the Gross Project (which started in August 2011) for pit optimisation.

SCHEDULE 2 TO ANNEX A
Nordgold Board Mandate

**Regulations
Governing the Principles and Practices of the Board
of Nord Gold N.V.**

REGULATIONS FOR THE BOARD OF NORD GOLD N.V.

1. INTRODUCTION

1.1 These Regulations (the *Regulations*) have been drawn up pursuant to Article 15 paragraph 8 of the articles of association (the *Articles*) of **NORD GOLD N.V.** (the *Company*) and are complementary to any rules applicable to the board of directors of the Company (the *Board*) under Dutch law or the Articles.

1.2 The Regulations provide internal regulations regarding the decision making process and the internal allocation of tasks and responsibilities of the Board. The Regulations provide, with due observance of the provisions of the law, for the specific tasks and responsibilities entrusted to each of the executive and non-executive directors. A non-exhaustive list of matters which are specifically reserved for the Board of the Company are set out in Appendix A of these Regulations (the “Matters Reserved to the Board”).

1.3 The Regulations were adopted by the Board on 11 October 2010.

2. STRUCTURE—ONE-TIER

2.1 The Board is a one tier board. Executive directors and non-executive directors are members of the same body and share the overall responsibility for the management, general affairs, direction and performances of the Company.

3. COMPOSITION

3.1 Without prejudice to Article 13 paragraph 1 of the Articles, the Board consists of one (1) or more executive directors and one (1) or more non-executive directors.

3.2 The number of executive directors and non-executive directors shall be determined by the general meeting of shareholders of the Company (the *General Meeting*).

3.3 In accordance with Article 13 paragraph 2 of the Articles, the Board shall have a Chairman. The Chairman of the Board shall ensure the proper composition and functioning of the Board as a whole. The Chairman of the Board shall be a non-executive director, who may not be a former executive director of the Company. The Board may appoint as and grant the title of Chief Executive Officer (*CEO*) to one executive director and may appoint as and grant the title of Chief Financial Officer (*CFO*) to another executive director or another person.

3.4 Only individuals may be appointed as directors.

4. COMBINATION OF POSITIONS

4.1 An executive director:

- (a) shall not accept membership of the supervisory board (or non-executive director of a company with a one tier board) of another company, listed or unlisted, not being a subsidiary of the Company, without the approval of the non-executive directors. Such position must be in the interests of the Company or for the development of the executive director¹;
- (b) shall seek prior approval for other important ancillary positions held by the executive director from the non-executive directors of the Board.

4.2 A non-executive director:

- (a) shall consult with the Chairman prior to accepting any appointment as a director of another Company, not being a subsidiary of the Company;

- (b) may not be a member of the supervisory board (or non-executive director of a company with a one tier board) of more than five listed companies (including the Company)², and
- (c) shall notify other important ancillary positions held by the non-executive director to the Chairman of the Board.

5. INDEPENDENCE OF DIRECTORS

5.1 The majority of the members of the Board shall be non-executive directors and at least half of the members shall be independent from the Company, in accordance with the meaning of independence as referred to under clause 5.2.

5.2 The Board shall determine whether a member of the Board is independent based on whether he is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or considered to appear to affect the Board member's judgement. A member of the Board shall not generally be deemed to be independent if either he/she or his/her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree:

- (a) has been an employee of the Company or executive director of the Company, or any company associated with it (*gelieerde uitgevende instellingen*, as such term is used in Section 5:48 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)) in the five years prior to the appointment;
- (b) receives personal financial compensation from the Company, or a company associated with it, other than the compensation received for the work performed as a member of the Board, participates in the Company's share option or performance related pay scheme or is a member of the Company's pension scheme;
- (c) has had an important or material business relationship with the Company, or a company associated with it, in the year prior to appointment or in the previous three years. This includes the case where the member of the Board, or the firm of which he is a shareholder, partner, senior employee, associate or adviser, has had such a relationship, or has acted as adviser to the Company (consultant, external auditor, civil law notary and lawyer) and the case where the member of the Board is a management board member or an employee of any bank with which the Company has a lasting and significant relationship;
- (d) is a member of the management board of a company in which a member of the management board of the company which he/she supervises is a supervisory board member;
- (e) holds at least ten per cent. (10%) of the shares in the Company (including the shares held by natural persons or legal entities which cooperate with him under an express or tacit, oral or written agreement);
- (f) is a member of the management board or supervisory board—or is a representative in some other way—of a legal entity which holds at least ten per cent. (10%) of the shares in the Company, unless such entity is a member of the same group as the Company;
- (g) has temporarily managed the Company during the previous twelve (12) months where the executive director(s) of the Board have been absent or unable to discharge their duties;
- (h) has close family ties with any of the Company's advisers, directors or senior employees;
- (i) is an executive director of another company (not being a subsidiary of the company) (the Second Company) where an executive director of the Company is a non- executive director of the Second Company or another company in the Second Company's group³, or has significant links with other directors through involvement in other companies or bodies; and
- (j) has served on the Board for more than nine years from the date of first election.

¹ An executive may only be a member of the supervisory board (or non-executive director of a company with a one tier board) of one other company and may not be the chairman of such company.

² For the purpose of calculating the number of other directorships, chairmanships of Dutch companies shall count as two directorships.

6. APPOINTMENT AND RESIGNATION

6.1 The members of the Board shall be appointed by the General Meeting in accordance with Article 14 paragraph 1 of the Articles.

6.2 Members of the Board may be dismissed by the General Meeting in accordance with Article 14 paragraph 2 of the Articles.

6.3 Members of the Board shall be appointed and re-appointed until the next annual general meeting of the Company. All members of the Board shall be subject to annual reelection at the Company's annual general meeting.

6.4 The Board submits its proposal regarding the appointment or re-election of members of the Board to the General Meeting, supported by a recommendation by the Nomination Committee.

7. REMUNERATION

7.1 The remuneration of the members of the Board shall be determined within the scope of the remuneration policy adopted by the General Meeting in accordance with Article 14 paragraph 4 of the Articles.

7.2 The amount of the remuneration of each individual Board member shall be determined by the Board in accordance with the remuneration policy adopted by the General Meeting in accordance with Article 14 paragraph 5 of the Articles. Executive directors shall not participate in the decision making of the Board in relation to the remuneration of individual executive directors. The remuneration of non-executive directors (other than the Chairman) shall be determined by the Chairman and executive directors.

7.3 The main elements of the contract of an executive director with the Company shall be made public immediately after it is concluded, and in any event no later than the date of the notice calling the General Meeting where the appointment of the respective executive director will be proposed.

7.4 Detailed proposals for the remuneration of the Chairman and executive directors are formulated by the Remuneration Committee.

8. TASKS AND RESPONSIBILITIES OF THE MEMBERS OF THE BOARD

8.1 Subject to the restrictions imposed by the Articles, the Board as a whole shall be entrusted with the management of the Company and its affiliated enterprises and each member of the Board shall be responsible for the proper performance of his/her task and for the general affairs of the Company and its affiliated enterprises. The members of the Board will be accountable for this to the General Meeting. In discharging their tasks and responsibilities, the members of the Board shall be guided by the best interests of the Company and its affiliated enterprises and will take into account the interests of all stakeholders of the Company, including the Company's shareholders. For the purpose of these Regulations, *affiliated enterprises* shall mean subsidiaries of the Company and enterprises of the Company and its subsidiaries.

8.2 Each member of the Board shall have the tasks and responsibilities specifically allocated to him pursuant to the Articles and these Regulations. The tasks and responsibilities of each member of the Board shall also comprise those tasks and responsibilities that have not been specifically allocated to one or more other members of the Board pursuant to the Articles or these Regulations. The allocation of the areas of responsibility shall not release any member of the Board from joint responsibility for the management of the Company.

³ The Board should also consider, in light of the specific circumstances, whether any other cross directorships mean that the director may not be independent. Where there are other cross directorships and the Board has determined that the director is independent, an explanation should be given in the Company's next annual report.

8.3 Each member of the Board shall report to the Board on a regular basis and in such a manner as to give the Board a proper insight in the performance of his/her tasks and responsibilities.

8.4 Each individual member of the Board is responsible for observance by the Board of its obligations. The Board and each individual member will perform their duties in all conscience.

8.5 The members of the Board shall be obligated to cooperate and consult with and mutually inform each other in a collegial fashion. All members of the Board must inform each other of material transactions within the areas of responsibility. Transactions which also relate to the area of responsibility of one or more other members of the Board must be coordinated with such members in due time. In the event no agreement is reached, each member of the Board involved shall be obligated to bring about a resolution of the Board.

8.6 Each member of the Board shall have the right and their own responsibility to obtain information regarding all transactions to the extent necessary to jointly manage the Company or to effectuate the duties of his/her area.

8.7 Subject to the provisions of clauses 9 and 10 the tasks and responsibilities of the Chairman and the CEO, provided a CEO has been appointed, are set out in Appendix B of these Regulations.

9. TASKS AND RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

9.1 Without prejudice to the responsibility of the Board as a whole for the management of the Company and its affiliated enterprises as referred to under clause 8.1, the tasks and responsibilities of the executive directors are as follows:

- (a) perform the day-to-day management and maintain the general state of affairs and the results of the Company and its affiliated enterprises;
- (b) determine the strategic policies of the Company and its affiliated enterprises and prepare the related long term, medium term and short term business plans within the scope of the corporate objectives of the Company, which shall include setting operational and financial objectives; setting and designing strategy to achieve these objectives; setting parameters to be applied in relation to the strategic policies, for example in respect of the financial ratios; and ensure that the Company and its affiliated enterprises are each achieving the strategic policies referred to above;
- (c) assess and manage the risks connected to the business activities and ensure that effective internal risk management and control systems are in place and report on this in the annual report;
- (d) establish and achieve financial objectives, including profitability, cash flow and rates of growth;
- (e) make sure there is compliance with the Articles of the Company and the regulations pursuant thereto, as well as with relevant legislation and relevant rules and regulations; and
- (f) all such other tasks and responsibilities as are not under the Articles or under these Regulations specifically allocated to the non-executive directors of the Company.

9.2 Each year, and without prejudice to the foregoing, the CEO shall provide the Board with the budget for the following year, up-to-date versions of its long-term, mid term and short term business plans, the main features of the strategic policies, the general and financial risks, and the risk management and control systems of the Company.

9.3 The executive directors shall submit to the non-executive directors for approval:

- (a) the operational and financial objectives of the Company;
- (b) the strategy designed to achieve the objectives;
- (c) the parameters to be applied in relation to the strategy, for example in respect of financial ratios; and
- (d) corporate social responsibility issues that are relevant to the enterprise.

10. TASKS AND RESPONSIBILITIES OF THE NON-EXECUTIVE DIRECTORS

10.1 Without prejudice to the responsibility of the Board as a whole for the management of the Company and its affiliated enterprises as referred to under clause 8.1, the tasks and responsibilities of the non-executive directors, where applicable in their capacity as a member of the relevant committees of the Board, are as follows:

- (a) the non-executive directors shall be responsible for supervising and monitoring the policy and the fulfillment of duties of the executive directors and the general course of affairs of the Company and its affiliated enterprises;
- (b) the non-executive directors shall assist the executive directors by rendering advice at his/her request or at their own initiative in relation to their specific tasks and responsibilities as described above in clause 9;
- (c) the relevant non-executive directors, in their capacity as members of the remuneration committee, shall prepare, propose and determine the remuneration of the Chairman, and executive directors within the scope of the remuneration policy adopted by the General Meeting;
- (d) furthermore, they shall:
 - (i) prepare the remuneration report;
 - (ii) handle all reported irregularities regarding the functioning of the Board;
 - (iii) act as the principal contact for the external auditor if he/she discovers irregularities in the contents of the financial reports;
 - (iv) prepare the selection criteria and appointment procedures for members of the Board;
 - (v) the relevant non-executive directors, in their capacity as members of the nomination committee, periodically assess the size and composition of the Board and make a proposal for a composition profile of the Board;
 - (vi) periodically evaluate the functioning of individual members of the Board in accordance with the performance evaluation guidance of the Board;
 - (vii) propose the (re-)appointments of members of the Board to the General Meeting;
 - (viii) supervise the policies of the executive directors in relation to the selection criteria and appointment procedures for senior management;
 - (ix) ensure that there is sufficient time for consultation and decision making; and
 - (x) ensure that the members of the Board, if and to the extent required, follow their induction and education or training program.

11. COMPOSITION AND ROLE OF THE COMMITTEES OF THE BOARD

11.1 The Board shall from time to time appoint, from among its members, an audit committee, remuneration committee, nomination committee and a health, safety, environment and community committee. The function of these committees is to prepare the decision-making of the Board. The existence of these committees does not affect the ability of the Board to set up further ad hoc committees to deal with specific matters if the need arises.

11.2 The regulations of the audit committee, remuneration committee, nomination committee and health, safety, environment and community committee are attached to these Board Regulations as Appendix C, Appendix D, Appendix E and Appendix F respectively and indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties (the “Committee Terms of Reference”).

11.3 The Board may delegate any of its powers to any of the committees as it thinks fit, the Board shall remain fully responsible for the actions undertaken by any of the committees.

11.4 The Board shall cause each of the committees to annually report on its deliberations and findings.

11.5 In its report, the Board shall state the composition of the committees and the number of committee meetings and the Board shall discuss the main items discussed in the committee meetings and how the duties of the committees have been carried out in the financial year.

12. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM

12.1 The Company shall, in any event, employ as instruments of the internal risk management and control system:

- (a) risk analyses of the operational and financial objectives of the Company;
- (b) a code of conduct which should, in any event, be published on the Company's website;
- (c) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and
- (d) a system of monitoring and reporting.

12.2 The Board shall be responsible for setting up and maintaining internal procedures ensuring that the Board is aware of all important financial information, in order to safeguard timely, complete and accurate external financial reporting. For that purpose, the Board shall ensure that the financial information from affiliated enterprises is reported directly to it and that the integrity of the information is not affected.

13. FUNCTIONS OF THE CHAIRMAN AND THE VICE CHAIRMAN

13.1 The Chairman shall designate a vice Chairman from amongst its non-executive directors, who shall replace the Chairman, if he is unable to discharge his duties or absent.

13.2 The Chairman of the Board shall monitor the proper composition and functioning of the Board and its committees and act as the main contact for members of the Board or shareholders of the Company regarding the functioning of the members of the Board.

13.3 The vice-Chairman shall deputise for the Chairman when the occasion arises. The vice-Chairman shall act as contact for individual Board members concerning the functioning of the Chairman.

14. BOARD MEETINGS

14.1 The Board shall hold a meeting whenever the CEO or the Chairman have requested so. The Board shall hold at least 4 meetings a year. The meetings shall be held at the offices of the Company, but may also take place at another location to be designated by the Chairman. In addition, meetings may be held by telephone or videoconference provided that all participants can hear each other simultaneously and every director is given the opportunity to express his or her opinion.

14.2 The Chairman, and in his/her absence his/her deputy/vice-Chairman, shall chair the meeting. If both are absent, the meeting itself shall appoint the chairman of the meeting.

14.3 The meetings shall be convened in due time by the Chairman.

14.4 Convocation of a meeting shall be in writing with attached the agenda and other communications. The notification period will be at least five days, the day of the meeting excluded. In urgent matters, convocation may take place in a different manner if reasonableness so requires.

14.5 The Chairman shall set the agenda of each meeting. Other members of the Board may submit to the Chairman items to be discussed in the meeting. An item to be discussed which has not been submitted on time or is not supported by sufficient documentation shall not be placed on the agenda.

14.6 Urgent matters may be discussed at once at the request of a member of the Board and with the agreement of the majority of the other members of the Board.

14.7 In the event a member of the Board is unable to attend a meeting of the Board and the minutes require explanation, the Chairman of the meeting shall inform the member of the Board that did not attend the meeting about the resolutions passed and the discussions held in the meeting in question.

14.8 Minutes of the meeting shall be prepared by the Chairman or, when a CEO has been appointed, by the CEO or by a secretary designated by the Board. The minutes generally shall be adopted in the next Board meeting. If all members of the Board agree on the contents of the minutes, they may be adopted earlier. The minutes shall be signed for adoption by the Chairman and shall be dispatched to all members of the Board as soon as practically possible.

14.9 At the request of the Chairman or, when a CEO has been appointed, of the CEO, the external accountant of the Company shall attend each meeting of the Board at which the examination, adoption and, if applicable, approval of the annual accounts are discussed. The external accountant shall receive the financial information underlying the adoption of the quarterly and/or half yearly accounts and other interim financial reports and shall be given the opportunity to respond to all information.

15. DECISION-MAKING

15.1 The Board may pass resolutions only if at least the absolute majority of the members of the Board are present or represented (through a proxy by another member of the Board). If a resolution cannot be passed due to the absence of the aforementioned majority, a next meeting shall be convened. If there is still no majority in the next meeting, the Chairman of the meeting shall consult with the absent members of the Board by telephone if he believes that a resolution is required.

15.2 The Board may adopt resolutions outside a Board meeting, provided that all members of the Board have been consulted and that no one objects to adopting resolutions in this manner.

15.3 Each director shall be entitled to cast one vote.

15.4 Resolutions shall be passed by an absolute majority of votes.

16. ABSENCE OR VACANCY

16.1 In case of vacancy or absence of one or more of the members of the Board, Article 17 of the Articles shall apply and the remaining members of the Board may pass resolutions if the Board deems this necessary.

16.2 The Board is allowed to appoint a person who assists the Board in case of the longterm absence or vacancy of an executive director.

17. PRACTICES ENTAILING A CONFLICT OF INTEREST

17.1 A member of the Board shall not:

- (a) enter into competition with the Company or its subsidiary (together the Group);
- (b) demand or accept (substantial) gifts from any member of the Group for himself/herself or for his wife/husband, registered partner or other life companion, foster children or relative by blood or marriage up to the second degree;

- (c) provide unjustified advantages to third parties to the detriment of any member of the Group; or
- (d) take advantage of business opportunities to which any member of the Group is entitled for himself/herself or for his wife/husband, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.

17.2 A conflict of interests exists, in any event, if any member of the Group intends to enter into a transaction with a legal entity:

- (a) in which a Board member personally has a material financial interest;
- (b) which has a Board member who has a relationship under family law with a Board member of the Company; or
- (c) in which a Board member of the Company has a management or supervisory position.

18. NOTIFICATION OF CONFLICT OF INTEREST

Each member of the Board shall immediately report any (potential) conflict of interest that is of material significance to the Company to the Chairman of the Board and to the other members of the Board. A member of the Board with such (potential) conflict of interests must provide the Chairman of the Board and the other members of the Board with all information relevant to the conflict, including information concerning his/her wife/husband, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The Board shall decide, without the Board member concerned being present, whether there is a conflict of interest, save in respect of matters which could give rise to a conflict between (i) any member of the Group and (ii) OAO Severstal or its subsidiary undertakings or Lybica Holding B.V. or its subsidiary undertakings (each excluding members of the Group) where the question of whether there is a conflict of interest shall be determined by the independent directors (by a simple majority).

19. DECISION-MAKING AND CONFLICT OF INTEREST

A member of the Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company. All transactions in which there are conflicts of interest with members of the Board must be concluded on terms that are customary in the sector in which the Company and its affiliated enterprises are active. Decisions to enter into transactions in which there are conflicts of interest with members of the Board that are of material significance to the Company and/or the relevant member of the Board, require the approval of the Board. All transactions between the Company and legal or natural persons who hold at least ten per cent. of the shares in the Company must be concluded on terms that are customary in the sector in which the Company and its affiliated enterprises are active. Decisions to enter into transactions in which there are conflicts of interest with such persons that are of material significance to the Company and/or the relevant member of the Board, require the approval of the Board.

20. RELATIONSHIP WITH THE SHAREHOLDERS OF THE COMPANY

20.1 The members of the Board shall attend the General Meetings, unless they are prevented from attending on serious grounds.

20.2 The Board shall provide the General Meeting with any information it may require, unless overriding interests of the Company or any law or regulations applicable to the Company prevent it from doing so. The Board shall specify the reasons for invoking such overriding interests.

20.3 The Board is responsible for the corporate governance structure of the Company and is accountable to the General Meeting.

21. CONFIDENTIALITY

21.1 Members of the Board shall treat all information and documentation acquired within the framework of their position as members of the Board with the necessary discretion and, in the case of classified information, with the appropriate secrecy. Classified information shall not be disclosed outside the Board, made public or otherwise made available to third parties, even after resignation from the Board, unless (i) it has been made public by the Company (ii) it has been established that the information is already in the public domain or (iii) the Company or a (former) member of the Board is obliged to disclose information pursuant to law or regulations.

22. AMENDMENT

22.1 The Regulations may be amended by resolution of the Board to that effect, subject to the prior approval of each of the Chairman and the CEO.

23. GOVERNING LAW

23.1 The Regulations shall be governed by and construed in accordance with the law of the Netherlands.

APPENDIX A
MATTERS RESERVED FOR THE BOARD
NORD GOLD N.V. (the Company)
MATTERS RESERVED FOR THE BOARD
adopted by the Board on 11 October 2010

The following (non-exhaustive) list contains matters which are specifically reserved for the Board. Where a transaction or arrangement referred to below has been approved by the Board as part of the Company's annual budget, subject to any limits imposed on management in respect of the execution of such transaction or arrangement by the board from time to time, the execution of such transaction or arrangement shall not be a matter reserved for the Board, unless the terms of such transaction or arrangement have materially changed from those contemplated in the annual budget.

1. STRATEGY AND MANAGEMENT

1.1 Approval of the annual business strategy and objectives of the Company and its subsidiaries (the *Group*), budget and forecasts and any material changes to them. The executive directors are responsible for the day-to-day management of the Group and developing the Group business strategy and objectives and budget and forecasts and, once approved by the Board, ensuring their successful implementation.

1.2 Monitoring the delivery of the Group business strategy and objectives and operations and that appropriate action is taken.

1.3 Approval of any material extension of the Group's activities into new business or geographic areas and any decision to cease to operate all or any material part of the Group's business.

2. STRUCTURE AND CAPITAL

2.1 Proposal of changes to the Company's capital structure including any reduction of capital, share buy backs or issue of shares, the granting of rights to subscribe for shares or other securities and limitation or exclusion of pre-emptive rights in connection therewith.

2.2 Approval of any issue of equity securities of a company in the Group (other than the Company) to a person that is not a member of a Group other than pursuant to statutory preemptive rights of such person.

2.3 Proposal to designate the Board as the corporate body to issue shares in the Company or rights to subscribe for shares in the Company and/or to limit or exclude pre-emptive rights on shares in the Company or rights to subscribe for shares in the Company.

2.4 Proposal to amend the articles of association of the Company

2.5 Approval of any changes to the Group's listing or the markets on which its securities are traded.

2.6 Approval of any major restructuring or reorganisation of the Group, unless approval by the general meeting of shareholders is required in accordance with Section 2:107a of the Dutch Civil Code.

2.7 Proposal to dissolve or liquidate a company in the Group.

2.8 Approval of any major changes to the Group's management or control structures.

2.9 Approval of any loans and borrowings (including promissory notes, the issue of bonds or other debt securities or evidence of indebtedness) by the Group with an aggregate principal amount for a loan or series of related loans in excess of US\$ 100 million.

2.10 Approval of guarantees given by the Group to other members of the Group for aggregate amounts in excess of US\$100 million or to a person that is not a member of the Group for aggregate amounts in excess of US\$50 million.

2.11 Approval of the granting of loans or series of related loans or provision of financing by the Group to a person that is not a member of the Group for aggregate amounts in excess of US\$50 million.

2.12 Approval of guarantees given by the Group and the granting of loans or series of related loans or provision of financing by the Group to a related party (as defined by the Listing Rules) of the Group that is not a member of the Group where such guarantees, loans or financing exceed US\$25 million or are not on normal commercial terms

2.13 Approval of any guarantees, loans or series of related loans or provision of financing by a related party (as defined in the Listing Rules) of the Group to a member of the Group where such guarantees, loans or financing are not on commercial terms or are otherwise than on an unsecured basis.

2.14 The pledge of, or the placing of other encumbrances on, any of the shares of the Company's material subsidiaries to secure obligations in excess of US\$ 100 million.

3. FINANCIAL REPORTING

3.1 Approval of the half-yearly report, interim management statements (that shall be made available to the public under applicable Dutch or UK rules) and all preliminary announcements of the final results.

3.2 Proposal to approve the annual report and accounts including the corporate governance statement and remuneration report.

3.3 Proposal to approve the dividend policy.

3.4 Determination to what extent profits shall be retained by way of a reserve. Determination of any interim dividend and the recommendation (subject to the approval of shareholders in general meeting) of any final dividend to be paid by the Company or of any other distributions by the Company.

3.5 Approval of any material changes in accounting policies and practices.

3.6 Approval of the treasury (including, for the avoidance of doubt, interest rate and foreign exchange and financial derivatives) and cash management policy.

4. RISK MANAGEMENT AND INTERNAL CONTROLS

4.1 Ensuring the Group has effective systems of internal control and on an annual basis review of the systems of control in place.

4.2 Any major decision relating to the termination or settlement of any legal proceedings to which the Group is a party:

- (a) initiated by a shareholder of the Company or a shareholder of a major subsidiary affecting at least 25% of the share capital of that major subsidiary;
- (b) initiated against any directors and/or senior management of the Company or its material subsidiaries and potentially damaging the reputation of the Group, its directors and/or senior management;

- (c) initiated against the directors and/or senior management of the Company or its material subsidiaries in respect of any criminal offence; or
- (d) initiated by any governmental agency or authority or other regulatory body where the potential liability or claim is in excess of US\$15 million; or
- (e) where the potential liability or claim is in excess of US\$60 million.

4.3 Adoption of (or material amendment or variation to) the major policies from time to time of the Group relating to the conduct of business, environmental, health and safety, insurance and risk management, and employment law issues.

5. CONTRACTS AND EXPENDITURE

5.1 Approval of all major capital projects, corporate actions or related actions and investments with respect to a company in the Group that will have, or is likely to have, a financial cost greater than US\$75 million, whether in one financial year or cumulatively.

5.2 Approval of any Class 1, 2 or 3 transaction or any related party transaction or series of related party transactions, as defined by the Listing Rules, in respect of which any of the applicable percentage ratios under the Listing Rules exceed 0.25%.

5.3 Approval of any take-over offer for another company within the City Code on Takeovers and Mergers.

5.4 Approval of all joint ventures and arrangements with customers or suppliers with a value in excess of US\$75 million, unless approval by the general meeting of shareholders is required in accordance with Section 2:107a of the Dutch Civil Code.

5.5 Approval of any acquisition or disposal (whether in a single transaction or series of transactions) not otherwise requiring approval pursuant to 5.2 or 5.3 by any member of the Group (unless approval by the general meeting of shareholders is required in accordance with Section 2:107a of the Dutch Civil Code) of:

- (a) any business (or any material part of any business) for consideration or otherwise valued in excess of US\$ 100 million;
- (b) any interest in any company for consideration or otherwise valued in excess of US\$ 100 million; or
- (c) any asset for consideration or otherwise valued in excess of US\$ 100 million.

6. COMMUNICATIONS

6.1 Convening general meetings of the Company.

6.2 Approval of all resolutions and corresponding documentation to be put to shareholders at a general meeting.

6.3 Proposal to approve any listing particulars or prospectuses, circulars to holders of the Company's securities and recommendations in respect of any matters or notices which may be submitted to holders of the Company's securities in accordance with statutory requirements or requirements as imposed by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*), Financial Services Authority or London Stock Exchange or the Company's articles of association (as the case may be).

6.4 Approval of press releases concerning matters decided by the Board.

7. GOVERNANCE MATTERS

7.1 Appointment of the Chairman, Chief Executive Officer, Chief Financial Officer and the Company Secretary, the appointment of directors of other members of the Group and of the senior management of the Company, the proposal for any relevant removals and reelections, and succession planning for the Board (taking account of recommendations from the Nomination Committee where appropriate), senior management of the Company and the directors of other members of the Group.

7.2 Proposals regarding the continuation in office of any director at any time, including proposals on the suspension or termination of service of an executive director as an employee of the Group.

7.3 Recommendation to shareholders of the appointment, re-appointment or removal of the Group's external auditors (taking account of recommendations from the Audit Committee).

7.4 Formal review of the performance of the Board and its committees, individual directors and the Group's overall corporate governance framework.

7.5 Establishment of and any amendment to, the terms of reference and membership of the Audit, Remuneration, Nomination and Health, Safety & Environmental Committees. Establishment of and any amendment to the Division of Responsibilities between Chairman and Chief Executive officer.

7.6 Receiving and considering the views of the Company's shareholders.

7.7 Approval of the delegated authority limits for the Chief Executive Officer, Chief Financial Officer and other directors.

7.8 Approval of policies on the making of political donations (subject to the approval of shareholders in general meeting) and charitable donations.

7.9 Approval of the Board to enter into transactions in which there is a conflict of interest, unless the general meeting of shareholders has appointed one or more other persons to represent the Company in the case at hand or in general for the event of such a conflict.

8. REMUNERATION

8.1 Proposal to introduce share incentive plans or major changes to existing plans, to be put to shareholders for approval.

8.2 Determination of the remuneration of the Directors of the Company on the recommendation of the Remuneration Committee and within the remuneration policy as approved by the general meeting of shareholders, subject to the articles of association of the Company, applicable corporate governance codes and relevant Dutch law.

9. DELEGATED AUTHORITY

9.1 Receiving reports on the activities of the Board Committees.

9.2 Approval of lists of delegated authority to approve expenditure, investments, and other matters as the Board may determine.

9.3 Granting powers of attorney of the Company.

10. OTHER MATTERS

10.1 Approval and monitoring of the share dealing code.

10.2 Approval and monitoring of the corporate social responsibility policy and report.

10.3 Appointment of the Company's corporate broker and other principal financial and professional advisers (excluding the external auditor, which shall be appointed by the general meeting of shareholders).

10.4 Approval of the Group's levels of insurance, including directors and officers liability insurance.

10.5 Approval of any material changes to the rules of any pension plan or the introduction of any new schemes.

10.6 Approval of any other matters which are reserved for decision by the Board in accordance with the requirements of applicable law, regulation or pursuant to accepted best practice or under the articles of association of the Company.

10.7 Review of this schedule of matters reserved for the Board.

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APPENDIX B

DIVISION OF RESPONSIBILITIES BETWEEN CHAIRMAN AND CHIEF EXECUTIVE OFFICER

NORD GOLD N.V. (THE COMPANY)

DIVISION OF RESPONSIBILITIES BETWEEN CHAIRMAN AND CHIEF EXECUTIVE OFFICER

This document sets out the division of responsibilities between the roles of the Chairman and Chief Executive Officer in accordance with A2 of the Code. It also sets out the responsibilities of the Senior Independent Director, where such a person has been appointed to the Board. Any change to the division of responsibilities between the Chairman and Chief Executive Officer falls within the Matters Reserved to the Board.

1. ROLE OF CHAIRMAN

The Chairman reports to the board of directors of the Company (the *Board*) and is responsible for the leadership and overall effectiveness of the Board and individual non-executive directors and setting the Board's agenda. The Chairman is not responsible for the day-to-day management of the Company and its group (the *Group*).

Responsibilities

- Effective running of the Board by ensuring meetings are held with appropriate frequency and that the Board agenda is forward-looking and reflects the important issues facing the Group, with an emphasis on strategic rather than routine issues.
- Promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.
- Ensure the frequency and depth of evaluation of the performance of the Board and its committees is in compliance with best practice. Ensure that appropriate action, if required, is taken on the results of any such evaluation and confirm that an individual's performance continues to be effective when they are proposed for re-election.
- Ensure there is appropriate delegation of authority from the Board to executive management.
- Chair the Nomination Committee (unless an independent non-executive director has been appointed to do so) to lead the process for Board appointments and identify and recommend candidates for the approval of the Board to fill Board vacancies as and when they arise or additional appointments to enhance the effectiveness, skills, knowledge, leadership and experience of the Board (except that of successor Chairman).
- Ensure the Board receives accurate, clear and timely information to support sound decision-making and enable individual directors to fulfil their duties as directors.
- Ensure, with the support of the company secretary, compliance with Board approved procedures, such as the Matters Reserved to the Board and Committee Terms of Reference and that they are reviewed by the Board at least annually.
- Oversee the company secretary's responsibilities for ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with personal development as required.
- Arrange informal meetings with the non-executive directors without executive directors or senior management present to consider complex or sensitive issues.

- Ensure effective communication by the Group with its shareholders, including discussing governance, remuneration and strategy with major shareholders and that the views of major shareholders are communicated and understood by the Board.
- Ensure that non-executive directors constructively challenge and help to develop proposals on strategy.
- Ensure, with the support of the company secretary, that new directors are provided with an appropriately structured induction programme.
- Ensure, with the support of the company secretary, that the development and ongoing training needs of individual directors and the Board as a whole are identified and met and regularly agree and review the training and development needs of each director.
- Ensure that the views of the shareholders are communicated to the Board as a whole so that all directors develop an understanding of their views, in addition to ensuring that there is effective communication with all shareholders.
- Ensure that all directors are aware of the issues and concerns of major shareholders.
- Arrange for the chairman of the Audit, Remuneration and Nomination Committees to be available to answer questions at the annual general meeting and for all directors to attend.
- With the assistance of the company secretary, promote high standards of corporate governance, in compliance with the Code and the Dutch Corporate Governance Code.

2. ROLE OF CHIEF EXECUTIVE OFFICER

The Chief Executive Officer reports to the Chairman and to the Board directly and is responsible for all executive management matters of the Group. All members of executive management report directly to the Chief Executive Officer.

Responsibilities

- Day-to-day management of the Group within the authority limits delegated by the Board.
- Develop and propose Group strategy, annual plans and commercial objectives to the Board, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders.
- Lead the executive team in the day-to-day management of the Group to achieve commercial objectives and execution of Group strategy approved by the Board.
- Identify and execute strategic opportunities.
- Manage the Group's risk profile in line with the extent of risk identified as acceptable by the Board and ensure appropriate internal controls are in place.
- Keep the Chairman informed of all important matters.
- Regularly review the operational performance and strategic direction of the Group.
- Ensure, with the executive team, that Board decisions are implemented effectively and that significant decisions made by the executive team are communicated to the Board.
- Ensure the executive team gives appropriate priority to providing accurate, clear and timely reports to the Board.
- Maintain a dialogue with the Chairman and the Board on important and strategic issues facing the Group.
- Ensure the Chairman is alerted to potential complex, contentious or sensitive issues affecting the Group.
- Make recommendations on remuneration policies, executive remuneration and terms of employment for senior employees.

- Ensure, with the support of the company secretary, that the executive team complies with the matters delegated by the Board and terms of reference of Board committees and ensure matters outside the authority of the executive team are escalated to the Board.
- Ensure the development needs of the executive directors and senior management are identified and met and ensure succession planning.
- Ensure effective communication with shareholders and that appropriate, timely and accurate information is disclosed to the market, with issues escalated promptly to the Board.
- Develop Group policies for Board approval and implement them, including the share dealing code and communications policy.
- Manage the Group's risk profile, including the health and safety performance of the business, in line with the extent and categories of risk identified as acceptable by the Board, and ensure appropriate internal controls are in place.

3. SENIOR INDEPENDENT DIRECTOR (SID)

a) Shareholders

- The SID will be available to shareholders if they have concerns which contact through the normal channels of Chairman or Chief Executive Officer or CFO has failed to resolve or for which such contact is inappropriate.
- The SID will attend sufficient meetings with a range of major shareholders and financial analysts to obtain a balanced understanding of issues and concerns raised.
- b) Chairman
- The SID may chair the Nomination Committee, in particular when it is considering succession to the role of Chairman of the Board.
- The SID will meet with other non-executive directors without the Chairman present at least once a year to lead the appraisal of the Chairman's performance, taking into account the views of executive directors, and on such other occasions as are deemed appropriate.
- The SID will act as a sounding board for the Chairman and as an intermediary for the other directors where necessary.

APPENDIX C
AUDIT COMMITTEE TERMS OF REFERENCE
NORD GOLD N.V. (THE COMPANY)
AUDIT COMMITTEE — TERMS OF REFERENCE
adopted by the Board on 11 October 2010

1. BACKGROUND

1.1 Pursuant to article 19 of the articles of association of the Company (the Articles), the board of directors of the Company (the Board) has resolved to establish an Audit Committee (the Committee). These terms of reference replace any previous terms of reference for any audit committee of the Board and are complementary to any rules applicable to the Board under Dutch law or the Articles.

1.2 The Board has delegated to the Committee responsibility for overseeing the financial reporting and internal controls of the Company and its subsidiaries (collectively, the Group), and for maintaining an appropriate relationship with the external auditor of the Group.

2. DUTIES OF THE COMMITTEE

The Committee shall carry out, and be responsible for supervising and advising the Board with respect to, the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

Financial Reporting

2.1 The Committee shall monitor and discuss the integrity of all financial statements of the Company, interim management statements, preliminary results' announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain before submission to the Board. The Committee shall also review summary financial statements, significant financial returns to regulators and any significant financial information contained in other documents.

2.2 The Committee shall supervise, review, advise and challenge the Board where necessary with regard to:

- (a) the consistency of, and any changes to, accounting and treasury policies on a year on year basis, across the Company and the Group;
- (b) the provision of financial information by the Company, including:
 - (i) choice, application and assessment of accounting policies;
 - (ii) application and assessment of the effects of new rules;
 - (iii) information about the handling of estimated items in the financial statements;
 - (iv) forecasts; and
 - (v) work of internal and external auditors;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views and complying with the recommendations and observations of the internal and external auditors;
- (d) the policy of the Company on tax planning;
- (e) the financing of the Company;
- (f) the methods used to account for significant or unusual transactions where different approaches are possible;

- (g) the clarity of disclosure in the Company's financial reports and the context in which statements are made;
- (h) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

2.3 The Committee shall assess the effectiveness of the Company's financial reporting procedures, which ensure that all major financial information is known to the Board, to assure the timeliness, completeness and correctness of the external financial reporting.

2.4 The Committee shall supervise compliance of the Board with the applicable internal procedures, which are required for the preparation and publication of the annual report, the financial statements, the quarterly and/or half-yearly figures and ad hoc financial information.

2.5 The Committee will request that the external auditor shall include in his report the matters which the external auditor wishes to bring to the attention of the Board in relation to his audit of the annual accounts and the related audits, which in any event will include the matters listed in Annex 1.

Internal Controls and Risk Management Systems

2.6 The Committee shall be responsible for the review, supervision and advice of the Board with respect to the Group's internal financial controls, the Group's internal controls and risk management systems, including its operating and reporting activities, and the statements to be made in the annual report concerning internal controls and risk management systems ,and in particular shall review:

- (a) the policies and process for identifying, assessing and managing business risks of the Company and the Group, including periodic reports on internal control, risk management issues and the effectiveness of corrective action taken by management;
- (b) regular assurance reports from management, internal audit, external audit and others on matters related to risk and control;
- (c) the enforcement of relevant primary and secondary legislation;
- (d) the operation of codes of conduct and the conditions and effectiveness of internal controls and risk management systems;

Whistleblowing and fraud

2.7 The Committee shall:

- (a) review the Group's arrangements for its employees to raise concerns, in confidence, about possible improprieties in financial reporting or other matters. The objective shall be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Group's policies for preventing and detecting fraud, its code of corporate conduct/business ethics and its policies for ensuring that the Group complies with relevant regulatory and legal requirements.

Internal Audit

2.8 The Committee shall:

- (a) monitor and review the role, functioning and effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;

- (b) consider and approve the remit of the internal audit function, ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, and that the function has adequate standing and is free from management or other restrictions;
- (c) ensure that the internal auditor has direct access to the chairman of the Board and the Committee;
- (d) review and assess the annual internal audit plan;
- (e) review promptly all reports on the Group from the internal auditors;
- (f) review and monitor management's responsiveness to and compliance with the findings and recommendations of the internal auditor;
- (g) co-ordinate the external and internal auditors;
- (h) meet a representative of the internal audit function at least once a year, without management being present, to discuss their remit and any issues arising from the internal audit reviews carried out and give the head of the internal audit function a right of direct access to the Committee.

2.9 The Committee and the external auditor will be involved in drawing up the work schedule of the internal auditor. They will also take cognisance of the findings of the internal auditor. The internal auditor will have access to the external auditor and the chairman of the Committee.

2.10 If there is no internal audit function, the Committee will review annually the need for an internal auditor. Based on this review, the Committee will make a recommendation on this to the Board and such recommendation shall be included in the Board's annual report.

External Audit

2.11 The Committee shall:

- (a) consider, supervise and make appropriate recommendations to the Board, to be put to the annual general meeting of shareholders, in relation to the appointment, reappointment, remuneration, resignation or removal of the Group's external auditors and to investigate the issues leading to any such resignation and decide whether any action is required;
- (b) act as the principal contact for the external auditor if he discovers irregularities in the content of financial reporting;
- (c) determine how the external auditor should be involved in the content and publication of financial reports other than the financial statements;
- (d) supervise the Board and report to the Board annually, and earlier if required, on the relation with the external auditor, in particular on the Committee's views of the external auditor's independence (including the desirability of rotation of the responsible partners of the external auditor and of whether the external auditor who is charged with the audit should also carry out non-audit work for the Company) and remuneration;
- (e) oversee the relationship with the external auditor, including (but not limited to):
 - (i) at least once every four years conduct, together with the Board, a thorough assessment of the functioning of the external auditor in the different capacities in which he acts. The main conclusions of this assessment will be communicated to the general meeting of shareholders for the purposes of assessing the nomination for the appointment of the external auditor;
 - (ii) proposal and review of their remuneration, including fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;

- (iii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (iv) assessing, reviewing and monitoring on an annual basis their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole;
- (v) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, and monitoring the implementation of this policy;
- (vi) assessing annually their qualifications, expertise, resources and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures, and monitoring the auditor's compliance with relevant ethical and professional guidance;
- (vii) considering the risk of the withdrawal of the Company's present external auditor from the market;
- (f) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at least once a year without management being present, to discuss their remit and any issues arising from the audit;
- (g) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (h) review the findings of the audit with the external auditor, including but not limited to:
 - (i) a discussion of any significant issues which arose during the audit;
 - (ii) any accounting and audit judgements;
 - (iii) the level of errors identified during the audit;
 - (iv) the basis for the going concern assumption; and
 - (v) their compliance with relevant financial reporting standards and relevant financial and governance reporting requirements;
- (i) discuss any difficulties, reservations or other matters arising from the external auditors' audits;
- (j) review any representation letter(s) requested by the external auditors before they are signed by management and the management letter and management's response to the external auditor's findings and recommendations; and
- (k) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

Other

2.12 The Committee shall regularly review the applications of information and communication technology (ICT).

2.13 The Committee shall review other disclosures and documents as determined by the Board.

3. COMPOSITION

3.1 Members of the Committee shall be appointed by the Board on the recommendation of the nominations committee in consultation with the chairman of the Committee. The Committee shall be made up of at least three members. All members of the Committee shall be independent non-executive directors. The chairman of the Board shall not be a member of the Committee. The Committee may not be chaired by the chairman of the Board or by a former executive member of the Board. Any member who is determined by the Board no longer to be independent shall cease to be a member of the Committee.

3.2 At least one member of the Committee shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

3.3 Only members of the Committee have the right to attend Committee meetings. The Committee shall have the right to decide whether, and, if so, when the Chief Executive Officer, Chief Financial Officer, external auditor and/or internal auditor, should attend its meetings. The Committee may also invite other individuals to attend all or part of any meeting.

3.4 Subject to the Committee members being re-elected to the Board at each annual general meeting and not otherwise ceasing to be members of the Board, appointments to the Committee shall be for a period of up to three years, extendable for two further three-year periods, provided the relevant director remains independent.

3.5 The Board shall appoint one member of the Committee to act as its chairman who shall be an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4. QUORUM

4.1 The quorum necessary for the transaction of business shall be two members.

4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. MEETING ADMINISTRATION

5.1 The Committee shall meet as often as it deems necessary but in any case at least three times per year, held to coincide with key dates in the financial reporting and audit cycle, at such times and places as determined by the Committee chairman, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairman. The Committee shall approve the annual calendar of its meetings.

5.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

5.3 Unless otherwise agreed by all Committee members, notice of each meeting, confirming the venue, the time and date, any dial-in details and the agenda shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, as soon as practicable and in any event no later than five working days before the date of the meeting.

5.4 When the need arises, the external auditor may request the chairman of the Committee for leave to attend the meeting of the Committee. The external auditor shall in any event attend the meeting of the Board, in which the report of the external auditor with respect to the audit of the financial statements shall be discussed, and the financial statements shall be adopted. The external auditor shall receive the financial information underlying the adoption of the quarterly and/or half-yearly figures and other interim financial reports and shall be given the opportunity to respond to all information.

6. SECRETARY

6.1 The company secretary or such person as the Committee nominates shall act as the secretary of the Committee.

6.2 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

6.3 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.4 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

7. SELF EVALUATION

The Committee shall, at least once a year, review its own performance, composition and terms of reference and recommend any changes it considers necessary to the Board for approval.

8. REPORTING RESPONSIBILITIES

8.1 The Committee chairman shall report formally to the Board on the Committee's deliberations, findings and proceedings after each meeting on all matters within its duties and responsibilities.

8.2 The Committee shall produce such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is desirable.

8.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report, which shall include a statement about the Committee's composition, activities, the number of meetings held and the main issues dealt with at these meetings.

8.4 The Committee chairman shall attend the annual general meeting of shareholders prepared to respond to any shareholder questions on the Committee's activities.

9. OTHER MATTERS

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to all applicable laws and regulations, including the provisions of the UK Corporate Governance Code, the Dutch Civil Code, the Dutch Corporate Governance Code, the Dutch Financial Supervision Act (Wet op het financieel toezicht) and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort.

10. AUTHORITY

10.1 The Committee is authorised by the Board to:

- (a) undertake any activity within its terms of reference;
- (b) seek any information that it requires from any Group employee in order to perform its duties;

- (c) obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and to invite those persons to attend at meetings of the Committee;
- (d) call any Group employee to be questioned at a meeting of the Committee, as and when required;
- (e) delegate any of its powers to one or more of its members or the secretary.

* * * * *

ANNEX 1

LIST OF INFORMATION TO BE INCLUDED IN THE REPORT OF THE EXTERNAL AUDITOR

Pursuant to Section 2:393, subsection 4 of the Dutch Civil Code, the report of the external auditor will contain the matters which the external auditor wishes to bring to the attention of the Board in relation to its audit of the annual accounts and the related audits.

The following examples can be given:

(A) With regard to the audit:

- information about matters of importance to the assessment of the independence of the external auditor;
- information about the course of events during the audit and co-operation with internal auditors and/or any other external auditors, matters for discussion with the Board, a list of corrections that have not been made, etc.

(B) With regard to the financial figures:

- analyses of changes in shareholders' equity and results which do not appear in the information to be published and which, in the view of the external auditor, contribute to an understanding of the financial position and results of the Company;
- comments regarding the processing of one-off items, the effects of estimates and the manner in which they have been arrived at, the choice of accounting policies when other choices were possible, and particular effects of such policies;
- comments on the quality of forecasts and budgets.

(C) With regard to the operation of the internal risk management and control systems (including the reliability and continuity of automated data processing) and the quality of the internal provision of information:

- points for improvement, gaps and quality assessments;
- comments about threats and risks to the Company and the manner in which they should be reported in the particulars to be published;
- compliance with articles of association, instructions, regulations, loan covenants, requirements of external supervisors, etc.

APPENDIX D
REMUNERATION COMMITTEE TERMS OF REFERENCE
NORD GOLD N.V. (THE COMPANY)
REMUNERATION COMMITTEE — TERMS OF REFERENCE
adopted by the Board on 11 October 2010

1. BACKGROUND

1.1 Pursuant to article 19 of the articles of association of the Company (the *Articles*), the board of directors of the Company (the *Board*) has resolved to establish a Remuneration Committee (the *Committee*). These terms of reference replace any previous terms of reference for any remuneration committee of the Board and are complementary to any rules applicable to the Board under Dutch law or the Articles.

2. DUTIES OF THE COMMITTEE

2.1 The duties of the Committee shall be:

- (a) to prepare the framework or broad policy for the remuneration of the Chairman, Chief Executive Officer, the other executive directors of the Company, the Company Secretary and any other members of the executive management as the Board may determine from time to time (the *Executive Group*) (the remuneration of non-executive directors being a matter for the Chairman and executive directors of the Company in accordance with the policy determined by general meeting of shareholders) and to make proposals to the Board and the general meeting of shareholders for the remuneration policy to be pursued;
- (b) to make a proposal for the remuneration of the individual executive members of the Board; such proposal dealing in any event with:
 - (i) the remuneration structure; and
 - (ii) the amount of the fixed remuneration, the shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application;
- (c) to prepare an annual remuneration report of the Company's remuneration policy and practices which will form part of the Company's annual report;
- (d) to take into account all factors deemed necessary when determining the remuneration policy, the objective of which shall be to ensure that members of the Executive Group are provided with appropriate and stretching incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contributions to the success of the Company;
- (e) to review the ongoing appropriateness and relevance of the remuneration policy;
- (f) to consider and make recommendations to the Board in respect of all elements of the remuneration of the Executive Group, namely:
 - (i) base salary (the Committee shall also consider the pension consequences of basic salary increases);
 - (ii) bonuses and performance-related payments (including profit-sharing schemes);
 - (iii) discretionary payments;
 - (iv) pension contributions;
 - (v) benefits in kind; and
 - (vi) share options and their equivalents;

- (g) in respect of any element of remuneration of the Executive Group which is performance-related, to formulate suitable performance-related criteria and monitor their operation;
- (h) to consider and make recommendations to the Board in respect of other provisions of the service agreements or employment agreements of the Executive Group (in particular the term, any notice period and compensation commitment on early termination);
- (i) to make recommendations to the Board in respect of any payment to, and/or any non-cash benefit to be provided to, or for the benefit of an executive director or other member of the Executive Group and any other terms and conditions to apply on termination of that person's employment (once the decision to dismiss or reach agreement to terminate employment has been taken by the Board);
- (j) to formulate the policy for authorising claims for expenses from the Chairman and Chief Executive;
- (k) to administer all aspects of any executive share scheme operated by or to be established by the Company including but not limited to (subject always to the rules of that scheme and any applicable legal and stock exchange requirements):
 - (i) the selection of those eligible executives of the Company and its subsidiary companies to whom options or awards should be granted;
 - (ii) the timing of any grant;
 - (iii) the numbers of shares over which options or awards are to be granted;
 - (iv) the exercise price at which options or awards are to be granted;
 - (v) the imposition of any objective condition which must be complied with before any option or award may be exercised;
- (l) to have regard in the performance of its duties to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes (in particular the principles and provisions of the UK Corporate Governance Code, the Dutch Corporate Governance Code and guidelines published by the Association of British Insurers and the National Association of Pension Funds) which the Committee considers relevant or appropriate;
- (m) to ensure that provisions regarding disclosure of information, including pensions, as set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, the UK Corporate Governance Code, the Dutch Civil Code, the Dutch Corporate Governance Code and the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as appropriate, are fulfilled;
- (n) to consider and make recommendations to the Board concerning disclosure of details of remuneration packages and structures in addition to those required by law (including the Dutch Corporate Governance Code) or by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*), UK Listing Authority or the London Stock Exchange (as the case may be);
- (o) to be aware of and advise the Board on any major changes in employee benefit structures throughout the Company or its subsidiaries (the **Group**);
- (p) to be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee within any budgetary restraints imposed by the Board and considering any other connection that they may have with the Company or Group;
- (q) to consider contractual termination provisions to ensure that they are fair and fully recognise the duty to mitigate; and
- (r) to consider any other matters as may be requested by the Board.

2.2 In relation to the above, the Committee shall at all times give due regard to published or other available information relating to pay, bonuses and other benefits of executives in companies which are comparable to the Company.

2.3 The duties of the Committee do not include decisions to employ or dismiss members of the Executive Group. The Committee does not have responsibility for nominations to the Board.

3. COMPOSITION

3.1 The Committee shall be made up of at least three members appointed by the Board on the recommendation of the Nomination Committee and in consultation with the chairman of the Committee from time to time. The Committee shall consist of non-executive directors. All members of the Committee shall be independent, with the exception of no more than one member. The Committee may not be chaired by the chairman of the Board, by a former executive member of the Board or by a non-executive member of the Board who is a member of the management board of another listed company.

3.2 No more than one member of the Committee may be a member of the management board of another Dutch listed company.

3.3 Only members of the Committee have the right to attend Committee meetings. However other individuals may be invited to attend all or part of any meeting.

3.4 Subject to the Committee members being re-elected to the Board at each annual general meeting and not otherwise ceasing to be members of the Board, appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided that the Committee shall at all times consist of no more than one non-independent member.

3.5 The Board shall appoint one member of the Committee to act as its chairman who shall be an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4. QUORUM

4.1 The quorum necessary for the transaction of business shall be two members.

4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. MEETING ADMINISTRATION

5.1 The Committee shall meet at least twice a year at the times as may be agreed by the members and at such other times as determined by the Committee chairman.

5.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members.

5.3 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date and dial-in details (if required) together with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 2 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. SECRETARY

6.1 The company secretary or such person as the Committee nominates shall act as the secretary of the Committee.

6.2 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

6.3 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.4 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

7. SELF EVALUATION

The Committee shall, at least once a year, review its own performance, composition and terms of reference and recommend any changes it considers necessary to the Board for approval.

8. REPORTING RESPONSIBILITIES

8.1 The Committee Chairman shall report formally to the Board on the Committee's deliberations, findings and proceedings after each meeting on all matters within its duties and responsibilities.

8.2 The Committee shall make such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is desirable.

8.3 The Committee shall produce an annual report of the Company's remuneration policy and practices, which shall include a statement about the Committee's composition, activities, the number of meetings held and the main issues dealt with at these meetings and shall form part of the Company's annual report.

8.4 The Committee chairman shall attend the annual general meeting of shareholders prepared to respond to any shareholder questions on the Committee's activities.

9. OTHER MATTERS

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to all applicable laws and regulations, including the provisions of the UK Corporate Governance Code, the Dutch Civil Code, the Dutch Corporate Governance Code, the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference.

10. AUTHORITY

10.1 The Committee is authorised by the Board to:

- (a) undertake any activity within its terms of reference;
- (b) seek any information that it requires from any Group employee in order to perform its duties;

- (c) obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and to invite those persons to attend at meetings of the Committee, provided that in case the Committee makes use of the services of a remuneration consultant, it must verify that the consultant concerned does not provide advice to any executive member of the Board;
- (d) call any Group employee to be questioned at a meeting of the Committee, as and when required;
- (e) delegate any of its powers to one or more of its members or the secretary.

* * * * *

APPENDIX E
NOMINATION COMMITTEE TERMS OF REFERENCE
NORD GOLD N.V. (THE COMPANY)
NOMINATION COMMITTEE — TERMS OF REFERENCE
adopted by the Board on 11 October 2010

1. BACKGROUND

1.1 Pursuant to article 19 of the articles of association of the Company (the *Articles*), the board of directors of the Company (the *Board*) has resolved to establish a Nomination Committee (the *Committee*). These terms of reference replace any previous terms of reference for any nomination committee of the Board and are complementary to any rules applicable to the Board under Dutch law or the Articles.

2. DUTIES OF THE COMMITTEE

2.1 The Committee shall:

- (a) draft selection criteria and appointment procedures for Board members and be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise as well as putting in place plans for succession for directors and senior executives, in particular with respect to the Chairman and the Chief Executive Officer;
- (b) periodically assess the Board structure, size and composition (including the skills, independence, knowledge and experience and taking into account the need for progressive refreshing of the Board), make a proposal for a composition profile of the Board and make recommendations to the Board about any adjustments;
- (c) periodically assess the functioning of individual Board members and report on this to the Board;
- (d) make proposals for appointments and make recommendations to the Board whether to re-appoint a Board member at the end of their term of office;
- (e) supervise the policy of the Board on the selection criteria and appointment procedures for senior management;
- (f) review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- (g) ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- (h) make recommendations to the Board concerning any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company;
- (i) keep under review the leadership needs of the Company and its subsidiaries (the *Group*), both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;
- (j) make recommendation to the Board about suitable candidates for the role of senior independent director, and membership of the audit and remuneration committees of the Board in consultation with the chairman of the relevant committee;
- (k) identify and recommend directors who are to be put forward for retirement by rotation;

- (l) before a proposal for appointment is made by the Board, evaluate the balance of skills, independence, knowledge and experience on the Board, and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - (i) use open advertising or the services of external advisers to facilitate the search;
 - (ii) consider candidates from a wide range of backgrounds;
 - (iii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the board, including gender; and
 - (iv) take care that appointees have enough time available to devote to the position;
- (m) make a statement in the annual report about its composition, activities, the number of meetings held and the main issues dealt with at these meetings, the process used to make appointments and, if external advertising or advice has not been used, give reasons as to why not.

3. PROCEDURES

3.1 So the Committee can perform its role, it will have the following procedures:

Non-executive directors

- (a) when it is decided that a new appointment of a non-executive director is to be made, a short-list will be circulated to members of the Committee and the Chief Executive Officer (and other directors, if felt appropriate), for comment and the addition of any further potential non-executive directors. The Committee may also engage a reputable firm of search consultants to recommend candidates. These consultants would normally also be engaged to assist in filling a specific vacancy;
- (b) a revised short-list will then be considered by the Committee;
- (c) short-listed candidates selected by the Committee will be seen in the first instance by the Chairman and one other Committee member and the Chief Executive Officer. If the Chairman wishes to take the selection process further the potential candidate(s) will be invited to meet the Committee;
- (d) the Committee will decide whether to recommend an appointment to the Board; and
- (e) the Board will decide whether to consequently propose such appointment to the general meeting of shareholders.

Executive directors

- (a) The Chairman and the Chief Executive Officer will submit to the Committee a short-list of one or more candidates to be executive directors;
- (b) some or all of the Committee's members will meet the candidate(s) selected for interview;
- (c) the Committee's assessments will be reviewed with the Chairman and Chief Executive Officer following which a candidate will be submitted to the Board for appointment;
- (d) the Committee will decide whether to recommend an appointment to the Board;
- (e) the Board will decide whether to consequently propose such appointment to the general meeting of shareholders; and
- (f) the Chairman and Chief Executive Officer and/or the Committee may engage a search consultant to assist in the selection of external candidates for a specific appointment.

4. COMPOSITION

4.1 Members of the Committee shall be appointed by the Board and shall be made up of at least three members. A majority of the members of the Committee shall be non-executive directors of the Company. All members of the Committee shall be independent, with the exception of no more than one member. If any member of the Committee is determined by the Board no longer to be independent and that would result in more than one member of the Committee not being independent, then that director shall cease to be a member of the Committee.

4.2 The Board shall appoint the chairman of the Committee who shall be either the Chairman of the Board or an independent non-executive director. The Chairman of the Board shall not chair the Committee when it is dealing with the appointment of a successor to the chairmanship. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of the independent non-executive directors to chair the meeting.

4.3 Only members of the Committee have the right to attend Committee meetings. However other individuals may be invited to attend all or part of the meeting.

4.4 Subject to the Committee members being re-elected to the Board at each annual general meeting and not otherwise ceasing to be members of the Board, appointments to the Committee shall be for a period of up to three years, extendable for two further three-year periods, provided that the Committee shall at all times consist of no more than one non-independent member.

5. QUORUM

5.1 The quorum necessary for the transaction of business shall be two members both of whom must be independent non-executive directors.

5.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. MEETING ADMINISTRATION

6.1 The Committee shall meet at least twice a year and at such other times as the Committee chairman shall require.

6.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman.

6.3 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date and dial-in details if required together with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors as soon as practicable and in any event, no later than two working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. SECRETARY

7.1 The company secretary or such person as the Committee nominates shall act as the secretary of the Committee.

7.2 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

7.3 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

7.4 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

8. SELF EVALUATION

The Committee shall, at least once a year, review its own performance, composition and terms of reference and recommend any changes it considers necessary to the Board for approval.

9. REPORTING RESPONSIBILITIES

9.1 The Committee chairman shall report formally to the Board on the Committee's deliberations, findings and proceedings after each meeting on all matters within its duties and responsibilities.

9.2 The Committee shall make such recommendations to the Board it deems appropriate on any area within its remit where action or improvement is desirable.

9.3 The Committee chairman shall attend the annual general meeting of shareholders prepared to respond to any shareholder questions on the Committee's activities.

10. OTHER MATTERS THE COMMITTEE SHALL:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to all applicable laws and regulations, including the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, the Dutch Civil Code, the Dutch Corporate Governance Code, the Dutch Financial Supervision Act (Wet op het financieel toezicht) and the Prospectus and Disclosure and Transparency Rules, as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference.

11. AUTHORITY

The Committee is authorised by the Board to:

- (a) undertake any activity within its terms of reference;
- (b) seek any information that it requires from any Group employee in order to perform its duties;
- (c) obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and to invite those persons to attend at meetings of the Committee;
- (d) call any Group employee to be questioned at a meeting of the Committee, as and when required;
- (e) delegate any of its powers to one or more of its members or the secretary.

* * * * *

APPENDIX F
SUSTAINABLE DEVELOPMENT COMMITTEE TERMS OF REFERENCE
NORD GOLD N.V.

BOARD SSD COMMITTEE — TERMS OF REFERENCE
adopted by the Board on 11 October 2010

1. ROLE

1.1 The Nord Gold N.V. Board (Board) has established the Nord Gold Board safety and sustainable development Committee (Board SSD Committee) to assist the Board to fulfil its health, safety, environment and community (HSEC) and sustainable development (SD) roles and obligations globally. The Board SSD Committee provides the Board with additional focus and guidance on key global HSEC and SD issues.

2. FUNCTION

2.1 The Board SSD Committee performs the following functions in relation to global HSEC and SD issues:

- (a) Monitors and evaluates reports on the effectiveness of HSEC and SD policy, HSEC and SD management standards, HSEC and SD strategy, HSEC and SD performance and HSEC governance globally; and
- (b) Reports to the Board on key global HSEC and SD issues.

3. COMPOSITION

3.1 Members of the Board SSD Committee are appointed by the Board.

3.2 The Board SSD Committee will comprise at least three members including two non-executive Directors.

3.3 Other members may be co-opted by the Board SSD Committee, such as independent experts in the fields of HSEC or SD risk, health and safety, the environment, and community. Co-opted members shall be either voting or non-voting as the Board SSD Committee may decide.

3.4 Subject to the committee members being re-elected to the Board at each annual general meeting and not otherwise ceasing to be members of the Board, appointments to the Board SSD Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided that the majority of the Board SSD Committee members are non-executives.

4. AUTHORITY

4.1 The Board SSD Committee is authorised to seek any information it requires from any employee of the company in order to perform its duties.

4.2 The Board SSD Committee is authorised to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

5. PROCEEDINGS OF THE BOARD SSD COMMITTEE

5.1 The Board SSD Committee Chairman shall be a non-executive Director appointed by the Board.

5.2 The company secretary or such person as the company secretary nominates shall act as the secretary of the Board SSD Committee.

5.3 Board SSD Committee meetings: the Board SSD Committee shall meet at least twice a year and at such other times as the Chairman of the Board SSD Committee shall require.

5.4 Attendance: other individuals may be invited to attend for all or part of any Board SSD Committee meeting when appropriate.

5.5 Means of attendance: a Board SSD Committee member may attend Board SSD Committee meetings in person or by electronic means (including telephone or video linkage).

5.6 Quorum: the quorum necessary for the transaction of business shall be two members, one of which must be the Chairman of the Board SSD Committee.

5.7 Entitlement to vote: only members of the Board SSD Committee have the right to vote at Board SSD Committee meetings.

5.8 Proxy: a Board SSD Committee member may attend and vote by proxy at a Board SSD Committee meeting if the proxy is another Board SSD Committee member and has been appointed in writing and signed by the appointer. The appointment may be general or for one or more particular meetings. A Board SSD Committee member present as a proxy for another Board SSD Committee member who would be entitled to vote if present at the meeting has one vote as a Board SSD Committee member, and one vote as a proxy holder.

5.9 Majority vote: a question arising at a Board SSD Committee meeting shall be decided by a majority of votes of Board SSD Committee members present and entitled to vote.

5.10 Casting vote: in the event of equality of votes, the Chairman of the meeting has a casting vote.

6. AGENDA AND MINUTES OF MEETINGS

6.1 Meetings of the Board SSD Committee shall be summoned by the secretary of the Board SSD Committee at the request of the Chairman of the Board SSD Committee.

6.2 Unless otherwise agreed, notice of each Board SSD Committee meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Board SSD Committee, any other person required to attend and all other non-executive directors, no later than five (5) working days before the date of the meeting.

6.3 Supporting papers shall be sent to Board SSD Committee members and to other attendees as appropriate, at the same time that notice is provided.

6.4 The secretary shall minute the proceedings and resolutions of all Board SSD Committee meetings, including the names of those present and in attendance.

6.5 Minutes of Board SSD Committee meetings shall be circulated promptly to all members of the Board SSD Committee and the Chairman of the Board and, once agreed, to all other members of the Board.

7. REVIEW

7.1 The Board SSD Committee shall, at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

ANNEX B
NORDGOLD FINANCIAL STATEMENTS

1. Special purpose consolidated financial statements for the years ended December 31, 2011, December 31, 2010 and December 31, 2009	B-2
2. Unaudited consolidated interim condensed financial statements as at and for the six months ended June 30, 2012 and 2011	B-73
3. Unaudited <i>pro forma</i> consolidated statement of financial position as at June 30, 2012 and <i>pro forma</i> consolidated income statements for the year ended December 31, 2011 and the six months ended June 30, 2012	B-90

Nord Gold N.V.

Special purpose consolidated financial statements
for the years ended December 31, 2011, December 31, 2010 and
December 31, 2009

Independent auditor's report

To: The Board of Directors Of Nord Gold N.V.

We have audited the accompanying special purpose consolidated financial statements for the three years ended 31 December 2011, 31 December 2010 and 31 December 2009 of Nord Gold N.V., Amsterdam, which comprise the special purpose consolidated statement of financial position as at 31 December 2011, 31 December 2010 and 31 December 2009, the special purpose consolidated income statement, the special purpose consolidated statement of comprehensive income for the years then ended, the consolidated statement of changes in equity, the consolidated statement of cashflows and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation of the special purpose consolidated financial statements in accordance with the accounting policies selected and disclosed by the entity, as set out in note 2 to the special purpose consolidated financial statements. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these special purpose consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose consolidated financial statements 2011, 2010 and 2009 are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the entity, as set out in note 2 to the special purpose consolidated financial statements.

Basis of accounting and restriction on distribution and use

We draw attention to note 2 to the special purpose consolidated financial statements, which describes the basis of accounting. The accounting policies used are selected and disclosed by the entity. Our opinion is not qualified in this respect. The special purpose consolidated financial statements 2011, 2010 and 2009 and our auditor's report thereon are intended solely for inclusion in the Circular related to the offer to purchase all of the outstanding common shares of High River Gold Mines Ltd. held by eligible shareholders, other than Nord Gold as described in the subsequent events note. The special purpose consolidated financial statements do not represent the statutory financial statements of the Company based on IFRS-EU and the Netherlands Civil Code and should not be used for any other purposes.

Statement on Canadian GAAS

Our Independent Auditors reports on the financial statements of Nord Gold N.V. for the years ended 31 December 2011, 31 December 2010 and 31 December 2009 were prepared in accordance with Dutch Standards on Auditing. There are no material differences in the form and content of these reports as compared with a report based on an audit performed in accordance with Canadian Generally Accepted Auditing Standards. An Independent Auditor's Report prepared in accordance with Canadian GAAS would express an unmodified opinion as well.

Amstelveen, 18 October 2012

KPMG Accountants N.V.

(Signed) *E. Michels RA*

Nord Gold N.V.

Special purpose consolidated income statements
for the years ended December 31, 2011, December 31, 2010 and December 31, 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	Year ended December 31,		
		2011	2010*	2009
Sales	5	1,182,129	754,151	517,572
Cost of sales		(672,630)	(420,261)	(309,404)
Gross profit		509,499	333,890	208,168
General and administrative expenses	6	(37,550)	(47,250)	(26,515)
Taxes other than income tax		(76,473)	(45,780)	(36,361)
Other operating (expenses)/income, net	8	(13,561)	21,550	(6,676)
Profit from operations		381,915	262,410	138,616
Finance income	9	5,439	6,591	4,894
Finance costs	9	(63,150)	(77,269)	(144,143)
Profit/(loss) before income tax		324,204	191,732	(633)
Income tax expense	10	(72,158)	(58,317)	(20,910)
Profit/(loss) for the period		252,046	133,415	(21,543)
Attributable to:				
Shareholders of the Company		168,929	94,905	(29,990)
Non-controlling interest		83,117	38,510	8,447
Weighted average number of shares outstanding during the period (millions of shares)	25	358.794	251.851	102.304
Earnings per share				
Basic and diluted profit per share (US dollars)	25	0.47	0.38	(0.29)

* The comparative information for the year ended December 31, 2010 has been restated in connection with the completion of the purchase price allocation of Crew Gold Corporation (Note 26).

Nord Gold N.V.

Special purpose consolidated statements of comprehensive income
for the years ended December 31, 2011, December 31, 2010 and December 31, 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Year ended December 31,		
	2011	2010*	2009
Profit/(loss) for the period	<u>252,046</u>	<u>133,415</u>	<u>(21,543)</u>
Foreign exchange differences	(36,324)	16,919	10,461
Revaluation of available-for-sale financial investments	(27,347)	43,120	41,169
Deferred tax on revaluation of available-for-sale investments	5,143	(6,998)	(6,319)
Other comprehensive (loss)/income for the period, net of tax	<u>(58,528)</u>	<u>53,041</u>	<u>45,311</u>
Total comprehensive income for the period	<u>193,518</u>	<u>186,456</u>	<u>23,768</u>
Attributable to:			
Shareholders of the Company	127,309	126,569	(25,501)
Non-controlling interest	<u>66,209</u>	<u>59,887</u>	<u>49,269</u>

* The comparative information for the year ended December 31, 2010 has been restated in connection with the completion of the purchase price allocation of Crew Gold Corporation (Note 26).

Nord Gold N.V.

Special purpose consolidated statements of financial position
as at December 31, 2011, December 31, 2010 and December 31, 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	<u>Note</u>	<u>December 31, 2011</u>	<u>December 31, 2010*</u>	<u>December 31, 2009</u>
Assets				
Current assets				
Cash and cash equivalents	13	217,133	212,204	90,623
Accounts receivable	14	74,328	33,633	19,409
Inventories	15	375,281	283,367	153,802
VAT recoverable		57,031	32,510	26,106
Short-term financial investments	16	4,043	2,048	17,480
Income tax receivable		3,051	3,833	4,562
Total current assets		<u>730,867</u>	<u>567,595</u>	<u>311,982</u>
Non-current assets				
Property, plant and equipment	17	574,831	487,859	340,372
Intangible assets	18	1,242,820	1,272,424	599,877
Long-term financial investments	16	86,371	120,747	114,268
Investment in joint venture	19	4,769	5,547	6,572
Restricted cash		3,857	2,956	944
Deferred tax assets	10	2,709	11,060	12,495
Other non-current assets	20	1,657	8,712	1,308
Total non-current assets		<u>1,917,014</u>	<u>1,909,305</u>	<u>1,075,836</u>
Total assets		<u>2,647,881</u>	<u>2,476,900</u>	<u>1,387,818</u>
Liabilities and shareholders' equity				
Current liabilities				
Short-term debt finance	21	316,328	281,140	177,307
Accounts payable	22	172,697	133,465	81,267
Income tax payable		18,238	21,036	615
Provisions	23	24,538	32,428	3,992
Total current liabilities		<u>531,801</u>	<u>468,069</u>	<u>263,181</u>
Non-current liabilities				
Long-term debt finance	21	84,062	115,932	56,469
Provisions	23	61,283	48,743	34,147
Deferred tax liabilities	10	201,034	206,664	71,160
Other non-current liabilities		13,474	14,668	508
Total non-current liabilities		<u>359,853</u>	<u>386,007</u>	<u>162,284</u>
Total liabilities		<u>891,654</u>	<u>854,076</u>	<u>425,465</u>
Equity				
Share capital	24	1,244,501	1,244,501	718,712
Additional capital	24	862,340	862,340	862,238
Foreign exchange differences	24	(71,367)	(46,671)	(55,184)
Retained earnings		(550,353)	(715,643)	(815,984)
Revaluation reserves	24	30,342	47,266	24,115
Total equity attributable to shareholders of the Company		<u>1,515,463</u>	<u>1,391,793</u>	<u>733,897</u>
Non-controlling interest		<u>240,764</u>	<u>231,031</u>	<u>228,450</u>
Total equity		<u>1,756,227</u>	<u>1,622,824</u>	<u>962,353</u>
Total equity and liabilities		<u>2,647,881</u>	<u>2,476,900</u>	<u>1,387,818</u>

* The comparative information at December 31, 2010 has been restated in connection with the completion of the purchase price allocation of Crew Gold Corporation (Note 26).

Nord Gold N.V.

Special purpose consolidated statements of cash flows
for the years ended December 31, 2011, December 31, 2010 and December 31, 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Year ended December 31,		
	2011	2010*	2009
Operating activities			
Profit/(loss) for the period	252,046	133,415	(21,543)
Adjustments for non-cash movements:			
Finance costs, net	57,711	70,678	139,249
Income tax expense	72,158	58,317	20,910
Depreciation and amortization	184,169	118,968	86,403
Impairment of non-current assets	6,413	992	8,543
Negative goodwill	—	(1,418)	—
Net loss from associates and joint ventures	527	963	—
Gain on disposal of subsidiaries	(412)	(35)	(260)
Loss on disposal of property, plant and equipment	1,148	4,016	1,602
Movements in provisions for inventories, receivables and other provisions	(7,038)	(3,293)	1,960
Impairment of available-for-sale financial assets	6,359	—	—
Gain from remeasurement to fair value of previously held equity interest before acquisition of a controlling interest	—	(16,084)	—
Changes in operating assets and liabilities:			
Accounts receivable	(25,394)	11,084	8,712
Inventories	(81,797)	(78,596)	(27,374)
VAT recoverable	(26,020)	(6,181)	4,223
Accounts payable	32,643	(11,291)	17,153
Net other changes in operating assets and liabilities	3,278	8,106	(600)
Cash flows from operations	<u>475,791</u>	<u>289,641</u>	<u>238,978</u>
Interest paid	(12,919)	(24,555)	(48,636)
Income taxes paid	(65,315)	(15,972)	(19,406)
Cash flows from operating activities	<u>397,557</u>	<u>249,114</u>	<u>170,936</u>
Investing activities			
Additions to property, plant and equipment	(200,143)	(109,376)	(59,168)
Additions to exploration and evaluation assets	(113,398)	(63,100)	(33,714)
Additions to other intangible assets	(1,051)	(415)	(62)
Additions to financial investments	(15,500)	(20,566)	(58,515)
Acquisition of entities under common control	37	—	(38,915)
Acquisition of subsidiaries, net of cash acquired	—	(259,219)	—
Proceeds from disposal of property, plant and equipment	1,776	1,787	1,543
Proceeds from disposal of financial investments	13,822	36,892	30,666
Proceeds from disposal of subsidiaries, net of cash disposed	458	337	20
Interest received	4,677	4,868	1,811
Cash used in investing activities	<u>(309,322)</u>	<u>(408,792)</u>	<u>(156,334)</u>
Financing activities			
Proceeds from debt finance	116,884	315,114	340,024
Repayment of debt finance	(117,693)	(206,555)	(472,801)
Payment of finance lease liabilities	(634)	(2,423)	(4,270)
Acquisition of non-controlling interest	(59,440)	(341,954)	—
Proceeds from issue of share capital	—	527,317	127,764
Equity transaction costs paid	(9,171)	(5,450)	—
Contribution from the Parent Company	—	—	9,456
Distribution to the Parent Company	—	—	(4,411)
Distribution to related parties	—	(4,783)	—
Contribution from non-controlling interest	—	—	53,997
Cash (used in)/from financing activities	<u>(70,054)</u>	<u>281,266</u>	<u>49,759</u>
Net increase in cash and cash equivalents	<u>18,181</u>	<u>121,588</u>	<u>64,361</u>
Cash and cash equivalents at beginning of the period	212,204	90,623	25,566
Effect of exchange rate fluctuations on cash and cash equivalents	(13,252)	(7)	696
Cash and cash equivalents at end of the period	<u>217,133</u>	<u>212,204</u>	<u>90,623</u>

* The comparative information for the year ended December 31, 2010 has been restated in connection with the completion of the purchase price allocation of Crew Gold Corporation (Note 26).

Nord Gold N.V.

Special purpose consolidated statements of changes in equity
for the years ended December 31, 2011, December 31, 2010 and December 31, 2009
(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Attributable to the shareholders of Nord Gold N.V.					Non-controlling interest	Total
	Share capital	Additional capital	Foreign exchange differences	Retained earnings	Revaluation reserves	Total	
Balance at 1 January 2009	21	456,545	(39,338)	(61,471)	3,781	359,538	491,460
(Loss)/ profit for the period	—	—	—	(29,989)	—	(29,989)	(21,542)
Foreign exchange differences	—	—	(15,846)	—	—	(15,846)	10,461
Revaluation of available-for-sale financial investments	—	—	—	—	22,813	22,813	41,169
Deferred tax on revaluation of available-for-sale investments	—	—	—	—	(2,479)	(2,479)	(6,320)
Total comprehensive (loss) / income for the period						(25,501)	23,768
Share issue	718,691	—	—	(718,646)	—	45	45
Contribution from the Parent Company	—	127,967	—	—	—	127,967	127,967
Conversion of debt previously provided by the Parent company	—	260,216	—	—	—	260,216	260,216
Distribution to the Severstal Group	—	—	—	(4,412)	—	(4,412)	(4,412)
Effect from change of non-controlling interest	—	17,510	—	(1,466)	—	16,044	63,309
Balance at 31 December 2009	718,712	862,238	(55,184)	(815,984)	24,115	733,897	962,353
Profit for the period*	—	—	—	94,905	—	94,905	133,415
Foreign exchange differences*	—	—	8,513	—	—	8,513	16,919
Revaluation of available-for-sale financial investments*	—	—	—	—	27,658	27,658	43,120
Deferred tax on revaluation of available-for-sale investments*	—	—	—	—	(4,507)	(4,507)	(6,998)
Total comprehensive income for the period*	—	—	—	—	—	126,569	186,456
Share issue	525,789	—	—	—	—	525,789	525,789
Contribution from the Parent Company	—	102	—	—	—	102	102
Acquisitions of non controlling interest with a change in control*	—	—	—	—	—	—	294,900
Distribution to the Severstal Group	—	—	—	(4,705)	—	(4,705)	(4,705)
Acquisitions of non-controlling interest without a change in control*	—	—	—	10,141	—	10,141	(352,212)
Balance at December 31, 2010 *	1,244,501	862,340	(46,671)	(715,643)	47,266	1,391,793	1,622,824
Profit for the period	—	—	—	168,929	—	168,929	252,046
Foreign exchange differences	—	—	(24,696)	—	—	(24,696)	(36,324)
Revaluation of available-for-sale financial investments	—	—	—	—	(20,707)	(20,707)	(27,347)
Deferred tax on revaluation of available-for-sale investments	—	—	—	—	3,783	3,783	5,143
Total comprehensive income for the period	—	—	—	—	—	127,309	193,518
Acquisition of entities under common control	—	—	—	(630)	—	(630)	(630)
Acquisitions of non-controlling interest without a change in control	—	—	—	(3,009)	—	(3,009)	(59,485)
Balance at December 31, 2011	1,244,501	862,340	(71,367)	(550,353)	30,342	1,515,463	1,756,227

* The comparative information for the year ended December 31, 2010 has been restated in connection with the completion of purchase price allocation of Crew Gold Corporation (Note 26).

Nord Gold N.V.

Notes to the special purpose consolidated financial statements
for the years ended December 31, 2011, December 31, 2010 and December 31, 2009
(Amounts expressed in thousands of US dollars, except as stated otherwise)

1. Operations

Nord Gold N.V. (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise a Dutch public limited liability company as defined in the Netherlands Civil Code, and companies located abroad. The Company was established as a private limited liability company in 2005 named Sakha Gold B.V. and was renamed to a public liability company Severstal Gold N.V. on July 30, 2009 and further to a limited liability company Nord Gold N.V. on September 29, 2010.

The Company’s registered office is Strawinskylaan 3105, 1077 ZX Amsterdam, the Netherlands.

Before July 2009, the Company was dormant. In 2009 management of JSC Severstal, an integrated steel and mining company with key assets in Russia, the US and Europe (the “Severstal Group”) decided to transfer all of its gold mining entities to a newly formed group under Severstal Gold N.V. These entities were acquired by LLC Mining Holding Company (the “old Parent Company”) and its subsidiaries in 2007 and 2008 from third parties. In 2009 the Company acquired the entities from the old Parent Company and its subsidiaries for shares issued and cash. Furthermore, in 2009 for financing the Group’s activity the old Parent Company contributed to the Company US\$ 260.2 million in the form of conversion of the previously issued debt to equity and US\$ 128.0 million in cash. In July 2010, the Company acquired a controlling interest in Crew Gold Corporation — a mining company based in London with gold mining operations in Guinea, West Africa.

As at December 31, 2011 the Company’s ultimate parent company was Severstal Group. The immediate parent company is Lybica Holding B.V. (“Parent Company”), Severstal Group’s 100% owned subsidiary. The Company’s ultimate controlling party is Mr Alexey Mordashov. Reference is made to note 29 regarding events after the reporting period.

The Group’s principal activity is the extraction, refining and sale of gold. Mining and processing facilities are located in the republics of Buryatiya, Yakutia and Irkutsk and the Chita regions of the Russian Federation, Burkina Faso, Guinea and Kazakhstan.

Economic environment

A significant part of the Group’s operations are based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. Operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy has further increased the level of economic uncertainty in the environment.

The operations of the Group are partly performed in Kazakhstan and consequently are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In addition, the contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment.

The operations of the Group are partly performed in Burkina Faso. The government of Burkina Faso has modernized its Mining Code and is considered by the Group to be mining friendly, but no assurances can be provided that this will continue in the future. The economy and political system of Burkina Faso should be considered to be less predictable than in developed countries.

The operations of the Group are partly performed in Guinea. Guinea has a continued political and economic instability that give rise to significant risks and could have a material adverse effect on the Group’s Guinean operations.

The consolidated financial statements reflect management’s assessment of the impact of the Russian, Kazakhstan, Burkina Faso and Guinea business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

Nord Gold N.V.

Notes to the special purpose consolidated financial statements
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2. Basis for preparation of the consolidated financial statements

These special purpose financial statements were prepared for the three years ended December 31, 2011, December 31, 2010 and December 31, 2009.

These special purpose consolidated financial statements have been prepared to be included in the offer and take-over bid circular dated October 19, 2012 (the “Circular”) related to the planned offer to purchase all of the outstanding common shares of High River Gold Mines Ltd. held by eligible shareholders, other than Nord Gold bond issue as described in the Subsequent events note and they do not represent the statutory IFRS financial statements of the Company. For the summary of the accounting policies used, refer to the Note 3.

These special purpose consolidated financial statements have been prepared in accordance with the accounting policies as described in the notes to the financial statements. The accounting policies are based on International Financial Reporting Standards (IFRSs) as adopted by the European Union (“EU IFRSs”). It represents the international accounting standards adopted in the form of European Commission Regulators in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

These special purpose financial statements were approved by the Board of Directors on October 18, 2012.

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Restatement

As discussed in Note 26, these consolidated financial statements have been adjusted due to the effect of the final purchase price allocation of Crew Gold Corporation.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and financial investments classified as available-for-sale, which are stated at fair value.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant areas requiring the use of management estimates and assumptions relate to:

- useful economic lives of property, plant and equipment;
- mineral reserves that are the basis of future cash flow estimates;
- assets impairment;
- environmental provisions;
- metallurgical recovery percentage;
- allowances for doubtful debts and obsolete and slow-moving inventory;
- litigations;

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- the fair value of derivative financial instruments;
- deferred income taxes.

Useful lives of property, plant and equipment and intangible assets

The Group assesses the remaining useful lives of items of property, plant and equipment and intangible assets at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*”. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and intangible assets and on depreciation expense for the period.

During 2011 the Group revised useful life of certain mineral rights. The effect of the change in accounting estimate on these consolidated financial statements was a decrease in depreciation expense in amount of US\$ 5.9 million.

Mineral reserves

The Group assesses the quantity of mineral reserves on the basis of approved feasibility and technical reports. The Group uses assessments of mineral reserves in the recognition and determination of the fair value of exploration and evaluation assets and mineral rights acquired in business combinations, and in the calculation of future cash flows for assets impairment testing.

Assets impairment

The Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Environmental provisions

The Group reviews its environmental provision at each reporting date and adjusts it to reflect the current best estimate in accordance with IFRIC 1 “*Changes in Existing Decommissioning, Restoration and Similar Liabilities*”. The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgment is required in forecasting future site restoration costs. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur.

Metallurgical recovery percentage

The Group assesses the metallurgical recovery percentage based on the applicable processing method. This assessment is used for measurement of gold-in-process.

Allowance for doubtful debts

The Group makes an allowance for doubtful receivables to account for estimated losses resulting from the inability of the contracting party to make required payments. When evaluating the adequacy of an allowance for doubtful debts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements.

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Allowance for obsolete and slow-moving inventories

The Group makes an allowance for obsolete and slow-moving raw materials and spare parts. Inventories are carried at the lower of cost or net realizable value. Estimates of net realizable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period.

Litigations

The Group exercises judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to the estimate may significantly affect future operating results.

Fair value of derivative financial instruments

The value of the future amount of liability for certain debt instruments depends upon average quarterly gold prices and the quarterly volume of production. The change in the value of the liability due to the factors is accounted for as an embedded derivative. The Group's judgement is required for future gold prices trends projections.

Deferred income taxes

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from estimates or if these estimates are adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

In the event that the assessment of future utilization of deferred tax assets are reduced, this reduction will be recognized in the income statement.

The operations of the Group performed in Kazakhstan are subject to income corporate tax, consisting of a fixed component and variable component — excess profit tax ("EPT"). Deferred tax assets and liabilities are measured at each reporting date using an average of expected total income tax rates for the future periods when the asset (liability) is realised (settled), based on expected performance and prices for gold.

Functional and presentation currency

The presentation currency of these consolidated financial statements is the US dollar.

The functional currency is determined separately for each of the Group's entities. The functional currency of the Company is the Euro. For all Russian entities the functional currency is the Russian rouble. The functional currency of the Group's entities located in Kazakhstan is the Tenge, the functional currency for Burkina Faso entities is the Communauté Financière Africaine franc and the functional currency for Guinea is the US Dollar.

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The translation into the presentation currency is made as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at the closing exchange rates at the dates of each statement of financial position presented;
- all income and expenses in each income statement are translated at the average exchange rates for the periods presented; and
- all resulting exchange differences are recognized as a separate component in other comprehensive income.

Any conversion of amounts into US Dollars should not be construed as a representation that such amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rates used, or any other exchange rate.

New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the year ended December 31, 2011, and have not been applied in these consolidated financial statements.

<u>Standards</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1 (Amended) "Presentation of financial statements"	July 1, 2012
IAS 12 (Amended) "Income taxes"	January 1, 2012
IAS 19 (Revised) "Employee benefits"	January 1, 2013
IAS 27 (Amended) "Separate financial statements"	January 1, 2013
IAS 28 (Amended) "Investments in associates and joint ventures"	January 1, 2013
IFRS 1 (Amended) "First-time Adoption of International Financial Reporting Standards"	July 1, 2011
IFRS 7 (Amended) "Financial instruments: disclosures"	July 1, 2011
IFRS 9 "Financial instruments"	January 1, 2015 (proposed)
IFRS 10 "Consolidated financial statements"	January 1, 2013
IFRS 11 "Joint arrangements"	January 1, 2013
IFRS 12 "Disclosure of interests in other entities"	January 1, 2013
IFRS 13 "Fair value measurement"	January 1, 2013
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

The adoption of the pronouncements listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods except for those discussed below.

Amended IAS 1 *Presentation of Financial Statements* requires a separate presentation of items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Amended IAS 1 will be effective for annual periods beginning on or after 1 July, 2012 and requires retrospective application.

Revised IAS 19 *Employee Benefits* incorporates the following changes:

- Actuarial gains and losses will be recognized immediately in other comprehensive income and will not be recycled through profit or loss in subsequent periods;
- Annual expense for a funded benefit plan will include interest expense, calculated by applying the discount rate to the net defined benefit or liability that will replace the finance charge and expected return on plan assets.

Revised IAS 19 will be effective for annual periods beginning on or after 1 January, 2013 and requires retrospective application.

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IFRS 9 *Financial Instruments* is expected to become effective for annual periods beginning on or after 1 January 2015 based on the current exposure draft. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*.

The first and second phases of IFRS 9 were finalised in November 2009 and October 2010, respectively, and relate to the recognition and measurement of financial assets and liabilities. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

IFRS 11 *Joint Arrangements* supersedes IAS 31 *Interests in Joint Ventures* and introduces a classification of all joint arrangements either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied. IFRS 11 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

IFRS 12 *Disclosures of interests in other entities* requires extended disclosures for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

IFRS 13 *Fair value measurement* provides a revised definition of fair value, establishes a framework for measuring fair value and sets out expanded disclosure requirements for fair value measurements. IFRS 13 will be effective for annual periods beginning on or after 1 January 2013 and requires prospective application.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* addresses accounting of stripping costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified and future benefits arising from the improved access are both probable and reliably measurable. The interpretation also addresses how capitalized production stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. IFRIC 20 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application. The Group intends to early adopt IFRIC 20 for annual periods beginning on or after 1 January 2012.

3. Summary of the principal accounting policies

The following significant accounting policies have been consistently applied to all periods presented in preparing these consolidated financial statements throughout the Group.

a. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing these consolidated financial statements; unrealized losses are also eliminated unless the transaction provides an evidence of impairment of the asset transferred.

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Accounting for acquisitions of interests in companies under common control

IFRSs provides no guidance on the accounting for acquisitions of entities under common control. Management adopted an accounting policy for such transactions based on the relevant guidance of accounting principles generally accepted in the Netherlands ('Dutch GAAP'). Management believes that this approach and the accounting policy disclosed below are in compliance with IFRS.

Acquisitions of controlling interests in companies that were previously under the control of the Parent Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date on which control was obtained by the Parent Company. The assets and liabilities acquired are recognized at their book values. The components of equity of the acquired companies are added to the same components within Group equity except that any share capital of the acquired companies is recorded as a part of additional capital. Cash consideration for such acquisitions is recognized as a liability to related parties, with a corresponding reduction in equity, from the date the acquired company is included in these consolidated financial statements until the cash consideration is paid. The Company's shares issued in consideration for the acquired companies are recognized from the moment the actual issuance.

Acquisition of additional interest in acquired entities

No goodwill is recognized where the Group acquires additional interests in the acquired entities. The difference between the share of net assets acquired and the cost of investment is recognized directly in equity.

Interests in joint ventures

A joint venture is a contractual agreement whereby the Group and other parties undertake an economic activity when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in its financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on the accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the joint venture. The income statement reflects the Group's share of the results of operations of the joint venture.

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the joint venture; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill in respect of subsidiaries is disclosed as an intangible asset.

Where goodwill forms part of a cash generating unit and part of the operations within that unit is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

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b. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses arising on the translation are recognized in the income statement.

c. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. In the case of assets constructed by the Group, related works and direct project overheads are included in cost. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Repair and maintenance expenses are charged to the income statement as incurred. Gains or losses on disposals of property, plant and equipment are recognized in the income statement.

Capital expenditures for mine development works (pit opening, construction of capital mine workings and stripping costs) are accounted for as buildings and construction.

Depreciation is provided so as to write off property, plant and equipment over its expected useful life. Depreciation is calculated using the straight-line basis. The estimated useful lives of assets are reviewed regularly and revised when necessary.

The principal periods over which assets are depreciated are as follows:

Buildings and constructions	5 — 50 years
Plant and equipment	5 — 20 years
Other assets	1 — 20 years

For assets of acquired entities the periods for depreciation are determined in accordance with the terms above taking into consideration the period of previous usage.

d. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement as a part of interest expense.

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The depreciation policy for depreciable leased assets is consistent with that for depreciable assets, which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

e. Intangible assets (excluding goodwill)

Recognition and amortization

Intangible assets acquired by the Group are measured on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over the estimated useful lives using the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Mineral rights

Mineral rights are recorded as intangible assets when acquired as part of a business combination or when reclassified from exploration and evaluation assets.

Mineral rights are amortized on a straight-line basis over their useful life. The useful life is assessed on the basis of terms set up by the mineral licence (contract) and estimated mineral reserves and resources subject to such licence (contract).

Amortization of mineral rights is charged to cost of sales for the period.

Exploration and evaluation assets

Recognition and measurement

Exploration and evaluation assets are generated during exploration and evaluation works aimed to search for new mineral deposits at new or existing licence (contract) areas (for extension of the mineral basis) after the Group may obtain the right to extract these new deposits.

An exploration and evaluation asset is no longer treated as such when the technical feasibility and commercial viability of extracting a new mineral deposit are demonstrable and the Group may extract these resources according to the local governmental procedures. The carrying amount of such exploration and evaluation asset is reclassified into mineral rights. An exploration and evaluation asset is assessed for impairment and if any, an impairment loss is recognized before reclassification.

The Group measures exploration and evaluation assets on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, they are carried at cost less accumulated impairment losses.

The following expenditures comprise the cost of exploration and evaluation assets:

- obtaining the rights to explore and evaluate mineral reserves and resources including costs directly related to this acquisition;

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- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods and/or
- compiling prefeasibility and feasibility studies.

Administration and other overhead costs are charged to the cost of exploration and evaluation assets only if directly related to an exploration and evaluation project.

Borrowing costs related to exploration and evaluation assets are recognised in the income statement.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The following facts and circumstances, among other, indicate that exploration and evaluation assets must be tested for impairment:

- the exploration licence in the specific area has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gold resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of gold resources in the specific area have not led to the discovery of commercially viable quantities of gold resources and the decision was made to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing exploration and evaluation assets for impairment, such assets are allocated to cash-generating units, being exploration licence areas.

Any impairment loss is recognised as an expense in accordance with the policy on impairment of tangible assets set out below.

f. Impairment of assets

The carrying amount of goodwill is tested for impairment annually. At reporting date the Group assesses whether there is any indication of impairment of Group's other assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and its recoverable amount that is the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For other assets the recoverable amount is the greater of the fair value less cost to sale and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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Reversal of impairment

An impairment loss in respect of a held-to-maturity investment, loan or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

Inventories include materials and consumables, work-in-progress, finished goods.

Materials and consumables are valued at cost less allowances recorded against slow-moving and obsolete items.

Work-in-progress consists of ore stockpiles and gold-in-process (including Dore alloy).

Ore stockpiles represent mined ore before processing and are measured by the number of tonnes mined.

Gold in ore involved in processing (crushing, milling, leaching and other operations for recovery of gold in the form of Dore alloy) is accounted for as gold-in-process. Gold-in-process is measured on the basis of tonnes and grade of ore removed from stockpiles into the processing and estimated metallurgical recovery percentage based on the expected processing method.

Work-in-progress is valued at production costs incurred at the relevant stage of the production process. Production costs include materials and consumables, labour costs, mining and other services, refining costs, amortisation and depreciation of operating assets, adjustments for deferred stripping costs capitalised, etc.

Production costs incurred during operational mining development works are charged to the cost of ore as follows:

- at underground mining — proportionally extracted ore,
- at open-pit mining — on the basis of an average stripping ratio.

The average stripping ratio is calculated as the number of cubic metres of waste material removed per ton of ore mined. The average stripping ratio is revised annually on the basis of the technical and production parameters of the open pit. Changes in the average stripping ratio are accounted for prospectively as changes in accounting estimates.

Refined gold is treated by the Group as finished goods. Refined gold is valued on the basis of total production cost.

h. Financial instruments

Non-derivative financial instruments

Financial assets

Financial assets include cash and cash equivalents, investments, and loans and receivables.

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Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Effective interest method

The effective interest method is a method of calculating the carrying value of a financial asset held at amortized cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment.

(iii) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) AFS financial assets

Available for sale financial assets are those non-derivative financial assets that are not classified as held-to-maturity or loans and receivables and are stated at fair value. Listed shares that are traded in an active market are stated at their market value. Investments in unlisted shares that do not have a quoted market price in an active market are measured at management's estimate of fair value. Gains and losses arising from changes in fair value are recognized directly in other comprehensive income with the exception of impairment losses, which are recognized directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified the income statement for the period.

In case if after the initial recognition of the asset the objective evidence indicating a loss event occurs and that the loss event has a negative effect on the estimated future cash flows of that asset, a financial asset is impaired.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant (in excess of 20 percent) or prolonged (for the period more than nine months) decline in its fair value below its cost is objective evidence of impairment.

Impairment losses are recognised in the income statement. The impairment loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

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Dividends on AFS equity instruments are recognized in the income statement when the Group's right to receive the dividends is established.

(v) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method, with interest expense recognized in the income statement.

(vi) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

i. Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax expense is calculated by each entity on the pre-tax income determined in accordance with the tax law of the country, in which the entity is incorporated, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which these assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized in respect of the following:

- investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future;

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- if it arises from the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss,
- initial recognition of goodwill.

j. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Environmental provisions

The Group has environmental obligations related to restoration of soil and other related works, which are due upon the closures of certain of its production sites.

Provisions are estimated case-by-case based on available information, taking into account applicable local legal requirements. The estimation is made using existing technology, at current prices, and discounted using a real discount rate.

Future costs, discounted to net present value, are provided for in the period in which the environmental disturbance occurs.

Costs are capitalized if environmental disturbance occurred during the construction of property, plant and equipment or charged to production costs for the period if the environmental disturbance occurred as part of the operating production process.

The unwinding of the environmental provisions is included in the consolidated income statement as interest expense.

Other provisions

Other provisions are recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

k. Share capital

Share capital comprises ordinary shares, which are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

l. Revenue

Revenue from the sale of gold is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the sale of material by-products is included within revenue.

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m. Other expenses

Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the income statement as incurred.

n. Finance income and costs

Finance income comprises interest income on funds invested, dividend income, and net foreign currency gains. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, net foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in the income statement using the effective interest method except borrowing costs capitalised as part of qualifying assets.

Foreign currency gains and losses are reported on a net basis.

Net gains (losses) from operations with and impairment of available-for-sale financial assets are accounted for in the finance income (costs) if these assets were acquired not within the principal activities of the Group (gold exploration and mining). Otherwise they are accounted in operating income (expense).

o. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Company has not issued any dilutive instruments.

p. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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An operating segment may engage in business activities for which it has yet to earn revenues, for example, entities on the exploration and evaluation stage.

Inter-segment pricing is determined on an arm's length basis.

4. Segment reporting

The Group has eight reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Neryungri-Metallik and Aprelkovo*. Gold mines located in Sakha-Yakutia Republic and Chita region of the Russian Federation, use heap-leaching technology for gold processing.
- *Celtic and Semgeo*. Includes Celtic Group operating Suzdal mine and Semgeo with gold deposits in Balazhal mine. Entities are located in Kazakhstan.
- *Buryatzoloto*. Gold mining entity located in Buryatia republic of the Russian Federation, includes two gold mines — Zun-Holba and Irokinda.
- *Berezitovy*. Gold mine located in Amur region of the Russian Federation.
- *Somita*. Gold mine located in Burkina Faso, West Africa.
- *Crew Gold*. Includes Crew Gold Group operating LEFA mine in Guinea, West Africa.
- *Development West Africa*. Includes a number of mines on exploration and evaluation stage located in West Africa.
- *Development Russia*. Includes a number of mines on exploration and evaluation stage in the Russian Federation.

The accounting policies of the reportable segments are the same as described in Note 3.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's CEO.

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Information about reportable segments

Segment profits and losses and the reconciliation to the income statement for the year ended December 31, 2011:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryat- zoloto	Berezi- tovy	Somita	Crew Gold	Develop- ment West Africa	Develop- ment Russia	Total	Unallocated items and consolidation adjustment	Consolidated
Sales	167,098 (63,111)	129,518 (55,046)	210,019 (83,891)	166,161 (56,297)	205,258 (56,302)	304,075 (175,065)	— —	— —	1,182,129 (489,712)	— 417	1,182,129 (489,295)
Cost of sales less depreciation and amortization	(7,224)	(6,848)	11,186	(6,553)	(5,595)	(9,415)	—	(85)	(24,534)	(12,181)	(36,715)
General and administrative expenses less depreciation and amortization	(11,783)	(13,788)	(13,143)	(12,658)	(6,692)	(17,766)	—	—	(75,830)	(643)	(76,473)
Taxes other than income tax											
Other operating (expense) / income less loss on disposal and impairment of property, plant and equipment and intangible assets, gain on disposal of subsidiaries, negative goodwill, social expenses and charity donations	(5,411)	(90)	2,349	244	(1,429)	6,218	—	2	1,883	(7,273)	(5,390)
Interest income	1,095	4,122	5,291	968	—	124	533	—	12,133	(7,194)	4,939
Interest expense	(9,813)	(240)	(98)	(7,300)	(5,613)	(6,916)	—	(1,128)	(31,108)	(4,815)	(35,923)
Depreciation and amortization	(16,240)	(25,737)	(16,250)	(14,656)	(19,507)	(91,595)	—	(30)	(184,015)	(154)	(184,169)
Income tax (expense) / benefit	(10,413)	(9,462)	(19,884)	(14,225)	(17,408)	(7,296)	4	721	(77,963)	5,805	(72,158)
Segment's profit / (loss) for the period	43,695	18,244	94,251	49,867	94,137	(1,427)	(4,313)	(2,928)	291,526	(39,480)	252,046
Additional information:											
Loss on disposal of property, plant and equipment	(367)	(405)	(269)	(47)	(10)	—	(48)	—	(1,146)	(2)	(1,148)
Impairment of property, plant and equipment	—	(3,070)	—	—	—	—	—	—	(3,070)	—	(3,070)
Impairment of exploration and evaluation assets	—	—	(614)	—	—	—	(839)	(1,890)	(3,343)	—	(3,343)
Impairment of investments available-for-sale	—	—	—	—	—	—	—	—	—	(6,859)	(6,859)
Capital expenditures less capitalized costs for environmental provisions	(61,970)	(22,581)	(37,134)	(16,923)	(11,242)	(58,888)	(97,731)	(11,388)	(317,857)	(1,580)	(319,437)

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Segment profits and losses and the reconciliation to the income statement for the year ended December 31, 2010:

	Neryungi and Aprelkovo	Celtic and Semgeo	Buryat- zoloto	Berez- tovy	Somita	Crew Gold	Develop- ment West Africa	Develop- ment Russia	Total	Unallocated items and consolidation adjustment	Consolidated
Sales	123,770	106,734	177,647	90,115	157,314	98,571	—	—	754,151	—	754,151
Cost of sales less depreciation and amortization	(54,794)	(36,198)	(69,913)	(44,949)	(42,523)	(53,585)	—	—	(301,962)	88	(301,874)
General and administrative expenses less depreciation and amortization	(7,178)	(5,654)	(5,639)	(5,472)	(3,089)	(14,023)	—	(175)	(41,230)	(5,449)	(46,679)
Taxes other than income tax	(7,988)	(7,373)	(11,322)	(7,132)	(6,036)	(5,922)	—	(7)	(45,780)	—	(45,780)
Other operating (expense) / income less loss on disposal and impairment of property, plant and equipment and intangible assets, gain on disposal of subsidiaries, negative goodwill, social expenses and charity donations	(1)	10,472	(95)	(196)	—	638	—	(11)	10,807	15,180	25,987
Interest income	—	4,927	1,603	447	—	800	680	—	8,457	(1,866)	6,591
Interest expense	(8,716)	(748)	(166)	(14,739)	(9,493)	(3,145)	—	(169)	(37,176)	7,141	(30,035)
Depreciation and amortization	(15,546)	(26,135)	(13,699)	(11,968)	(13,751)	(37,834)	—	(26)	(118,959)	(9)	(118,968)
Income tax benefit / (expense)	(6,917)	(19,048)	(12,372)	(3,562)	(20,607)	2,334	—	89	(60,083)	1,766	(58,317)
Segment's profit / (loss) for the period	21,797	27,565	63,638	616	46,289	(14,586)	(1,007)	(496)	143,816	(10,401)	133,415
Additional information:											
Loss on disposal of property, plant and equipment	(853)	(39)	(1,799)	(998)	(263)	—	—	—	(3,952)	(64)	(4,016)
Impairment of exploration and evaluation assets	—	(273)	—	(127)	—	—	(449)	(143)	(992)	—	(992)
Capital expenditures less capitalized costs for environmental provisions	(29,976)	(40,655)	(27,476)	(22,484)	(6,716)	(15,320)	(17,978)	(6,796)	(167,401)	(132)	(167,533)

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Segment profits and losses and the reconciliation to the income statement for the year ended December 31, 2009:

	Neryungi and Aprelkovo	Celtic and Semgeo	Buryat- zoloto	Berezi- tovy	Somita	Develop- ment West Africa	Develop- ment Russia	Total	Unallocated items and consolidation adjustment	Consolidated
Sales	76,555	114,125	143,701	84,119	99,072	—	—	517,572	—	517,572
Cost of sales less depreciation and amortization	(43,384)	(40,536)	(60,224)	(37,915)	(41,434)	—	—	(223,493)	(339)	(223,832)
General and administrative expenses less depreciation and amortization	(4,693)	(4,424)	(4,617)	(1,905)	(3,397)	(6)	(64)	(19,106)	(6,929)	(26,035)
Taxes other than income tax	(5,744)	(8,802)	(9,954)	(7,561)	(4,287)	—	(13)	(36,361)	—	(36,361)
Other operating (expense) / income, net less loss/ (profit) from property, plant and equipment disposal	315	115	741	113	—	—	(62)	1,222	3,431	4,653
Interest income	—	4,715	769	—	—	829	—	6,313	(1,450)	4,863
Depreciation and amortization	(12,159)	(466)	(2,320)	(16,974)	(14,707)	—	(1,235)	(47,861)	(14,647)	(62,508)
Income tax benefit/(expense)	121	(4,405)	(10,720)	(2,157)	(3,471)	—	131	(86,381)	(22)	(86,403)
Segment's (loss)/profit for the period	(3,759)	9,003	40,199	(2,489)	14,022	(2,978)	(1,244)	(20,501)	(409)	(20,910)
Additional information:								52,754	(74,297)	(21,543)
Loss on disposal of property, plant and equipment	(617)	(36)	(341)	(1,259)	—	—	—	(2,253)	(45)	(2,298)
Impairment of property, plant and equipment	—	(8,543)	—	—	—	—	—	(8,543)	—	(8,543)
Capital expenditure	(33,011)	(27,932)	(13,379)	(11,873)	(5,656)	(6,562)	(1,359)	(99,772)	1,116	(98,656)

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Segment assets and liabilities and the reconciliation to the statements of financial position as at December 31, 2011:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryat- zoloto	Berezitovy	Somita	Crew Gold	Develop- ment West Africa	Develop- ment Russia	Unallocated items and consolidation adjustment	Consolidated
Current assets										
Cash and cash equivalents	17,245	21,640	71,534	76,093	9,396	17,008	384	114	3,719	217,133
Accounts receivable	8,551	4,136	2,357	3,684	2,981	52,938	174	—	(493)	74,328
Inventories	73,101	61,574	23,090	70,054	49,824	97,499	79	—	60	375,281
VAT recoverable	9,107	16,896	6,638	4,059	3,981	14,038	636	1,448	228	57,031
Income tax receivable	—	3,022	—	—	—	—	—	—	29	3,051
Current liabilities										
Accounts payable	13,278	11,742	25,774	7,036	23,474	82,774	8,258	476	(115)	172,697
Income tax payable	3,420	252	5,781	553	8,053	—	—	—	179	18,238
Short-term provisions	69	1,824	—	—	7,501	15,144	—	—	—	24,538
Net working capital	73,992	71,810	530	70,208	17,758	66,557	(7,369)	972	(240)	294,218
Segment total assets	470,214	393,168	284,016	235,703	223,153	921,894	157,234	36,400	(73,901)	2,647,881

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Segment assets and liabilities and the reconciliation to the statements of financial position as at December 31, 2010:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryat- zoloto	Berezitovy	Somita	Crew Gold	Develop- ment West Africa	Develop- ment Russia	Unallocated items and consolidation adjustment	Consolidated
Current assets										
Cash and cash equivalents	84	5,802	79,338	46,638	9,338	17,084	461	206	53,253	212,204
Accounts receivable	5,185	4,990	12,267	1,775	2,822	13,429	—	19	(6,854)	33,633
Inventories	61,263	44,459	22,871	47,255	31,766	75,650	56	9	38	283,367
VAT recoverable	7,595	13,323	3,738	3,648	1,988	1,211	—	946	61	32,510
Income tax receivable	—	3,833	—	—	—	—	—	—	—	3,833
Current liabilities										
Accounts payable	17,519	12,203	23,899	9,077	17,116	53,030	1,372	8,262	(9,013)	133,465
Income tax payable	4,284	966	2,784	—	12,883	—	—	—	119	21,036
Short-term provisions	74	1,824	—	—	7,689	22,841	—	—	—	32,428
Net working capital	52,166	51,612	12,193	43,601	(1,112)	14,419	(1,316)	(7,288)	2,139	166,414
Segment total assets	402,246	415,038	195,689	194,196	191,978	892,237	94,165	27,946	63,405	2,476,900

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Segment assets and liabilities and the reconciliation to the statements of financial position as at December 31, 2009:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryat- zoloto	Berezitovy	Somita	Develop- ment West Africa	Develop- ment Russia	Unallocated items and consolidation adjustment	Consolidated
Current assets									
Cash and cash equivalents	51	11,672	26,551	3,243	19,156	246	80	29,624	90,623
Short-term accounts receivable	4,594	6,403	2,532	1,970	3,466	—	43	401	19,409
Inventories	50,695	30,279	20,141	31,776	20,865	46	—	—	153,802
VAT recoverable	7,988	8,106	2,263	5,860	1,636	—	209	44	26,106
Income tax receivable	117	201	4,241	—	—	—	—	3	4,562
Current liabilities									
Short-term accounts payable	20,562	10,655	19,707	10,416	10,596	503	7,952	876	81,267
Income tax payable	3	381	—	—	—	—	—	231	615
Short-term provisions	74	1,879	209	75	1,755	—	—	—	3,992
Net working capital	42,755	32,074	9,261	29,115	13,616	(457)	(7,700)	(659)	118,005
Segment total assets	383,298	383,510	126,722	134,479	210,817	66,260	20,548	62,184	1,387,818

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Geographical information

The following is a summary of non-current assets other than financial instruments, deferred tax assets, restricted cash and other non-current assets by location:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Guinea	737,925	780,364	—
Russian Federation	543,749	506,298	473,908
Burkina-Faso	277,443	201,584	207,519
Kazakhstan	258,475	271,966	258,590
Netherlands	—	—	119
Other	60	71	113
Total	<u>1,817,651</u>	<u>1,760,283</u>	<u>940,249</u>

5. Sales

Sales by product were as follows:

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gold	1,170,842	748,824	512,335
Silver	11,287	5,327	5,237
Total	<u>1,182,129</u>	<u>754,151</u>	<u>517,572</u>

Sales by delivery destination and customers were as follows:

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Russia: NOMOS bank	543,278	391,532	304,375
Switzerland: MKS Finance S.A.	304,075	98,571	—
Switzerland: Standard Bank	205,258	157,314	99,072
Switzerland: Metalor Technologies S.A.	129,518	106,734	114,125
Total	<u>1,182,129</u>	<u>754,151</u>	<u>517,572</u>

6. General and administrative expenses

General and administrative expenses were as follows:

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Wages and salaries	22,593	23,063	10,715
Services	22,367	14,945	11,141
Social security costs	2,029	2,543	1,114
Materials and consumables	1,154	759	673
Depreciation and amortization	835	571	472
Change in bad debt allowance	(15,707)	1,058	(60)
Other expenses	4,279	4,311	2,460
Total	<u>37,550</u>	<u>47,250</u>	<u>26,515</u>

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Change in bad debt allowance includes a reversal of allowance on debt partially repaid by Prognosz Silver LLC to Buryatzoloto under the contract for exploration work on the Prognosz silver project in amount of US\$ 16.8 million.

7. Staff costs

Employment costs were as follows:

	Year ended December 31,		
	2011	2010	2009
Wages and salaries	(177,475)	(116,076)	(87,197)
Social security costs	(24,573)	(18,462)	(15,046)
Total	(202,048)	(134,538)	102,243

Employment costs includes all production and administrative staff's wages and salaries and social security costs recognized in profit and losses and capitalized in the cost of property, plant and equipment and intangible assets as well.

For the year ended December 31, 2011 key management's remuneration totalled US\$ 4.8 million. (For the year ended December 31, 2010: US\$ 3.8 million.) For the year ended December 31, 2009, key management's remuneration totalled US\$ 0.5 million. Prior to October 2009, key management was on the payroll of Parent Company and the remuneration paid amounted to US\$ 2.7 million in 2009.

8. Other operating (expenses)/income, net

Other operating (expenses)/income were as follows:

	Year ended December 31,		
	2011	2010	2009
Reversal of provisions and contingencies	4,641	—	3,566
Net gain from contractual compensations and fines	1,953	—	—
Net gain on disposal of subsidiaries	412	35	260
Net gain on disposal of inventories	292	268	387
Impairment of available-for-sale investments	(6,859)	—	—
Loss from inventories write off	(5,339)	—	—
Impairment of exploration and evaluation assets	(3,343)	(992)	—
Impairment of property, plant and equipment	(3,070)	—	(8,543)
Net gain on disposal of intangible assets	—	—	696
Loss on disposal of property, plant and equipment	(1,148)	(4,016)	(2,298)
Social expenses	(864)	(587)	(509)
Net loss from joint ventures	(527)	(963)	—
Charity donations	(158)	(295)	(232)
Gain from remeasurement to fair value of previously held equity interest before acquisition of a controlling interest	—	16,084	—
Net gain from reversal of bad debt allowance	—	10,365	—
Negative goodwill	—	1,418	—
Other	449	233	(3)
Total	(13,561)	21,550	(6,676)

Impairment of available-for-sale investments consists of impairment of investment in Sacre-Coeur Minerals Ltd. recognized basing on a significant decline in market value.

Reversal of provisions and contingencies includes partially reversed provisions for legal claims of Crew Gold Corporation settled in 2011.

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9. Finance income and costs

Finance income and costs were as follows:

	Year ended December 31,		
	2011	2010	2009
Interest income	4,939	6,591	4,863
Other	500	—	31
Finance income	5,439	6,591	4,894
Interest expenses	(35,923)	(30,035)	(62,508)
Equity transaction costs	(15,676)	—	—
Foreign exchange loss	(11,551)	(47,234)	(81,635)
Finance costs	(63,150)	(77,269)	(144,143)
Total	(57,711)	(70,678)	(139,249)

Equity transaction includes costs related to cancelled public offering transaction.

10. Taxation

The following is an analysis of the income tax expense:

	Year ended December 31,		
	2011	2010	2009
Current tax charge	(60,778)	(38,188)	(15,376)
Corrections to prior years' charges	238	(5,572)	(138)
Deferred tax expense	(11,618)	(14,557)	(5,396)
Income tax expense	(72,158)	(58,317)	(20,910)

The Group prepared a reconciliation of the reported net income tax expense and the amount calculated by applying the average statutory tax rate applicable to the Group to reported profit before income tax. The Group's production operations are taxable at the rate of 20% in the Russian Federation and Kazakhstan, 17.5% in Burkina-Faso and 30% in Guinea.

In addition to Kazakhstan corporate income tax the Group is exposed to excess profits tax (EPT). EPT is charged at rates of between 0% and 60% on income after income tax according to the ratio of aggregate annual income to deductions in that particular year as defined by Kazakhstan legislation. Liabilities for EPT arise for any year in which the ratio exceeds 25%. At December 31, 2011 and 2010 the Group remeasured the deferred tax assets and liabilities for the Celtic and Semgeo segment using the expected tax rate adjusted for the effect of EPT.

	Year ended December 31,					
	2011		2010		2009	
Profit/(loss) before income tax	324,204		191,732		(633)	
Tax charge at applicable rate	(57,995)	18%	(29,991)	16%	(48)	N/A
Corrections to prior years' charges	238	0%	(5,572)	3%	(138)	N/A
Non-tax deductible expenses and tax exempt income, net	(794)	0%	(5,902)	3%	(16,457)	N/A
Changes in non-recognized deferred tax assets	(11,910)	4%	(5,252)	3%	(7,081)	N/A
Reassessment of deferred tax assets and liabilities	(1,697)	1%	(11,600)	6%	2,824	N/A
Income tax expense	(72,158)	22%	(58,317)	30%	(20,910)	N/A

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Deferred tax assets and liabilities are attributable to the following:

Deferred tax assets	December 31, 2011	December 31, 2010	December 31, 2009
Property, plant and equipment	43,063	42,898	6,226
Intangible assets	—	495	—
Inventories	176	784	1,489
Accounts receivable	453	41	160
Financial investments	380	424	485
Lease liability and debt finance	—	492	2,799
Accounts payable	3,665	3,847	941
Provisions	9,973	10,832	5,318
Other	1,956	1,637	3
Tax-loss carry forwards	3,519	27,655	13,364
Gross deferred tax assets	<u>63,185</u>	<u>89,105</u>	<u>30,785</u>
Less offsetting with deferred tax liabilities	<u>(60,476)</u>	<u>(78,045)</u>	<u>(18,290)</u>
Recognized deferred tax assets	<u>2,709</u>	<u>11,060</u>	<u>12,495</u>
Deferred tax liabilities	December 31, 2011	December 31, 2010	December 31, 2009
Property, plant and equipment	(6,145)	(7,229)	(8,151)
Intangible assets	(232,271)	(250,408)	(64,932)
Inventories	(14,828)	(11,415)	(7,262)
Accounts receivable	(179)	(125)	—
Financial investments	(4,612)	(15,172)	(8,368)
Lease liability and debt finance	—	(89)	(67)
Accounts payable	—	—	(207)
Provisions	(199)	(255)	(207)
Other	(3,276)	(16)	(252)
Gross deferred tax liabilities	<u>(261,510)</u>	<u>(284,709)</u>	<u>(89,450)</u>
Less offsetting with deferred tax assets	<u>60,476</u>	<u>78,045</u>	<u>18,290</u>
Recognized deferred tax liabilities	<u>(201,034)</u>	<u>(206,664)</u>	<u>(71,160)</u>
Net deferred tax liability	<u>(198,325)</u>	<u>(195,604)</u>	<u>(58,665)</u>

The movement of net deferred tax liability for the year ended December 31, 2011 and 2010 was as follows:

Movement of net deferred tax liability	Year ended December 31,		
	2011	2010	2009
Opening balance	(195,604)	(58,665)	(52,394)
Recognized in income statement	(11,618)	(14,557)	(5,396)
Recognized in other comprehensive income	5,143	(6,998)	(6,319)
Business combinations	—	(115,295)	—
Disposal of subsidiary	—	—	110
Foreign exchange difference	3,754	(89)	5,334
Closing balance	<u>(198,325)</u>	<u>(195,604)</u>	<u>(58,665)</u>

Taxable differences, related to investments in subsidiaries where the Group is able to control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future, amounted to US\$ 545.2 million at December 31, 2011 (December 31, 2010: US\$ 324.2 million) (December 31, 2009: US\$ 24.4 million).

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Unrecognised deferred tax asset

The Group has not recognized deferred tax assets on tax-losses carried forward related to certain Group entities as management assesses that it is not probable that these entities will have sufficient taxable profits against which deferred tax assets can be utilized.

The cumulative amounts of such tax-losses with related expiry dates are the following (stated in millions of US dollars):

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
In the following year	2.1	0.1	0.0
Between one and five years	4.0	6.1	4.4
Between five and ten years	68.0	8.2	9.2
Between ten and twenty years	55.5	58.3	47.1
No expiry	<u>9.0</u>	<u>15.3</u>	<u>21.4</u>
Total	<u><u>138.6</u></u>	<u><u>88.0</u></u>	<u><u>82.1</u></u>

11. Related party transactions

Transactions with Severstal Group entities, except the old and new Parent Companies, were the following:

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cost of sales	(1,079)	(1,572)	(65)
General and administrative costs	(792)	(581)	(1,322)
Other operating income/(expenses)	—	(7)	—
Interest income	22	3,788	4,712
Interest expense	(23,876)	(18,368)	(24,202)
Purchases:			
non-capital expenditures	(1,871)	(2,160)	(1,387)
capital expenditures	(116)	(1,695)	(280)

Transactions with the old and new Parent Company were the following:

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Interest expense	(4,592)	(4,269)	(20,878)

Transactions with the Joint Venture Prognoz-Silver LLC were the following:

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Repayment of debt	16,822	—	—
Other operating income	2,299	—	—
Finance income	500	—	—

In 2011 the Group received a repayments of debt of USD 16.8 million and released a provision on doubtful finance debt from Prognoz Silver LLC for the same amount.

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Transactions with other related parties, except for Severstal Group entities, the Parent Company and Joint Venture, were the following:

	Year ended December 31,		
	2011	2010	2009
Cost of sales	(1,473)	—	—
Interest income	2,577	—	—
Purchases:			
non-capital expenditures	(1,473)	—	—

Transactions with related parties are at arm's length and on a normal commercial basis.

12. Related party balances

Balances with Severstal Group entities, except the Parent Company, were the following:

	December 31, 2011	December 31, 2010	December 31, 2009
Cash and cash equivalents	—	307	80
Short-term accounts receivable	26	104	334
Short-term loans given	447	425	17,005
Long-term loans given	—	—	47,475
	<u>473</u>	<u>529</u>	<u>64,814</u>
Short-term accounts payable	503	1,321	6,209
Short-term debt finance	257,516	218,206	62,895
Long-term debt finance	84,062	56,410	31,962
	<u>342,081</u>	<u>275,937</u>	<u>101,066</u>

Balances with the old and new Parent Company were the following:

	December 31, 2011	December 31, 2010	December 31, 2009
Short-term debt finance	—	—	55,516
Long-term debt finance	—	56,410	—

Balances with joint venture were the following:

	December 31, 2011	December 31, 2010	December 31, 2009
Short-term accounts receivable	—	—	6
Short-term accounts payable	—	—	106

Balances with other related parties, except Severstal Group entities, the Parent Company and Joint Venture, were the following:

	December 31, 2011	December 31, 2010	December 31, 2009
Cash and cash equivalents	46,281	307	—
Short-term accounts receivable	614	—	—

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All outstanding balances with related parties are to be settled in cash. The Group did not hold any collateral for amounts owed by related parties.

There were no transactions and balances with the Parent Company.

Loan arrangements with related parties are at arm's length and on a normal commercial basis. Details of the loan arrangements (interest rates and debt currencies) are described in Note 21.

13. Cash and cash equivalents

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Short-term bank deposits	147,409	125,508	16,730
Cash at bank	69,552	85,624	72,093
Petty cash	115	72	129
Restricted cash accounts	57	1,000	1,671
Total	<u>217,133</u>	<u>212,204</u>	<u>90,623</u>

14. Accounts receivable

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Advances paid and prepayments	67,579	27,670	15,788
Trade accounts receivable	974	1,260	81
Taxes receivable other than income tax	279	387	116
Other receivables	5,496	4,316	3,424
Total	<u>74,328</u>	<u>33,633</u>	<u>19,409</u>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 27.

15. Inventories

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Materials and consumables	156,768	144,842	66,535
Work-in-progress	218,021	137,846	80,036
Finished goods	492	679	7,321
Total	<u>375,281</u>	<u>283,367</u>	<u>153,802</u>

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The movement of the obsolescence provision for year ended December 31, 2011 and 2010 was as follows:

	Year ended December 31,		
	2011	2010	2009
Opening balance	(6,694)	(3,624)	(705)
Additions through profit and loss	(6,918)	(6,251)	(3,416)
Released through profit and loss	1,153	3,124	550
Written off	1,936	—	—
Foreign exchange differences	450	57	(53)
Closing balance	<u>(10,073)</u>	<u>(6,694)</u>	<u>(3,624)</u>

For the year ended December 31, 2011 cost of disposed inventories amounted to US\$ 7.7 million (year ended December 31, 2010: US\$ 7.8 million) (year ended December 31, 2009: US\$ 6.9 million).

16. Financial investments

Short-term investments were as follows:

	December 31, 2011	December 31, 2010	December 31, 2009
Loans given	4,043	2,048	17,466
Deposits and other investments held to maturity	—	—	14
Total	<u>4,043</u>	<u>2,048</u>	<u>17,480</u>

Short-term loans at December 31, 2011 included US\$ 0.4 million of balances with related parties (December 31, 2010: US\$ 0.4 million) (Note 12) (December 31, 2009: US\$ 17.0 million) (Note 12).

Long-term investments were as follows:

	December 31, 2011	December 31, 2010	December 31, 2009
Investments available-for-sale	86,371	120,747	64,889
Deposits and other investments held to maturity	—	—	1,904
Loans given	—	—	47,475
Total	<u>86,371</u>	<u>120,747</u>	<u>114,268</u>

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17. Property, plant and equipment

The movements in property, plant and equipment are as follows:

	Land, buildings and construc- tions	Plant and equipment	Other assets	Construc- tion in progress	Total
Cost					
Balance at January 1, 2009	194,744	136,924	6,975	59,488	398,131
Additions	—	—	—	62,801	62,801
Transfers	24,918	39,283	979	(65,180)	—
Disposals	(633)	(3,939)	(197)	(360)	(5,129)
Disposals through business de-combinations	—	(1,688)	(12)	—	(1,700)
Foreign exchange differences	(7,806)	(7,392)	(708)	(3,241)	(19,147)
Balance at December 31, 2009	<u>211,223</u>	<u>163,188</u>	<u>7,037</u>	<u>53,508</u>	<u>434,956</u>
Acquisitions through business combinations	4,621	119,462	3,075	6,903	134,061
Additions	—	—	—	102,403	102,403
Transfers	28,599	45,845	1,663	(76,107)	—
Disposals	(5,553)	(6,456)	(291)	(944)	(13,244)
Foreign exchange differences	(6,509)	(2,001)	(41)	(228)	(8,779)
Balance at December 31, 2010	<u>232,381</u>	<u>320,038</u>	<u>11,443</u>	<u>85,535</u>	<u>649,397</u>
Acquisition of entities under common control	—	1,495	3	—	1,498
Additions	5,646	112	36	202,900	208,694
Transfers	27,048	45,651	3,813	(76,512)	—
Disposals	(1,134)	(3,986)	(98)	(549)	(5,767)
Foreign exchange differences	(9,874)	(10,868)	(381)	(6,692)	(27,815)
Balance at December 31, 2011	<u>254,067</u>	<u>352,442</u>	<u>14,816</u>	<u>204,682</u>	<u>826,007</u>

There was no interest capitalized in above amounts.

	Land, buildings and construc- tions	Plant and equipment	Other assets	Construc- tion in progress	Total
Depreciation and impairment					
Balance at January 1, 2009	(9,446)	(17,208)	(1,039)	—	(27,693)
Depreciation for the period	(25,461)	(35,071)	(1,755)	—	(62,287)
Disposals	129	1,162	48	—	1,339
Disposals through business de-combinations	—	1,157	3	—	1,160
Impairment	—	—	—	(8,543)	(8,543)
Foreign exchange differences	159	1,214	67	—	1,440
Balance at December 31, 2009	<u>(34,619)</u>	<u>(48,746)</u>	<u>(2,676)</u>	<u>(8,543)</u>	<u>(94,584)</u>
Depreciation for the period	(27,297)	(42,773)	(3,566)	—	(73,636)
Disposals	971	4,089	116	—	5,176
Foreign exchange differences	923	723	33	(173)	1,506
Balance at December 31, 2010	<u>(60,022)</u>	<u>(86,707)</u>	<u>(6,093)</u>	<u>(8,716)</u>	<u>(161,538)</u>

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	Land, buildings and construc- tions	Plant and equipment	Other assets	Construc- tion in progress	Total
Acquisition of entities under common control	—	(1,493)	(2)	—	(1,495)
Depreciation for the period	(37,824)	(58,759)	(1,927)	—	(98,510)
Disposals	235	2,531	72	—	2,838
Impairment	—	—	—	(3,070)	(3,070)
Foreign exchange differences	4,841	5,519	171	68	10,599
Balance at December 31, 2011	<u>(92,770)</u>	<u>(138,909)</u>	<u>(7,779)</u>	<u>(11,718)</u>	<u>(251,176)</u>
Net book value					
Balance at January 1, 2009	<u>185,298</u>	<u>119,716</u>	<u>5,936</u>	<u>59,488</u>	<u>370,438</u>
Balance at December 31, 2009	<u>176,604</u>	<u>114,442</u>	<u>4,361</u>	<u>44,965</u>	<u>340,372</u>
Balance at December 31, 2010	<u>172,359</u>	<u>233,331</u>	<u>5,350</u>	<u>76,819</u>	<u>487,859</u>
Balance at December 31, 2011	<u>161,297</u>	<u>213,533</u>	<u>7,037</u>	<u>192,964</u>	<u>574,831</u>

An impairment loss was recognised in the year ended December 31, 2009 in the amount of 8.5 million and December 31, 2011 in the amount of US\$ 3.1 million in relation to specific items of property, plant and equipment of the Celtic and Semgeo segment. An impairment loss was recognized due to the technical condition of the items. An impairment loss was recognized in other operating expenses in the income statement (see Note 8). The recoverable amount of these items was determined as fair market value less cost to sell.

18. Intangible assets

The movements in intangible assets are as follows:

	Goodwill	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost					
Balance at January 1, 2009	97,776	328,576	237,274	785	664,411
Additions	—	—	33,221	62	33,283
Transfers	—	3,106	(3,106)	—	—
Disposals	—	—	(324)	—	(324)
Foreign exchange differences	(9,591)	(30,540)	(9,632)	(86)	(49,849)
Balance at December 31, 2009	<u>88,185</u>	<u>301,142</u>	<u>257,433</u>	<u>761</u>	<u>647,521</u>
Acquisitions through business combinations	—	660,251	14,961	456	675,668
Additions	—	2,707	64,799	415	67,921
Transfers	—	4,483	(4,483)	—	—
Disposals through business combinations	—	(593)	—	—	(593)
Foreign exchange differences	(175)	(7,382)	(3,025)	(8)	(10,590)
Balance at December 31, 2010	<u>88,010</u>	<u>960,608</u>	<u>329,685</u>	<u>1,624</u>	<u>1,379,927</u>
Additions	—	895	115,143	1,051	117,089
Transfers	—	44,395	(44,395)	—	—
Disposals	—	(562)	—	—	(562)
Disposals through business combinations	—	(101)	—	—	(101)
Foreign exchange differences	(3,098)	(9,161)	(18,579)	(96)	(30,934)
Balance at December 31, 2011	<u>84,912</u>	<u>996,074</u>	<u>381,854</u>	<u>2,579</u>	<u>1,465,419</u>

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	<u>Goodwill</u>	<u>Mineral rights</u>	<u>Exploration and evaluation assets</u>	<u>Other intangible assets</u>	<u>Total</u>
Amortization and impairment					
Balance at January 1, 2009	—	(24,346)	(156)	(70)	(24,572)
Amortization for the period	—	(26,168)	—	(197)	(26,365)
Foreign exchange differences	—	3,291	—	2	3,293
Balance at December 31, 2009	<u>—</u>	<u>(47,223)</u>	<u>(156)</u>	<u>(265)</u>	<u>(47,644)</u>
Amortization for the period	—	(59,146)	—	(463)	(59,609)
Disposals through business combinations	—	291	—	—	291
Impairment	—	—	(992)	—	(992)
Foreign exchange differences	—	449	—	2	451
Balance at December 31, 2010	<u>—</u>	<u>(105,629)</u>	<u>(1,148)</u>	<u>(726)</u>	<u>(107,503)</u>
Amortization for the period	—	(114,525)	—	(660)	(115,185)
Disposals through business combinations	—	56	—	—	56
Impairment	—	—	(3,343)	—	(3,343)
Foreign exchange differences	—	3,202	128	46	3,376
Balance at December 31, 2011	<u>—</u>	<u>(216,896)</u>	<u>(4,363)</u>	<u>(1,340)</u>	<u>(222,599)</u>
Net book value					
Balance at January 1, 2009	<u>97,776</u>	<u>304,230</u>	<u>237,118</u>	<u>715</u>	<u>639,839</u>
Balance at December 31, 2009	<u>88,185</u>	<u>253,919</u>	<u>257,277</u>	<u>496</u>	<u>599,877</u>
Balance at December 31, 2010	<u>88,010</u>	<u>854,979</u>	<u>328,537</u>	<u>898</u>	<u>1,272,424</u>
Balance at December 31, 2011	<u>84,912</u>	<u>779,178</u>	<u>377,491</u>	<u>1,239</u>	<u>1,242,820</u>

Amortization is allocated to the cost of inventory and is recognized in cost of sales as inventory is sold. The impairment loss is recognized in other operating expenses in the income statement.

Results of Goodwill impairment testing

The goodwill allocated to the following cash generating units has been tested for impairment and no impairment loss was recognised as the result of those tests:

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2009

The carrying amount of goodwill allocated to the cash generating unit was US\$ 52.9 million as of December 31, 2009.

The following assumptions were used in the impairment test:

- the forecast extraction volumes grow on average by 43% p.a. during 2010 to 2012, increase by 2% in 2013 and remain constant thereafter;
- the forecast has the following growth rates for gold prices: average growth of 2% p.a. in 2010 to 2014; average decline of 5% p.a. during the remaining contractual term of the respective licenses;

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- operating costs are forecast to increase on average by 29% p.a. in 2010 to 2012, increase on average by 8% p.a. in 2013 to 2014 and remain constant during the remaining contractual term of the respective licenses;
- pre-tax discount rate of 16.4%.

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in future planned revenues causes the carrying amount of the cash generating unit to exceed its recoverable amount by US\$ 50.3 million.

2010

The carrying amount of goodwill allocated to the cash generating unit was US\$ 52.5 million as of December 31, 2010.

The following assumptions were used in the impairment test:

- the forecast extraction volumes remain generally constant in 2011-2012, grow significantly (by 280%) in 2013-2014 due to start of commercial production at Yuzhno-Uguyskaya field, remain generally constant by the end of production at Tabornoye which resulted in reduction by 30% in 2018-2019 and further remain generally constant during the remaining life of mine;
- the forecast has the following assumptions for gold prices (in real US\$ terms): 1,400 USD/oz in 2011 with further decrease on average by 10% p.a. during 2012-2015; constant price 1,163 USD/oz in long term period since 2016;
- mining and processing costs per tonne and total fixed costs are forecasted at constant level (separately for Tabornoye and Yuzhno-Uguyskaya field); general and administration expenses are forecasted at constant level for all cash generated unit; royalty applied at tax rate of 6%;
- pre-tax discount rate of 8.9% (in real US\$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in forecasted gold prices causes the recoverable amount of the cash generating unit to exceed its carrying amount by US\$ 28.2 million.

2011

The carrying amount of goodwill allocated to the cash generating unit was US\$ 49.7 million as of December 31, 2011.

The following assumptions were used in the impairment test:

- the forecast extraction volumes grow significantly in 2013-2014 due to start of commercial production at Yuzhno-Uguyskaya field resulting in increase by 240 % in 2014 against 2012, then remain generally constant by the end of production at Tabornoye which resulting in reduction by 22% in 2020 and further remain generally constant by the end of life of mine;
- the forecast has the following assumptions for gold prices (in real US\$ terms): 1,866 USD/oz in 2012 with further decrease on average by 10.3% p.a. during 2013-2015; constant price 1,219 USD/oz in long term period since 2016;
- mining and processing costs per tonne and total fixed costs are forecasted at constant level (separately for Tabornoye and Yuzhno-Uguyskaya field); general and administration expenses are forecasted at constant level for all cash generated unit; royalty applied at tax rate of 6%;
- pre-tax discount rate of 8.4% (in real US\$ terms).

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The above estimates are particularly sensitive in the following areas:

- a 10% decrease in forecasted gold prices causes the recoverable amount of the cash generating unit to exceed its carrying amount by US\$ 21.4 million.

Celtic Resources Holdings Plc.

2009

The carrying amount of goodwill allocated to the cash generating unit was US\$ 35.3 million as of December 31, 2009.

The following assumptions were used in the impairment test:

- the forecast extraction volumes increase by 21% in 2010, increase on average by 2% p.a. in 2011 to 2014 and remain constant at the 2014 level thereafter;
- the forecast has the following growth rates for gold prices: remain stable in 2010; average growth of 5% p.a. in 2011 to 2013; average decline of 4% p.a. in 2014 to 2016 and remain constant during the remaining contractual term of the respective licenses;
- operating costs are forecast to increase by 44% in 2010, grow on average by 8% p.a. in 2011 to 2014, further increase on average by 4% in 2015 and during the remaining contractual term of the respective licenses;
- pre-tax discount rate of 17.0% (in US\$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in future planned revenues causes the carrying amount of the cash generating unit to exceed its recoverable amount by US\$ 62.6 million.

2010

The carrying amount of goodwill allocated to the cash generating unit was US\$ 35.5 million as of December 31, 2010.

The following assumptions were used in the impairment test:

- the forecast extraction volumes increase by 33% in 2011, decrease by 2% in 2012 and remain constant at the 2012 level thereafter;
- the forecast has the following assumptions for gold prices (in real US\$ terms): 1,400 USD/oz in 2011 with further decrease on average by 10% p.a. during 2012-2015; constant price 1,163 USD/oz in long term period since 2016;
- mining and processing costs per tonne and total fixed costs (including general and administration expenses) are forecasted at constant level; royalty applied at tax rate of 5%;
- pre-tax discount rate of 16.0% (in real US\$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in forecasted gold prices causes the recoverable amount of the cash generating unit to exceed its carrying amount by US\$12.7 million.

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2011

The carrying amount of goodwill allocated to the cash generating unit was US\$ 35.2 million as of December 31, 2011.

The following assumptions were used in the impairment test:

- the forecast extraction volumes remain annually constant through life of mine until 2019;
- the forecast has the following assumptions for gold prices (in real US\$ terms): 1,866 USD/oz in 2012 with further decrease on average by 10.3% p.a. during 2013-2015; constant price 1,219 USD/oz in long term period since 2016;
- mining and processing costs per tonne and total fixed costs (including general and administration expenses) are forecasted at constant level; royalty applied at tax rate of 5%;
- pre-tax discount rate of 19.3% (in real US\$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in forecasted gold prices causes the recoverable amount of the cash generating unit to drop below its carrying amount by US\$ 25.4 million.

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	Mineral rights								Total	
	Tabor- noye	Pogrom- noye	Iro- kinda	Zun- Holba	Berezi- tovoye	Suzdal	Taparko- Bouroum	Bissa		LEFA
Amortization	Neryun- gry	Aprel- kovo	Buryat- zoloto	Buryat- zoloto	Berezi- tovy	Celtic and Semgeo	Somita	Development West Africa	Crew Gold	
	(2,134)	(3,552)	(5)	(3)	(70)	(18,115)	(453)	—	—	(14)
	(1,699)	(2,828)	(56)	(35)	(781)	(15,128)	(5,477)	—	—	(164)
	(17)	(28)	(2)	(1)	(34)	3,493	(113)	—	—	(7)
	(3,850)	(6,408)	(63)	(39)	(885)	(29,750)	(6,043)	—	—	(185)
	(1,770)	(2,946)	(342)	(94)	(814)	(15,212)	(5,123)	—	(32,686)	(159)
	—	—	—	—	—	—	—	—	—	291
	36	60	(3)	(1)	10	(188)	529	—	—	6
	(5,584)	(9,294)	(408)	(134)	(1,689)	(45,150)	(10,637)	—	(32,686)	(47)
	(1,833)	(3,050)	(1,909)	(796)	(842)	(16,589)	(11,056)	—	(78,446)	(4)
Net book value	—	—	—	—	—	—	—	—	—	56
	462	769	161	62	165	527	1,061	—	—	(5)
	(6,955)	(11,575)	(2,156)	(868)	(2,366)	(61,212)	(20,632)	—	(111,132)	—
	21,951	36,531	243	374	7,216	147,947	89,261	—	—	707
	19,547	32,530	178	327	6,193	108,142	85,987	—	—	1,015
	17,634	29,347	2,413	2,186	5,335	94,091	73,604	—	627,565	2,804
	15,023	25,003	2,398	4,277	4,283	84,510	61,541	29,951	550,014	2,178
	779,178									

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The movements in exploration and evaluation assets by projects and segments are as follows:

	Russia				Kazakhstan			West Africa		Total
	Yuzhno-Ugayskaya Field	Iro-kinda	Zun-Holba	Sergachinsky	Uryakhskoye field		Bala-zhal	Bissa	Others	
					Others	Suzdal				
					Development Russia	Celtic and Semgeo		Development West Africa		
Balance at January 1, 2009					13,536	34,643	720	24,809	8,573	237,118
Additions	142,698	205	255	641	233	989	561	3,940	2,636	33,221
Transfers to mineral rights	14,090	2,524	1,898	1,016	—	—	(492)	—	—	(3,106)
Disposals	—	—	—	—	—	—	—	—	—	(324)
Foreign exchange differences	(4,178)	71	66	(11)	(381)	(6,437)	(136)	515	1,620	(9,632)
Balance at December 31, 2009	152,610	2,800	2,219	1,646	13,388	29,195	653	29,264	12,829	257,277
Acquisitions through business combinations										
Additions	17,256	8,935	5,953	567	3,602	4,055	285	5,724	14,961	14,961
Transfers to mineral rights	—	(2,550)	(1,933)	—	—	—	—	—	12,787	64,799
Impairment	—	—	—	—	—	—	(272)	(356)	—	(4,483)
Foreign exchange differences	(1,198)	(36)	(15)	(6)	(79)	24	4	(2,529)	683	(992)
Balance at December 31, 2010	168,668	9,149	6,224	2,207	16,911	7,985	670	32,103	41,166	328,537
Reclassifications	—	—	(2,580)	—	—	—	—	(1,763)	1,763	—
Additions	28,680	11,692	9,173	1,035	7,334	5,502	978	4,187	37,862	115,143
Transfers to mineral rights	—	(1,989)	(3,114)	—	—	(7,570)	—	(31,722)	—	(44,395)
Impairment	—	(614)	—	—	—	—	—	—	(839)	(3,343)
Foreign exchange differences	(11,652)	(1,334)	(815)	(168)	(1,671)	27	(10)	1,299	(2,449)	(18,451)
Balance at December 31, 2011	185,696	16,904	8,888	3,074	22,574	5,944	1,638	4,104	77,503	377,491

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19. Investment in joint venture

The Group's investment in its joint venture is described in the tables below. The Group structure and certain additional information about its joint venture, including ownership percentages, are presented in Note 26.

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Prognoz-Serebro LLC	<u>4,769</u>	<u>5,547</u>	<u>6,572</u>

The following is summarized financial information in respect of joint venture:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Current assets	4,062	4,291	4,324
Non-current assets	30,273	31,980	32,226
Current liabilities	15,815	16,707	16,836
Non-current liabilities	8,981	8,470	7,554
Equity	9,539	11,094	12,160

Net loss of the joint venture for the year ended December 31, 2011 was US\$ 0.5 million (year ended December 31, 2010: US\$ 1.0 million) (year ended December 31, 2009: US\$ 0.9 million).

20. Other non-current assets

Other non-current assets were as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Long-term other receivables	239	298	601
Long-term advances paid	—	250	—
Prepaid costs of anticipated equity transaction	—	6,759	—
Others	<u>1,418</u>	<u>1,405</u>	<u>707</u>
Total	<u><u>1,657</u></u>	<u><u>8,712</u></u>	<u><u>1,308</u></u>

21. Debt finance

Short-term debt financing was as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Loans	232,910	209,057	113,477
Notes and bonds issued	58,812	62,272	—
Bank and other credit organizations financing	—	—	60,180
Accrued interest	24,606	9,149	1,758
Bank overdrafts	—	—	1
Lease liabilities	<u>—</u>	<u>662</u>	<u>1,891</u>
Total	<u><u>316,328</u></u>	<u><u>281,140</u></u>	<u><u>177,307</u></u>

Short-term loans at December 31, 2011, December 31, 2010 and December 31, 2009 are all from related parties. Short-term accrued interest at December 31, 2011 and December 31, 2010 in total amount attributed to accrued interest on loans from related parties (Note 12).

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Long-term debt financing was as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Loans	73,889	51,910	27,785
Lease liabilities	—	—	594
Accrued interest	10,173	4,500	4,177
Bank and other credit organizations financing	—	—	11,094
Notes and bonds issued	—	59,522	11,058
Other financing	—	—	1,761
Total	<u>84,062</u>	<u>115,932</u>	<u>56,469</u>

Long-term loans at December 31, 2011, December 31, 2010 and December 31, 2009 are all from related parties. Long-term accrued interest at December 31, 2011 and December 31, 2010 in total amount attributed to accrued interest on loans from related parties (Note 12). At December 31, 2009, bank and other credit organizations financing included US\$ 3.3 million derivative embedded into Royal Gold, Inc. financing.

The debt is nominated in the following currencies:

Currency	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Euro (EUR)	288,471	242,267	51,516
Russian Rubles (RUB)	47,940	92,151	85,230
US Dollars (USD)	52,495	28,000	74,013
Norwegian Krona (NOK)	11,484	22,844	—
Canadian Dollars (CAD)	—	11,810	12,820
Kazakhstan Tenge (KZT)	—	—	9,908
Other currencies	—	—	289
Total	<u>400,390</u>	<u>397,072</u>	<u>233,776</u>

Total debt is contractually repayable after the reporting date as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Less than one year	316,328	281,140	177,307
Between one and five years	<u>84,062</u>	<u>115,932</u>	<u>56,469</u>
Total	<u>400,390</u>	<u>397,072</u>	<u>233,776</u>

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Interest rates for the debt financing were the following:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Notes and bonds issued:			
Crew Gold Corporation - NOK fixed bonds (NOK)	9.50	9.50	n/a
Crew Gold Corporation - USD fixed bonds (USD)	7.30	7.30	n/a
Crew Gold Corporation - NOK variable bonds (NOK)	n/a	3 month NIBOR + 5.0%	n/a
Crew Gold Corporation - USD variable bonds (USD)	n/a	3 month LIBOR +5.5%	n/a
High River Gold Mines - convertible bonds (CAD)	n/a	8.00	8.00
	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>

Bank and other credit organizations financing:

Somita - credit agreement with Royal Gold Inc. (USD)	n/a	n/a	Royalties
Somita - credit agreement with Caterpillar finance (USD)	n/a	n/a	LIBOR+3.45%
Somita - credit agreement with Ecobank (CFA(XOF))	n/a	n/a	8.00
Berezitovy - credit agreements with NOMOS bank (USD)	n/a	n/a	14.00
Berezitovy - credit agreements with NOMOS bank (USD)	n/a	n/a	14.00
Buryatzoloto - credit agreements with NOMOS bank (USD)	n/a	n/a	11.50

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Loans:			
Nord Gold N.V. - loan agreement with Holding Mining Company (EUR)	7.75	8.25	9.50
Nord Gold N.V. - loan agreement with JSC Severstal (EUR)	7.00	7.00	n/a
Nord Gold N.V. - loan agreement with Olkon (EUR)	7.50	8.25	n/a
Nord Gold N.V. - loan agreement with Karelsky Okatysh (EUR)	7.50	n/a	n/a
Aprelkovo Mine - loan agreement with Olkon (RUB)	7.50	8.25	12.25
Neryungri Metallik - loan agreement with Olkon (RUB)	7.50	8.25	12.25
SZRK - loan agreement with Olkon (RUB)	7.50	8.25	12.25
Castleway - loan agreement with JSC Severstal (USD)	8.00	8.00	n/a

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Minimum lease payments under finance leases and their present values are as follows:

	<u>Due in 1 year</u>	<u>Due between 1 and 5 years</u>	<u>Total</u>
Minimum lease payments at December 31, 2009	1,958	698	2,656
Less future finance charges	(67)	(104)	(171)
Present value of minimum lease payments at December 31, 2009	<u>1,891</u>	<u>594</u>	<u>2,485</u>
Minimum lease payments at December 31, 2010	698	—	698
Less future finance charges	(36)	—	(36)
Present value of minimum lease payments at December 31, 2010	<u>662</u>	<u>—</u>	<u>662</u>

Credit agreements with banks and other credit organizations are secured by the following assets:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Property, plant and equipment	n/a	n/a	4,851
Investments available-for-sale	n/a	106,672	59,283
Revenue	n/a	—	—
Ownership in Buryatzoloto	n/a	n/a	99.56% of Groups ownership
Ownership in Berezitovy	n/a	n/a	All Group's ownership
Ownership in Somita	n/a	All Group's ownership	All Group's ownership
Ownership in Jilbey	n/a	n/a	All Group's ownership
Ownership in Guinor	All Group's ownership	All Group's ownership	n/a

As at December 31, 2010 and December 31, 2009 Royal Gold Inc.'s debt financing was secured by all the Group's ownership in Somita and certain available-for-sale investments. At 31 December, 2009 the Group was in breach of covenants for Royal Gold Inc. debt financing and it was reclassified to short-term in the amount of US\$ 41.3 million. In January 2011, Royal Gold, Inc. released its security interests in these collaterals.

As at December 31, 2011 and December 31, 2010 Crew Gold's bonds were secured by all the Group's ownership in Guinor (holding company for Societe Miniere de Dinguiraye).

22. Accounts payable

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 27.

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Trade accounts payable	95,636	57,874	41,939
Other taxes payable	25,486	23,863	12,930
Amounts payable to employees	18,659	22,138	13,390
Accrued expenses	3,287	1,473	863
Dividends payable	—	—	32
Advances received	10,163	10,044	9,912
Other payables	19,466	18,073	2,201
Total	<u>172,697</u>	<u>133,465</u>	<u>81,267</u>

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23. Provisions

The movement in the provisions were as follows:

	Legal and tax claims	Employee related	Environmental provision	Other	Total
Balance at January 1, 2009	2,078	6,579	27,716	1,844	38,217
Additional accrual	1,221	732	3,547	—	5,500
Change in assumptions	—	(3,566)	4,775	—	1,209
Change of and unwind in discount rate	—	—	344	—	344
Usage of provisions	(1,664)	(3,608)	—	—	(5,272)
Foreign exchange differences	(187)	563	(2,235)	—	(1,859)
Balance at December 31, 2009	<u>1,448</u>	<u>700</u>	<u>34,147</u>	<u>1,844</u>	<u>38,139</u>
Additional accrual	6,527	33	4,430	—	10,990
Change in assumptions	(9)	—	3,246	—	3,237
Business combinations	22,842	9,098	9,827	—	41,767
Change of and unwind in discount rate	—	—	(2,811)	—	(2,811)
Usage of provisions	(64)	(9,801)	—	(55)	(9,920)
Foreign exchange differences	(105)	(30)	(96)	—	(231)
Balance at December 31, 2010	<u>30,639</u>	<u>—</u>	<u>48,743</u>	<u>1,789</u>	<u>81,171</u>
Additional accrual	—	—	9,453	—	9,453
Change in assumptions	(4,925)	—	2,521	—	(2,404)
Change of and unwind in discount rate	—	—	2,637	—	2,637
Usage of provisions	(2,891)	—	—	—	(2,891)
Foreign exchange differences	(74)	—	(2,071)	—	(2,145)
Balance at December 31, 2011	<u>22,749</u>	<u>—</u>	<u>61,283</u>	<u>1,789</u>	<u>85,821</u>

The current and non-current portions of provisions were as follows:

	Legal and tax claims	Employee related	Environmental provision	Other	Total
Current portion	1,448	700	—	1,844	3,992
Non-current portion	—	—	34,147	—	34,147
Balance at December 31, 2009	<u>1,448</u>	<u>700</u>	<u>34,147</u>	<u>1,844</u>	<u>38,139</u>
Current portion	30,639	—	—	1,789	32,428
Non-current portion	—	—	48,743	—	48,743
Balance at December 31, 2010	<u>30,639</u>	<u>—</u>	<u>48,743</u>	<u>1,789</u>	<u>81,171</u>
Current portion	22,749	—	—	1,789	24,538
Non-current portion	—	—	61,283	—	61,283
Balance at December 31, 2011	<u>22,749</u>	<u>—</u>	<u>61,283</u>	<u>1,789</u>	<u>85,821</u>

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The Group has environmental liabilities related to the restoration of soil and other related works, which are due upon the closures of its mines and production facilities. These costs are expected to be incurred between 2012 –2022. The present value of expected cash outflows were estimated using existing technology, and discounted using a real discount rate. These rates are as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
	%	%	%
Russia	0.00 - 1.39	0.00 - 1.83	0.00 - 0.24
Kazakhstan	(2.36) - (1.30)	0.13 - 0.92	0.09 - 0.44
Burkina-Faso	(0.88)	0.57	0.53
Guinea	(0.03)	0.87	n/a

24. Capital and reserves

a. Share capital

The holders of ordinary shares are entitled to receive dividends as declared by the General meetings and are entitled to one vote per share at meetings of the Company.

The number of issued and fully paid ordinary shares at December 31, 2008 was 360 with par value of 50 Euro

In July 2009, 600 ordinary shares with par value of 50 Euro were issued by the Company to the old Parent Company.

In November 2009, 4,995,962 ordinary shares with par value of 50 Euro were issued by the Company to the old Parent Company.

In December 2009, 4,796,885 ordinary shares with par value of 50 Euro were issued by the Company to the old Parent Company.

The authorised share capital of the Company at December 31, 2009 comprised 14,000,000 ordinary shares with par value of 50 Euro. The number of issued and fully paid ordinary shares at December 31, 2009 was 9,793,807.

In July 2010, 2,808,772 ordinary shares with par value of 50 Euro were issued by the Company to the new Parent Company and fully paid.

In August 2010, 885,780 ordinary shares with par value of 50 Euro were issued by the Company to the new Parent Company.

In August 2010, Company's ordinary shares were split by dividing each ordinary share with par value 50 Euro into 40 ordinary shares with par value 1.25 Euro (split ratio 1:40) resulting in number of issued and fully paid shares amounted to 539,534,360. The authorised share capital of the Company was increased up to 800,000,000 ordinary shares with par value of 1.25 Euro.

In September 2010, 134,312,041 ordinary shares with par value of 1.25 Euro were issued by the Company to the new Parent Company and fully paid by cash resulted in total number of issued and fully paid ordinary shares being 673,846,401.

In September 2010, additional 43,741,959 ordinary shares with par value of 1.25 Euro were issued by the Company to the new Parent Company resulted in total number of issued and fully paid ordinary shares being 717,588,360 and share capital in total amount of US\$ 1,244,501 thousand.

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In December 2011, Company's ordinary shares were reverse split by combining each 2 ordinary shares with par value 1.25 Euro into 1 ordinary share with par value 2.5 Euro (reverse split ratio 2:1) resulting in number of issued and fully paid shares amounted to 358,794,180.

There were no treasury shares held by the Group at December 31, 2011, December 31, 2010 and December 31, 2009.

There were no shares reserved for issue under options and contracts at December 31, 2011, December 31, 2010 and December 31, 2009.

b. Additional capital

The additional capital relates to effect from business combination under common control within formation of the Group (see Note 1 and Note 3a for further details) and to the share premium reserve.

c. Foreign currency exchange

Foreign exchange differences represent the currency translation reserve in equity.

d. Revaluation reserves

The revaluation reserves comprise the cumulative net change in the fair value of available-for-sale investments and deferred taxes on this change until the investments are derecognised or impaired.

25. Earnings per share

The calculation of basic earnings per share at December 31, 2011 was based on the profit attributable to ordinary shareholders of US\$ 168.929 million (2010: profit attributable to ordinary shareholders of US\$ 94.905 million) (2009: loss attributable to ordinary shareholder of US\$ 29.990 million), and a weighted average number of ordinary shares outstanding of 358.794 million (2010: 251.851 million) (2009: 204.608 million), calculated as shown below. The Company has no dilutive potential ordinary shares.

	actually issued shares (in million of shares)	shares with effect of share split and reverse share split (in million of shares)	weighted average number of shares with effect of share split and reverse share split (in million of shares)
Issued shares at January 1, 2009	—	99.938	99.938
Effect of shares issued in July 2009	0.001	—	—
Effect of shares issued in November 2009	4.996	—	—
Effect of shares issued in December 2009	4.797	95.938	2.366
Weighted average number of shares for the year ended December 31, 2009			102.304
Issued shares at January 1, 2010	9.794	195.876	195.876
Effect of shares issued in July 2010	2.809	56.175	25.332
Effect of shares issued in August 2010	0.886	17.716	6.552
Effect of share split in September 2010	526.046	—	—
Effect of shares issued in September 2010	178.054	178.054	24.091
Weighted average number of shares for the year ended December 31, 2010			251.851
Issued shares at January 1, 2011	717.588	358.794	358.794
Effect of reverse share split in December 2011	(358.794)	—	—
Weighted average number of shares for the year ended December 31, 2011			358.794

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As discussed in note 1 the formation of the Group was a business combination under common control and the Company acquired its subsidiaries from the Old Parent Company for newly issued shares. In the calculation of the weighted average number of shares for 2009 the share issue of 4.997 million (199.877 million as adjusted for the effect of share split) before December 2009 was included in the opening balance at January 1, 2009 as if the share capital was issued at this date.

26. Subsidiaries and joint venture

The following is a list of the Group's significant subsidiaries and joint ventures and the effective ownership holdings therein:

	December 31, 2011	December 31, 2010	December 31, 2009	Location	Activity
Subsidiaries					
Neryungri-Metallik segment					
OOO Neryungri-Metallik	100.0%	100.0%	100%	Russia	Gold mining
Rudnik Aprelkovo segment					
ZAO Mine Aprelkovo	100.0%	100.0%	100%	Russia	Gold mining
Celtic and Semgeo segment					
Celtic Resources Holdings Ltd	100.0%	100.0%	100%	Ireland	Holding company
Celtic Resources (Central Asia)	100.0%	100.0%	100%	United Kingdom	Holding company
JSC FIC Alel	100.0%	100.0%	100%	Kazakhstan	Gold mining
Zherek LLP	100.0%	100.0%	100%	Kazakhstan	Gold mining
Opeloak Ltd	100.0%	100.0%	100%	United Kingdom	Gold sales
Semgeo LLP	100.0%	100.0%	100%	Kazakhstan	Gold exploration project
Buraytzoloto segment					
OJSC Buryatzoloto	63.8%	61.7%	43%	Russia	Gold mining
Berezitovy segment					
LLC Beresitovy Rudnik	75.0%	71.9%	50%	Russia	Gold mining
Somita segment					
Societe Des Mines de Taparko	67.6%	65.4%	45%	Burkina Faso	Gold mining
Crew Gold segment					
Crew Gold Corporation	100.0%	93.4%	n/a	Canada	Holding company
Societe Miniere de Dinguiraye	100.0%	93.4%	n/a	Guinea	Gold mining
Development West Africa segment					
High River Gold Mines (West Africa) Ltd	75.1%	72.6%	50%	Cayman Islands	Holding company
Bissa Gold SA	67.6%	n/a	n/a	Burkina Faso	Gold mining
High River Gold Exploration Burkina SARL	75.1%	72.6%	50%	Burkina Faso	Gold exploration company
Jilbey Burkina, SARL	75.1%	72.6%	50%	Burkina Faso	Gold exploration company
Development Russia segment					
Severnaya Zolotorudnaya Kompaniya LLC	100.0%	100.0%	100%	Russia	Gold exploration company
Other companies					
Severstal-Gold LLC	100.0%	100.0%	100%	Russia	Management company
Centroferve Limited	100.0%	100.0%	100%	Cyprus	Holding company
Castleway Limited	100.0%	100.0%	100%	Cyprus	Investment holding
High River Gold Mines Ltd	75.1%	72.6%	50%	Canada	Holding company
Joint venture					
Prognoz Serebro LLC	37.5%	36.3%	50%	Russia	Silver exploration project

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Information on carrying amounts of joint venture is disclosed in Note 19 of these consolidated financial statements.

Acquisitions of subsidiaries

Acquisitions in 2009

As described in Note 1, the formation of the Group in 2009 was a business combination under common control. During 2009 the Company completed acquisitions of controlling stakes in a number of companies previously controlled by the old Parent Company and its subsidiaries.

In November 2009, the Company issued 3,006,201 ordinary shares in consideration for a 100% stake in OOO Neryungri-Metallik, ZAO Mine Aprelkovo, Severnaya Zolotorudnaya Kompaniya LLC held by other subsidiaries of the old Parent Company.

In November 2009, the Company issued 1,989,761 ordinary shares and paid in cash US\$ 12.3 million in consideration for a 62.7 % stake in High River Gold Mines Ltd. held by other subsidiaries of the old Parent Company.

In December 2009, the Company issued 4,796,885 shares in consideration for a 100% stake in Centroferve Limited (the holding company for Celtic Resources Holdings Ltd) held by other subsidiaries of the old Parent Company.

In December 2009, the Company paid in cash US\$ 26.6 million for a 100% stake in Semgeo LLP held by other subsidiaries of the old Parent Company.

For the year ended December 31, 2009 there were no acquisitions of subsidiaries by the old Parent Company or its subsidiaries of entities later included in the Group.

Acquisitions in 2010

During July 2010, the Group acquired a 40.38% stake in Crew Gold Corporation (“Crew Gold”) by several transactions with third parties and related party Bluecone Ltd. On 26 July 2010, the Group acquired a 9.79% stake in Crew Gold from a third party resulted in increase the Group’s equity interest in Crew Gold Corporation increased from 40.38% to 50.17% and obtain a control of Crew Gold. Crew Gold is a mining company with the head office in London, United Kingdom, which owns and operates gold mine and exploration projects in Guinea, West Africa. The acquisition was performed through several transactions with third parties for a total consideration of US\$ 155.5 million for a 23.58% stake and a transaction with a related party Bluecone Ltd for a total consideration of US\$ 123.9 million for a 26.59% stake. Taking control of Crew Gold Corporation will enable the Group to improve its capitalization and operating results.

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At December 31, 2010 the Group did not complete the estimation of fair values of the acquired assets and liabilities and reported them on a provisional basis in the financial statements for the year ended December 31, 2010. In July 2011, management completed the purchase price allocation. The effect of the final purchase price allocation on financial position as at December 31, 2010 is the following:

	Increase/(decrease) in financial position as at December 31, 2010 compared to the provisional purchase price allocation
Accounts receivable	119
Inventories	2,210
VAT recoverable	1,032
Property, plant and equipment	(51,986)
Intangible assets	131,166
Long-term financial investments	(690)
Restricted cash	(2,497)
Deferred tax assets	2,371
Other non-current assets	(1,858)
Short-term debt finance	1,289
Short-term provisions	22,841
Long-term debt finance	3,154
Long-term provisions	905
Deferred tax liabilities	21,791
Foreign exchange differences	4
Retained earnings	25,043
Non-controlling interest	4,840

The comparative information at December 31, 2010 has been restated in these consolidated financial statements as if the accounting for the business combination had been completed at the acquisition date.

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The following final fair values have been determined at the acquisition date:

Cash and cash equivalents	29,929
Accounts receivable	26,019
Inventories	51,251
VAT recoverable	124
Property, plant and equipment	134,061
Intangible assets	675,668
Restricted cash	1,140
Deferred tax assets	4,845
Other non-current assets	1,012
Short-term debt finance	(3,544)
Accounts payable	(55,383)
Short-term provisions	(31,940)
Long-term debt finance	(109,513)
Long-term provisions	(9,827)
Deferred tax liabilities	(120,139)
Other non-current liabilities	(1,888)
Fair value of net identifiable assets acquired	591,815
Non-controlling interest	(294,901)
Shareholders' share of net identifiable assets acquired	<u>296,914</u>
Fair value of previously held equity interest in the acquire	224,725
Gain from remeasurement of previously held equity interest	16,084
Fair value of consideration transferred in cash	70,771
Negative goodwill on acquisition of subsidiaries	1,418

The negative goodwill is attributable mainly to the acquiree's potential mineral reserves and resources and the synergies expected to be achieved from integrating of the acquiree into the Group's business.

The non-controlling interest is measured at its proportionate interest in the identifiable assets and liabilities of the acquiree.

The Group did not incur any significant acquisition-related costs.

From the date of acquisition to December 31, 2010 Crew Gold contributed revenue of US\$ 98.6 million and loss of US\$ 14.6 million.

The acquiree's profit from January 1, 2010 to the date of acquisition comprised of US\$ 10.8 million. The acquiree's revenue from the beginning of the period to the date of acquisition comprised of US\$ 140.6 million.

If the acquisition had occurred on January 1, 2010 the Group's revenue for the year ended December 31, 2010 would have been US\$ 894.8 million and the Group's profit for the period would have been US\$ 144.2 million.

There were no acquisitions of subsidiaries in 2011.

Acquisitions of non-controlling interests

In June 2009, the old Parent Company's subsidiary acquired all newly issued shares in High River Gold Mines Ltd. for a total consideration of US\$ 9.5 million resulting in a 3.5% increase of the Company's stake to the total ownership of 57.27%.

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In August 2009, the old Parent Company's subsidiary acquired a 4.5% stake in High River Gold Mines Ltd. from a third party for a total consideration of US\$ 8 million resulting in increase of its ownership to the 61.77%.

In May 2010, the Group acquired a 18.76% stake in High River Gold Mines Ltd. from a third party for a total consideration of US\$ 107.3 million resulting in increase of its ownership to the 68.88%.

In August 2010, the Group acquired an additional stake in High River Gold Mines Ltd. upon exercise of warrants held by the Group for a total consideration of US\$ 25.1 million resulted in increase of Company's ownership in High River Gold Mines Ltd. to 70.38%.

In September 2010, the Group acquired additional 43.21% stake in Crew Gold Corporation for a total consideration of US\$ 215 million resulted in increase of the Company's ownership in Crew Gold Corporation to 93.38%.

In October 2010, the Group acquired a 2.26% stake in High River Gold Mines Ltd. for a total consideration of US\$ 19.6 million resulted in increase of Company's ownership in High River Gold Mines Ltd. to 72.64%.

In October 2010, the Crew Gold Corporation's Board of Directors agreed to proceed with a transaction in which a Group's subsidiary would acquire all of the outstanding common shares in the capital of Crew Gold Corporation that the Group does not already own for US \$4.65 per common share payable by cash. In January 2011, the transaction was completed. Following the transaction the Group acquired a 6.62% stake in Crew Gold Corporation for a total consideration of US\$ 32.9 million resulting in obtaining control over 100% of its issued outstanding common shares.

In August 2011, the Company acquired an additional 2.42% stake in High River Gold Mines Ltd. from third parties for a total consideration of US\$ 26.5 million resulting in an increase of its ownership in High River Gold Mines Ltd. to 75.06%.

In October 2011, the Group acquired an additional 0.68% stake in LLL Berezitovy Rudnik upon additional contribution into its share capital resulting in an increase of Group's ownership in LLC Berezitovy Rudnik to 74.99%.

Disposals of subsidiaries

In December 2009, the Group sold a number of Celtic Group's subsidiaries (operating leases, investment holding and dormant companies) for a total consideration of US\$ 23 thousand.

In December 2010, the Group sold a number of High River Gold Group's subsidiaries (minor gold-placer mining companies) for a total consideration of US\$ 0.3 million.

In March 2011, the Group sold a High River Gold Group's subsidiary (minor gold-placer mining company) to a third party for a total consideration of US\$ 0.5 million.

Dilution of Group ownership

In December 2009, the Group's share in High River Gold Mines Ltd. decreased from 61.7% to 50.13% as a result of a private placement of 150 million common shares to a third party for a total consideration of US\$ 53.9 million.

27. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk

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- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Directors monitor compliance with the Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position and guarantees (see Note 28g), and arises principally from the Group's investment securities, loans issued and cash and cash equivalents.

Due to arrangements with banks purchasing the produced gold, the Group does not have material outstanding trade accounts receivable.

The Group's policy is to invest in equity investments of listed gold mining companies.

The Group does not provide significant loans to third parties. In relation to loans issued to related parties the Group does not expect them to fail meeting their obligations.

Cash and cash equivalents are placed in highly reputable banks that have a credit rating of at least B from Moody's.

The maximum exposure to credit risk for financial instruments including accounts receivable from related parties was the following.

The maximum exposure to credit risk for financial instrument by class of instruments:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Cash and cash equivalents	217,133	212,204	90,623
Restricted cash	3,857	2,956	944
Trade and other receivables	6,709	5,874	4,106
Loans	4,043	2,048	64,941
Deposits and other investments held-to-maturity	—	690	1,918
Investments available-for-sale	<u>86,371</u>	<u>120,747</u>	<u>64,889</u>
Total	<u><u>318,113</u></u>	<u><u>343,829</u></u>	<u><u>227,421</u></u>

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The maximum exposure to credit risk for trade and other receivables by regions:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Africa	3,185	278	297
Russia	2,482	3,698	2,924
Central Asia	699	135	483
Europe	324	1,740	364
Other	19	23	38
Total	<u>6,709</u>	<u>5,874</u>	<u>4,106</u>

The maximum exposure to credit risk for trade and other receivables (including receivables from related parties) by type of contracting party:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Other parties	6,396	4,538	3,691
Gold buyers (banks and refiners)	313	1,260	81
Related parties	—	76	334
Total	<u>6,709</u>	<u>5,874</u>	<u>4,106</u>

Other parties include third parties, employees and other debtors.

Impairment losses

The aging of trade and other receivables was:

	<u>December 31, 2011</u>		<u>December 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Not past due	5,283	—	4,422	—	—	—
Past due 0-90 days	920	(197)	862	(50)	3,582	(33)
Past due 91-180 days	37	(37)	104	(7)	129	(9)
Past due 181-365 days	215	(215)	147	(27)	521	(357)
More than one year	1,872	(1,169)	1,540	(1,117)	932	(659)
Total	<u>8,327</u>	<u>(1,618)</u>	<u>7,075</u>	<u>(1,201)</u>	<u>5,164</u>	<u>(1,058)</u>

No impairment allowance was recognized in respect of trade and other receivables from related parties at December 31, 2011, December 31, 2010 and December 31, 2009.

The movement in the allowance for impairment in respect of trade receivables during the years was as follows:

	<u>Year ended December, 31</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Opening balance	(1,201)	(1,058)	(632)
Allowance recognized	(996)	(716)	(492)
Allowance used	506	573	69
Foreign exchange difference	73	—	(3)
Closing balance	<u>(1,618)</u>	<u>(1,201)</u>	<u>(1,058)</u>

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The allowance account in respect of accounts receivable is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and is written off against the financial asset directly.

None of the Group's financial assets other than accounts receivable were past due at the reporting date. During the year ended December 31, 2011 an impairment allowance was recognized by the Group in respect of available-for-sale investment in Sacre-Coeur Minerals Ltd. in the amount of US\$ 6.9 million (see Note 8). No impairment allowance was recognized by the Group in respect of other financial assets during the year ended December 31, 2010.

Concentration of credit risk

At December 31, 2011 the Group had a concentration of cash and bank deposits with JSC Metcombank, Sberbank, NOMOS bank, Vneshtorgbank-Severozapad, HSBC in the amount of US\$ 46.3 million, US\$ 41.5 million, US\$ 38.2 million, US\$ 30.4 million, US\$ 26.7 million respectively.

At December 31, 2010 the Group had a concentration of cash and bank deposits with NOMOS bank, Vneshtorgbank-Severozapad, ING Bank, HSBC, TD Canada Trust and Citibank in the amount of US\$ 79.9 million, US\$ 39.5 million, US\$ 33.1 million, US\$ 19.3 million, US\$ 19.1 million and US\$ 8.5 million, respectively.

At December 31, 2009 the Group had a concentration of cash with TD Canada Trust bank, Citibank, NOMOS bank, Sberbank, HSBC in the amount of US\$ 29.0 million, US\$ 19.0 million, US\$ 17.2 million, US\$ 12.5 million, US\$ 9.1 million, respectively.

At December 31, 2011 the Group had a concentration of investments available-for sale with Detour Gold Corporation represented by its shares of 3.0 % in the amount of US\$ 76.4 million (December 31, 2010: US\$ 90.7 million). The remaining amount of investments available-for sale of US\$ 10.0 million is represented by a number of shareholding in several gold exploration and mining companies varying from 0.3% to 15.1%.

At December 31, 2009 the Group had a concentration of short-term loans with a related party CJSC Severstal-Resource in the amount of US\$ 15.1 million.

At December 31, 2009 the Group had a concentration of long-term loans with a related party OJSC Olkon in the amount of 47.4 million.

Liquidity risk

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due by preparing an annual budgets, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Future contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Balance at December 31, 2011						
Non-derivative financial liabilities						
Notes and bonds issued	58,812	(61,787)	(61,787)	—	—	—
Loans	341,578	(361,120)	(265,682)	(95,438)	—	—
Trade and other payables	131,863	(133,551)	(121,251)	(6,347)	(4,235)	(1,718)
	<u>532,253</u>	<u>(556,458)</u>	<u>(448,720)</u>	<u>(101,785)</u>	<u>(4,235)</u>	<u>(1,718)</u>
Balance at December 31, 2010						
Non-derivative financial liabilities						
Notes and bonds issued	121,794	(131,972)	(69,973)	(61,999)	—	—
Loans	274,616	(295,901)	(226,631)	—	(69,270)	—
Lease liabilities	662	(698)	(698)	—	—	—
Trade and other payables	92,087	(94,665)	(78,526)	(4,204)	(8,433)	(3,502)
	<u>489,159</u>	<u>(523,236)</u>	<u>(375,828)</u>	<u>(66,203)</u>	<u>(77,703)</u>	<u>(3,502)</u>
Balance at December 31, 2009						
Non-derivative financial liabilities						
Bank overdrafts	1	(1)	(1)	—	—	—
Notes and bonds issued	11,058	(13,285)	(916)	(12,369)	—	—
Bank and other credit organizations financing	72,098	(81,294)	(69,158)	(12,136)	—	—
Loans	146,373	(171,268)	(125,684)	—	—	(45,584)
Lease liabilities	2,485	(2,656)	(1,958)	(698)	—	—
Trade and other payables	45,544	(45,544)	(45,036)	—	—	(508)
	<u>277,559</u>	<u>(314,048)</u>	<u>(242,753)</u>	<u>(25,203)</u>	<u>(46,092)</u>	

Concentration of liquidity risk

At December 31, 2011 the Group had a concentration of short-term loans with a related parties JSC Severstal and OJSC Olkon in the amount of US\$ 185.8 million and US\$ 54.2 million respectively.

At December 31, 2011 the Group had a concentration of long-term loans with a related parties LLC Mining Holding Company and OJSC Olkon in the amount of US\$ 72.4 million and US\$ 23.1 million respectively.

At December 31, 2010 the Group had a concentration of short-term loans with a related parties JSC Severstal and OJSC Olkon in the amount of US\$ 175.5 million and US\$ 51.1 million respectively.

At December 31, 2010 the Group had a concentration of long-term loans with a related party, LLC Mining Holding Company, in the amount of US\$ 69.3 million.

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At December 31, 2009, the Group had a concentration of short-term bank and other credit organizations financing with Royal Gold, Inc. representing US\$ 41.3 million.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to commodity prices risk. Market prices of products to be sold in future influence the Group's future profitability and the recoverability of assets. The Group does not use derivatives to mitigate its exposure to commodity price risk. The Group monitors gold price trends and regulates sales policy accordingly. The Group plans to use futures with short-term time of delivery for mitigating price fluctuations within a month and quarter periods.

Sensitivity analysis

A 10 percent decrease of gold prices at a reporting date would have decreased profit for the year ended December 31, 2011 by US\$ 91.9 million (year ended December 31, 2010: US\$ 69.6 million) (year ended December 31, 2009: US\$48.1 million) with the equal effect on equity.

Currency risk

Currency risk arises when the Group entity enters into transactions and balances not denominated in its functional currency. The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Balance at December 31, 2011	USD	RUB	KZT	CAD	NOK	GBP	Other
Cash and cash equivalents	59,919	368	—	—	10	185	3,255
Trade and other receivables	26,764	—	—	—	—	—	—
Financial investments	189,672	14,136	58,510	—	—	72,004	943
Notes and bonds issued	—	—	—	—	(11,484)	—	—
Loans	(337,673)	—	—	(120,611)	(62,183)	(60,247)	—
Trade and other payables	(12,836)	(20)	—	(3)	—	(139)	(1,209)
Net exposure	<u>(74,154)</u>	<u>14,484</u>	<u>58,510</u>	<u>(120,614)</u>	<u>(73,657)</u>	<u>11,803</u>	<u>2,989</u>
Balance at December 31, 2010	USD	RUB	KZT	CAD	NOK	GBP	Other
Cash and cash equivalents	100,410	—	—	—	73	516	2,109
Trade and other receivables	6,508	4,240	—	—	—	—	—
Financial investments	328,592	29,186	54,501	—	309	18,651	—
Notes and bonds issued	—	—	—	—	(22,844)	—	—
Loans	(448,507)	—	—	(53,182)	(61,384)	(3,435)	—
Lease liabilities	(662)	—	—	—	—	—	—
Trade and other payables	(26,996)	(365)	—	(10)	—	(584)	(16,561)
Net exposure	<u>(40,655)</u>	<u>33,061</u>	<u>54,501</u>	<u>(53,192)</u>	<u>(83,846)</u>	<u>15,148</u>	<u>(14,452)</u>

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Balance at December 31, 2009	USD	RUB	KZT	CAD	NOK	GBP	Other
Cash and cash equivalents	47,869	1,682	—	—	—	—	—
Trade and other receivables	4,700	—	—	—	—	—	—
Financial investments	303,280	62,844	48,461	—	—	—	—
Bank and other credit organizations financing	(71,808)	—	—	—	—	—	—
Loans	(382,221)	—	—	(38,037)	—	—	—
Lease liabilities	(2,204)	—	—	—	—	—	—
Trade and other payables	(21,711)	(271)	—	—	—	(500)	(1,500)
Net exposure	<u>(122,095)</u>	<u>64,255</u>	<u>48,461</u>	<u>(38,037)</u>	<u>—</u>	<u>(500)</u>	<u>(1,500)</u>

Sensitivity analysis

A 10 percent strengthening of the following currencies against the functional currency at December 31, 2011, 2010 and 2009 would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and no translation difference into the presentation currency is included.

	December 31, 2011	December 31, 2010	December 31, 2009
USD	(5,170)	(1,248)	(8,671)
RUB	1,168	2,690	5,294
KZT	4,405	4,103	3,629
CAD	(12,061)	(5,319)	(3,804)
NOK	(5,303)	(6,037)	—
GBP	1,264	1,090	(40)
Other	5	(1,030)	(121)
Total	<u>(15,692)</u>	<u>(5,751)</u>	<u>(3,713)</u>

A 10 percent weakening of these currencies against the functional currency at reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rates on the Group's debt finance are either fixed, variable at a fixed spread over LIBOR for the duration of the contract or depending upon fluctuations in gold price and production volumes. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the over the expected period until maturity.

The Group's interest-bearing financial instruments at variable rates were:

	December 31, 2011	December 31, 2010	December 31, 2009
Financial liabilities (Interest with fixed spread over Libor)	—	(39,253)	(1,010)
Financial liabilities (Interest with fixed spread over Nibor)	—	(11,209)	—
Financial liabilities (Interest dependant on gold price and production volumes)	(12,832)	(13,116)	(41,336)

The Group's other interest-bearing financial liabilities and all financial assets are at fixed rate.

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Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates and change of 10% in gold prices or production volumes would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

		Net profit	
		100 BP increase	100 BP decrease
Balance at December 31, 2011			
Cash flow sensitivity for financial liabilities		—	—
Balance at December 31, 2010			
Cash flow sensitivity for financial liabilities		(363)	363
Balance at December 31, 2009			
Cash flow sensitivity for financial liabilities		(8)	8

		Net profit	
		10% price increase	10% price decrease
Balance at December 31, 2011			
Cash flow sensitivity for financial liabilities		(983)	983
Balance at December 31, 2010			
Cash flow sensitivity for financial liabilities		(970)	970
Balance at December 31, 2009			
Cash flow sensitivity for financial liabilities		(1,677)	1,677

		Net profit	
		10% increase of production volumes	10% decrease of production volumes
Balance at December 31, 2011			
Cash flow sensitivity for financial liabilities		(983)	983
Balance at December 31, 2010			
Cash flow sensitivity for financial liabilities		(970)	970
Balance at December 31, 2009			
Cash flow sensitivity for financial liabilities		(969)	969

Fair values versus carrying amounts

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, except financial instruments measured at amortised cost, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Balance at December 31, 2011				
Available-for-sale financial assets	<u>86,371</u>	<u>—</u>	<u>—</u>	<u>86,371</u>
Balance at December 31, 2010				
Available-for-sale financial assets	<u>120,747</u>	<u>—</u>	<u>—</u>	<u>120,747</u>
Balance at December 31, 2009				
Available-for-sale financial assets	<u>64,889</u>	<u>—</u>	<u>—</u>	<u>64,889</u>
Derivative financial liabilities	<u>(1,761)</u>	<u>(3,300)</u>	<u>—</u>	<u>(5,061)</u>

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. This policy includes compliance with certain externally imposed minimum capital requirements. The Group's management constantly monitors profitability and leverage ratios and compliance with the minimum capital requirements. The Group uses the return on assets ratio which is defined as profit from operations divided by total assets (averaged over the measurement period) and the leverage ratio calculated as net debt, comprising of long-term and short-term indebtedness less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity.

28. Commitments and contingencies

a. Taxation systems in the Russian Federation, Kazakhstan, Burkina Faso and Guinea

The taxation system and regulatory environment of the Russian Federation, Kazakhstan, Burkina Faso and Guinea ("countries of operation") are relatively new and characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions, who are empowered to impose significant fines, penalties and interest charges. Events during recent years suggest that the regulatory authorities within the countries of operation are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks.

The tax legislation of Burkina Faso is not explicitly clear concerning the VAT treatment of specific financing transactions between residents and non-residents. Should the tax authorities follow the literal wording of the provisions of the VAT legislation, they may claim that the provision of loans by non-residents to residents should be treated as the provision of services and, therefore, interest charged under such loans should be subject to withholding VAT. The effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretation, is an additional tax assessment of US \$ 15.5 million.

The tax legislation of Burkina Faso is not explicitly clear regarding the treatment of certain interest payments and the application of related income tax withholding rules. If the tax authorities reclassify the loan and interest paid by Somita to Royal Gold under a loan agreement into royalties which are subject to withholding tax, the additional withholding tax assessment could be in the range US\$ 1.9 - 3.7 million.

The VAT regulation of Burkina Faso imposes complicated compliance requirements to the recovery of input VAT. In case of noncompliance with the requirements of local legislation to the documentary support in relation to input VAT the tax authorities may challenge the VAT refund related to certain transactions. The effect on these consolidated financial statements, if the authorities were successful in challenging the Group's VAT position, is an additional tax assessment of US \$ 2.4 million.

By virtue of being incorporated in Canada, Crew Gold Corporation could be considered to be a Canadian tax resident. With its place of effective management in the UK the company also could be considered to be a UK tax resident. Crew Gold Corporation has taken the tax filing and financial statements position that it is a UK resident for tax purposes. Depending on when the Canadian tax authority deem Crew Gold Corporation to have left Canada for tax purposes, it may be liable for a payment of Canadian departure tax and secondary exit tax in the total amount of US\$ 2.6 million. Moreover, a Group company, Guinor, could be also considered to be a Canadian tax resident. Due to the replacement of Guinor's board of

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directors with Crew Gold Corporation's board of directors in December 2005 the place of effective management of Guinor could be deemed to have moved to the UK. If Guinor ceased to be a Canadian resident and was consequently deemed to be a UK resident the maximum tax exposure amounts to US\$ 36.0 million. Depending on whether Guinor is deemed to be a tax resident of the UK or Canada it could be exposed to various tax risks, with a maximum potential tax exposure of US\$ 32.3 million.

Management believes that it has complied in all material respects with all relevant legislation and will sustain its tax position if challenged by the tax authorities.

b. Other contingencies

The actual volume of gold ore extracted by FIC Alel JSC in 2008-2009 exceeded the planned volume of extraction established by the Annual Working Program. While the Group has violated certain provisions of certain licenses and has been subject to inspections carried out by governmental authorities with respect to such violations, the Group is not aware of any decisions or sanctions on the revocation or termination of the licenses from governmental authorities applied as a result of such violations. In August 2010, the regional financial police in Kazakhstan brought a criminal case against officials of FIC Alel JSC, for allegedly violating the terms of its annual extraction programme by extracting ore in excess of permitted volumes. The fee which could be imposed on FIC Alel JSC is US\$32.9 million but at this time, the outcome of the case cannot be ascertained and no provision has been made.

In September 2011, the Republic of Guinea issued a new mining code which is intended to repeal and replace the existing mining code. The government has begun applying the provisions of the new code and has indicated that re-negotiation of existing mining concessions and increased economic interest in existing mining companies may be appropriate. The new code entitles the Republic of Guinea to a free 15% interest in the share capital of a company to which it has granted title and the right to acquire an additional 20% in the share capital of the mining company on terms to be negotiated with each company. The new code also includes a new fiscal and customs regime applicable to mining activities and provides for the renegotiation of existing mining concessions.

Historically, political instability and regime change in Guinea have resulted in uncertainty as to the resolution of issues raised by former Guinea government officials regarding the LEFA mining concession. In 2009, the government conducted a review of the terms of the LEFA mining concession. As a result of this review, Crew Gold was required to pay a cash deposit of US\$5 million to cover the expected closing costs of the LEFA mine at the expiration of its mining concession.

In addition, Crew Gold Corporation had been in discussions with the former Government of Guinea regarding the valuation of, and the original amount paid in 2006 for, Crew Gold Corporation's acquisition from the Government of Guinea of the remaining 15% interest in SMD. These discussions resulted in the former Minister of Mines proposing an agreement in which 7.5% of the share capital of SMD would be transferred to the Government, a payment to the Government would be made in the amount of US\$1.5 million and the LEFA mining concession would be extended by 13 years. The Company was considering the reasonableness of these proposals when the new Government took office. Government ownership requirement with an additional amount subject to negotiation.

In correspondence regarding the above proposal, the former Minister of Mines also indicated that he believed that the Company should have obtained approval from him before acquiring its indirect interest in SMD (when it acquired control of Crew Gold Corporation in 2010), citing Article 62 of the Guinean Mining Code. The new Minister of Mines has reiterated this claim. The Company believes that there is no legal basis for that prior approval was required.

Given the uncertainty as to the application and interpretation of the new mining code, its impact on to the Group's ownership through Crew Gold Corporation of Société Minière de Dinguiraye (SMD), which holds the LEFA mining concession, to the mining concession itself and to the Group's activities in Guinea and the introduction of the new fiscal and customs regime, there can be no assurance that the actions of the Government of Guinea, or the impact of the new legislation, will not have a significant negative impact on the Group's ownership interest in SMD, or result in an increase in taxation or the costs of doing business in Guinea, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

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c. Litigations

In April 2010, ZAO Mine Aprelkovo received a resolution from the Zabaykalsky Region tax authorities for taxes and penalties in the amount of US\$ 2.8 million, mostly related to mineral extraction tax. In July 2010, ZAO Mine Aprelkovo filed a claim in the Arbitration Court of Zabaykalsky Region to nullify the resolution in the full amount. The appeal of the tax authorities was rejected and the further appeal (cassation procedure in Russia) also upheld the previous decisions. The court decisions may be further appealed by the tax authorities to the supreme court instance but the outcome of possible further appeal currently cannot be ascertained.

In October 2010, Piscedda Mining Corporation ("PMC") served Crew Gold Corporation with a statement of claim in the Yukon Territory, Canada, alleging damages for US\$127 million relating to Crew Gold Corporation's assumption of the mobile mining fleet operations from PMC at its Guinean subsidiary, SMD, in 2008. In October 2011, Yukon Court declined jurisdiction and stayed the action of PMC against Crew Gold Corporation for claiming damages of US\$127 million. PMC may seek for another jurisdiction but the outcome of possible further claim currently cannot be ascertained.

In October 2011, JSC FIC Alei received notifications from region tax authorities regarding additional royalty and additional corporate tax accrual in total amount of US\$ 3.1 million. Management believes that the royalty and taxes are not supported by applicable regulation and thus no provision has been made. However, the final outcome may significantly depend on political environment of the Republic of Kazakhstan.

In November 2011, Energy Resourcing Middle East Limited filed a claim against Crew Gold Corporation's subsidiary Société Minière de Dinguiraye ("SMD") to the International Court of Arbitration for contractual debt and damages in total amount of approximately US\$ 2 million. The Company is preparing the answer to be filed with the court and is considering the counterclaim to be filed. At this time, the outcome of the claim cannot be ascertained and no provision has been made.

In November 2011, SMD was claimed by the government of Guinea for under-payment of the surface tax in amount of US\$ 0.5 million. The claim has been appealed by SMD. At this time, the outcome of the claim cannot be ascertained and no provision has been made.

In January 2012, Argentum CJSC (a Joint Venture partner) applied to the Moscow Arbitration Court for commencing official bankruptcy procedures for Prognoz Silver LLC. The formal bankruptcy proceedings have not yet been initiated by the court.

Management of the Group believes that it has made adequate provisions for other possible claims.

d. Capital commitments

At the reporting date the Group had contractual capital commitments of US\$ 78.7 million (December 31, 2010: US\$20.6 million) (December 31, 2009: US\$8.6 million).

e. Insurance

The Group maintains the minimum level of insurance required by each of the jurisdictions in which it operates and some voluntary property insurance policies purchased at mine level. The Group has insured its property and equipment to compensate for losses arising from accidents. The Group also maintains insurance in respect of environmental damages. However, the Group does not have full insurance coverage for its mining, processing and transportation facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations.

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Notes to the special purpose consolidated financial statements
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f. Guarantees

At the reporting date the Group had no guarantees issued to third parties (December 31, 2010: US\$0.1 million) (December 31, 2009: US\$0.7 million).

29. Events after the reporting period

In November 2011, the Severstal Group decided to spin off the Group by exchange of 100% shares of Nord Gold N.V. for JSC Severstal shares and GDRs based on the relative fair values. In January 2012, the Company completed exchange of 10.6 % of its shares with non-controlling shareholders which became traded on the London Stock Exchange in the form of GDRs. The exchange with Rayglow Limited, an entity controlled by Mr. Alexey Mordashov, for the remaining 89.4% of shares occurred in February 2012.

In January 2012, Argentum CJSC (a Joint Venture partner) applied to the Moscow Arbitration Court for commencing official bankruptcy procedures for Prognoz Silver LLC. Formal bankruptcy proceedings have not yet been initiated by the court.

In July 2012, the Company received a US\$152 million loan facility from Sberbank denominated in Russian roubles maturing in 2015 with a grace period of 21 months and quarterly payments thereafter.

In July 2012, the Company announced its intention to make an offer to acquire the outstanding shares of High River Gold Mines Ltd. ("Shares") in exchange of either 0.285 of the Company's global depositary receipts or C\$1.40 in cash for each Share. Further to this intention, the Company entered into lock-up agreements for 59.9 million Shares representing approximately 7.13% of the outstanding Shares.

There were no other events subsequent to the reporting date, which could influence the economic decisions of users taken on the basis of these consolidated financial statements.

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Consolidated interim condensed financial statements
as at and for the six months ended June 30, 2012

Nord Gold N.V.

Consolidated interim condensed income statements

Six months ended June 30, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as otherwise stated)

		Six months ended June 30,		Three months ended June 30,	
	Note	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Sales	4	528,539	543,433	264,664	299,402
Cost of sales		(342,105)	(314,527)	(177,116)	(176,126)
Gross profit		186,434	228,906	87,548	123,276
General and administrative expenses	5	(31,910)	(6,209)	(16,949)	(13,470)
Taxes other than income tax		(33,753)	(35,344)	(17,348)	(16,845)
Other operating income/(expenses), net	6	1,360	(7,672)	4,055	(9,040)
Profit from operations		122,131	179,681	57,306	83,921
Finance income	7	2,315	20,838	370	1,598
Finance costs	7	(31,295)	(31,690)	(41,594)	(18,154)
Profit before income tax		93,151	168,829	16,082	67,365
Income tax expense		(27,899)	(38,806)	(10,524)	(22,000)
Profit for the period		65,252	130,023	5,558	45,365
Attributable to:					
Shareholders of the Company		35,923	82,606	(3,449)	25,957
Non-controlling interest		29,329	47,417	9,007	19,408
Weighted average number of shares outstanding during the period (millions of shares)	11	358.794	358.794	358.794	358.794
Earnings per share					
Basic and diluted profit per share (US dollars)	11	0.10	0.23	(0.01)	0.07

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Consolidated interim condensed statements of comprehensive income
Six months ended June 30, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Profit for the period	65,252	130,023	5,558	45,365
Foreign exchange differences	(25,983)	36,146	(81,903)	10,896
Changes in fair value of cash flow hedges	(1,330)	—	(1,330)	—
Revaluation of available-for-sale financial investments	(16,385)	(17,188)	(14,949)	(14,272)
Deferred tax on revaluation of available-for-sale investments	2,389	3,617	2,212	3,636
Other comprehensive (loss)/income for the period, net of tax	(41,309)	22,575	(95,970)	260
Total comprehensive income for the period	23,943	152,598	(90,412)	45,625
Attributable to:				
Shareholders of the Company	3,237	98,839	(78,725)	26,444
Non-controlling interest	20,706	53,759	(11,687)	19,181

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Consolidated interim condensed statements of financial position
as at June 30, 2012 and December 31, 2011

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	<u>Note</u>	<u>June 30, 2012</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2011</u>
Assets			
Current assets			
Cash and cash equivalents		50,524	217,133
Accounts receivable		83,455	74,328
Inventories		480,821	375,281
VAT recoverable		75,990	57,031
Short-term financial investments		17,896	4,043
Income tax receivable		10,055	3,051
Total current assets		<u>718,741</u>	<u>730,867</u>
Non-current assets			
Property, plant and equipment		671,621	574,831
Intangible assets		1,225,751	1,242,820
Long-term financial investments		68,531	86,371
Investment in joint venture		4,575	4,769
Restricted cash		4,726	3,857
Deferred tax assets		2,621	2,709
Other non-current assets		1,487	1,657
Total non-current assets		<u>1,979,312</u>	<u>1,917,014</u>
Total assets		<u>2,698,053</u>	<u>2,647,881</u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt finance	10	59,692	316,328
Accounts payable		183,089	172,697
Income tax payable		13,279	18,238
Provisions		24,243	24,538
Total current liabilities		<u>280,303</u>	<u>531,801</u>
Non-current liabilities			
Long-term debt finance	10	371,247	84,062
Provisions		61,886	61,283
Deferred tax liabilities		192,947	201,034
Other non-current liabilities		11,500	13,474
Total non-current liabilities		<u>637,580</u>	<u>359,853</u>
Total liabilities		<u>917,883</u>	<u>891,654</u>
Equity			
Share capital		1,244,501	1,244,501
Additional capital		862,340	862,340
Foreign exchange differences		(92,214)	(71,367)
Retained earnings		(514,430)	(550,353)
Revaluation reserves		18,503	30,342
Total equity attributable to shareholders of the Company		<u>1,518,700</u>	<u>1,515,463</u>
Non-controlling interest		<u>261,470</u>	<u>240,764</u>
Total equity		<u>1,780,170</u>	<u>1,756,227</u>
Total equity and liabilities		<u>2,698,053</u>	<u>2,647,881</u>

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Consolidated interim condensed statements of cash flows

Six months ended June 30, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Six months ended June 30,	
	2012	2011
	(unaudited)	(unaudited)
Operating activities		
Profit for the period	65,252	130,023
Adjustments for non-cash movements:		
Finance costs, net	28,980	10,852
Income tax expense	27,899	38,806
Depreciation and amortization	93,980	87,354
Impairment of non-current assets	205	838
Net loss from associates and joint ventures	116	287
Gain on disposal of subsidiaries	—	(412)
Loss on disposal of property, plant and equipment	394	425
Movements in provisions for inventories, receivables and other provisions	3,314	(14,656)
Impairment of available-for-sale financial assets	621	5,777
Changes in operating assets and liabilities:		
Accounts receivable	(10,218)	(20,083)
Inventories	(100,300)	(30,952)
VAT recoverable	(20,384)	(11,999)
Accounts payable	5,727	17,477
Net other changes in operating assets and liabilities	3,534	475
Cash flows from operations	99,120	214,212
Interest paid	(51,359)	(6,438)
Income taxes paid	(45,382)	(33,453)
Cash flows from operating activities	2,379	174,321
Investing activities		
Additions to property, plant and equipment	(153,084)	(60,253)
Additions to exploration and evaluation assets	(63,909)	(43,464)
Additions to other intangible assets	(151)	(136)
Additions to financial investments	(14,101)	(9,716)
Acquisition of entities under common control	—	37
Proceeds from disposal of property, plant and equipment	26	1,196
Proceeds from disposal of financial investments	400	915
Proceeds from disposal of subsidiaries, net of cash disposed	—	457
Interest received	2,032	1,460
Cash used in investing activities	(228,787)	(109,504)
Financing activities		
Proceeds from debt finance	375,765	81,730
Repayment of debt finance	(318,383)	(30,725)
Payment of finance lease liabilities	—	(380)
Acquisition of non-controlling interest	—	(32,910)
Equity transaction costs paid	—	(4,587)
Cash flows from financing activities	57,382	13,171
Net (decrease) / increase in cash and cash equivalents	(169,026)	77,988
Cash and cash equivalents at beginning of the period	217,133	212,204
Effect of exchange rate fluctuations on cash and cash equivalents	2,417	7,832
Cash and cash equivalents at end of the period	50,524	298,024

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Consolidated interim condensed statements of changes in equity
Six months ended June 30, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Attributable to the shareholders of Nord Gold N.V.					Non- controlling interest	Total
	Share capital	Additional capital	Foreign exchange differences	Retained earnings	Revaluation reserves	Total	
Balance at January 1, 2011	1,244,501	862,340	(46,671)	(715,643)	47,266	1,391,793	231,031
Profit for the period (unaudited)	—	—	—	82,606	—	82,606	47,417
Foreign exchange differences (unaudited)	—	—	26,610	—	—	26,610	9,536
Revaluation of available-for-sale financial investments (unaudited)	—	—	—	—	(13,557)	(13,557)	(3,631)
Deferred tax on revaluation of available-for-sale investments (unaudited)	—	—	—	—	—	—	—
Total comprehensive income for the period (unaudited)	—	—	—	—	3,180	3,180	437
Acquisition of entities under common control	—	—	—	(630)	—	98,839	53,759
Acquisitions of non-controlling interest without a change in control (unaudited)	—	—	—	—	—	(630)	—
Balance at June 30, 2011 (unaudited)	1,244,501	862,340	(20,061)	(628,247)	36,889	1,495,422	(38,330)
Balance at January 1, 2012	1,244,501	862,340	(71,367)	(550,353)	30,342	1,515,463	240,764
Profit for the period (unaudited)	—	—	—	35,923	—	35,923	29,329
Foreign exchange differences (unaudited)	—	—	(20,847)	—	—	(20,847)	(5,136)
Changes in fair value of cash flow hedges (unaudited)	—	—	—	—	(1,330)	(1,330)	—
Revaluation of available-for-sale financial investments (unaudited)	—	—	—	—	(12,302)	(12,302)	(4,083)
Deferred tax on revaluation of available-for-sale investments (unaudited)	—	—	—	—	—	—	—
Total comprehensive income for the period (unaudited)	—	—	—	—	1,793	1,793	596
Balance at June 30, 2012 (unaudited)	1,244,501	862,340	(92,214)	(514,430)	18,503	3,237	20,706
						1,518,700	261,470
							1,780,170

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Notes to the consolidated interim condensed financial statements

Six months ended June 30, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as stated otherwise)

1. Operations

Nord Gold N.V. (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise a Dutch public limited liability company as defined in the Netherlands Civil Code, and companies located abroad. The Company was established as a private limited liability company in 2005 named Sakha Gold B.V. and was renamed to a public liability company Severstal Gold N.V. on July 30, 2009 and further to a limited liability company Nord Gold N.V. on September 29, 2010.

The Company’s registered office is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, the Netherlands.

As at December 31, 2011 the Company’s ultimate parent company was JSC Severstal, an integrated steel and mining company with key assets in Russia, the US and Europe (the “Severstal Group”). The immediate parent company was Lybica Holding B.V., Severstal Group’s 100% owned subsidiary. The Company’s ultimate controlling party was Alexey Mordashov.

In November 2011, the Severstal Group decided to spin off the Group by exchange of 100% shares of Nord Gold N.V. for JSC Severstal shares and GDRs based on the relative fair values. In January 2012, the Company completed exchange of 10.6 % of its shares with non-controlling shareholders which became traded on the London Stock Exchange in the form of GDRs. The exchange between Lybica Holding B.V. and Rayglow Limited, an entity controlled by Alexey Mordashov, of JSC Severstal shares for 89.4% of the Company’s shares (“Shares”) was completed in March 2012 and those Shares were then sold to Canway Holding B.V., a company controlled by Alexey Mordashov who remains the ultimate controlling party.

The Group’s principal activity is the extraction, refining and sale of gold. Mining and processing facilities are located in Burkina Faso, Guinea, the Republic of Buryatia, the Republic of Yakutia, the Amur region and the Transbaikal region of the Russian Federation, Kazakhstan.

2. Basis for preparation of the consolidated interim condensed financial statements

Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements.

The Board of Directors is responsible for the preparation of the condensed consolidated half-year financial statements for the six months ended June 30, 2012, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The responsibility of the Board of Directors includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors is also responsible for the preparation of the Highlights report. This semi-annual report endeavors to present a fair review of the situation of the business at balance sheet date and of the state of affairs in the half-year under review. Such an overview contains a selection of some of the main developments in the first six months of the financial year and can never be exhaustive. The Highlights report also contains the current expectations of the Board of Directors for the second half of the financial year. As required by provision 5:25d (2)(c) of the Dutch act on financial supervision (Wet op het financieel toezicht) and on the basis of the foregoing, the Board of Directors confirms that to its knowledge:

1. The condensed consolidated half-year financial statements for the six months ended June 30, 2012, which have been prepared in accordance with IAS 34 interim financial reporting, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. The Highlights report includes a fair overview of the situation at the balance sheet date, the course of affairs during the first six months of the financial year of the company and the undertakings included in the consolidation taken as a whole, and the expected course of affairs for the second half of 2012 as well as an indication of important events

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that have occurred during the six months ended June 30, 2012, and their impact on the condensed consolidated half-year financial statements for the six months ended June 30, together with a description of the principal risks and uncertainties for the second half of 2012, and also includes the major related parties transactions entered into during the six months ended June 30, 2012.

Accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2011, except that the Group has adopted those new/revised standards mandatory for financial annual periods beginning on January 1, 2012. The adoption of the pronouncements did not have a significant impact on the Group's condensed consolidated interim financial statements.

Since April 2012, the Group has held derivative financial instruments. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of derivative financial instruments is classified as a non-current asset or long-term debt if the remaining maturity of the derivative financial instrument is more than 12 months and as a current asset or liability if the remaining maturity of the derivative financial instrument is less than 12 months after the balance sheet date.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognized liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The ineffective part is recognized immediately in the statement of income. If a hedging relationship is terminated and the derivative financial instrument is not sold, future changes in its fair value are recognized in the statement of income.

The effective part of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective part is recognized in the income statement within finance income or costs. Amounts accumulated in equity are reclassified to the statement of income in the same periods the hedged item affects profit or loss. The gain or loss relating to the effective part of derivative financial instruments is recognized in the income statement within the line where the result from the hedged transaction is recognized.

When a hedging instrument matures or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged transaction is ultimately recognized in the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the income statement.

Critical accounting judgements, estimates and assumptions

The preparation of consolidated interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011 except described below.

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During 2012 the Group revised useful lives of certain mineral rights following an updated independent report on mineral reserves and resources valuation. The effect of the change in accounting estimate on these condensed consolidated interim financial statements was an increase in depreciation expense in amount of US\$ 6.4 million.

Effective April 1, 2012 the Company changed its functional currency from Euro to US dollars. The presentation currency for the Group remains US dollars. The change in functional currency is appropriate based on the fact that since April 2012 most of the Company's investing and financing activities and cash flows are denominated in US dollars while the impact of the operational activities on the Company's financial position remains insignificant. Having considered the aggregated effect of all the factors management concluded that the Company's functional currency had changed to US dollars. Management believes that this change more clearly reflects the Company's financial position and significantly reduces its exposure to currency risk. The change in functional currency has been accounted for prospectively since April 1, 2012. The Company will no longer have currency exchange effects deriving from USD denominated monetary assets and liabilities. Conversely, monetary assets and liabilities denominated in other currencies than USD may now generate such currency effects. As the presentation currency of the Group is US dollar the change of the Company's functional currency from Euro to US dollars has no impact on the Group's equity and comparative information for previous periods.

Financial risk management

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Directors monitor compliance with the Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

Since April 2012, the Group designates certain derivatives as hedges of a particular risk associated with the exposure to variability in cash flows that is attributable to particular risks associated with recognized debt financing and which could affect profit or loss. The Group's hedging strategy is designed to reduce the variability of cash flows associated with debt financing from third parties denominated in foreign currencies and/or issued on terms of variable interest rates. The list of potential hedging counterparties includes major large and stable banks; the credit risk associated with these counterparties is considered to be very low.

3. Segment reporting

The Group has eight reportable segments, as described below, which include the Group's strategic business units. The strategic business units are managed separately. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Neryungri and Aprelkovo.* Includes gold mining entities OOO Neryungri-Metallic and ZAO Mine Aprelkovo located in the Republic of Yakutia and the Transbaikalian region of the Russian Federation and operating mines with heap-leaching technology for gold processing. OOO Neryungri-Metallic operates open-pit gold mine Tabornoye and Gross gold development project. Mine Aprelkovo operates open-pit gold mine Pogromnoye.
- *Suzdal and Balazhal.* Includes Celtic Group operating Suzdal underground gold mine located in Kazakhstan with flotation, BIOX and CIL technology for gold processing and geographically aggregated with Semgeo operating Balazhal gold deposit in Kazakhstan.
- *Buryatzoloto.* Gold mining entity located in the Republic of Buryatia of the Russian Federation, includes two underground gold mines: Zun-Holba with gravity, flotation and CIP technology for gold processing and Irokinda with gravity and flotation technology for gold processing.

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- *Berezitovy*. Open-pit gold mine located in the Amur region of the Russian Federation with CIP technology for gold processing.
- *Taparko*. Open-pit gold mine located in Burkina Faso, West Africa with CIL technology for gold processing.
- *Lefa*. Includes Crew Gold Group operating Lefa open-pit gold mine located in Guinea, West Africa with CIP technology for gold processing.
- *Bissa and Burkina Faso Greenfields*. Includes Bissa gold development project and a number of gold deposits on exploration and evaluation stage located in Burkina Faso, West Africa.
- *Russian Greenfields*. Includes a number of gold deposits on exploration and evaluation stage located in the Russian Federation.

The following is an analysis of the Group's sales and profit for the period by segment:

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Sales				
Neryungri and Aprelkovo	49,992	49,790	28,076	31,880
Suzdal and Balazhal	62,919	60,180	29,756	40,166
Buryatzoloto	101,891	94,467	49,098	51,211
Berezitovy	74,833	76,815	40,463	45,305
Taparko	101,108	103,222	46,833	50,964
Lefa	137,796	158,959	70,438	79,876
Total	<u>528,539</u>	<u>543,433</u>	<u>264,664</u>	<u>299,402</u>
	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Profit for the period				
Neryungri and Aprelkovo	(951)	5,203	838	3,966
Suzdal and Balazhal	3,517	13,364	(727)	7,734
Buryatzoloto	34,937	45,772	16,113	16,208
Berezitovy	24,078	36,852	2,159	17,558
Taparko	39,975	54,483	16,242	25,960
Lefa	(13,633)	3,855	(11,043)	(7,781)
Bissa and Burkina Faso Greenfields	(10,926)	2,903	(11,947)	4,174
Russian Greenfields	(969)	121	(1,209)	(113)
Unallocated items and consolidation adjustment	(10,776)	(32,530)	(4,868)	(22,341)
Total	<u>65,252</u>	<u>130,023</u>	<u>5,558</u>	<u>45,365</u>

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The following is an analysis of the Group's total assets by segment:

	June 30, 2012 (unaudited)	December 31, 2011
Segment total assets		
Neryungri and Aprelkovo	608,408	470,214
Suzdal and Balazhal	430,128	393,168
Buryatzoloto	299,798	284,016
Berezitovy	192,269	235,703
Taparko	255,883	223,153
Lefa	952,264	921,894
Bissa and Burkina Faso Greenfields	259,444	157,234
Russian Greenfields	42,946	36,400
Unallocated items and consolidation adjustment	(343,087)	(73,901)
Total	<u><u>2,698,053</u></u>	<u><u>2,647,881</u></u>

4. Sales

Sales by product were as follows:

	Six months ended June 30,		Three months ended June 30,	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Gold	525,018	537,741	263,038	295,764
Silver	3,521	5,692	1,626	3,638
Total	<u><u>528,539</u></u>	<u><u>543,433</u></u>	<u><u>264,664</u></u>	<u><u>299,402</u></u>

Sales by delivery destination and customers were as follows:

	Six months ended June 30,		Three months ended June 30,	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Switzerland: Metalor Technologies S.A.	140,307	60,180	76,589	40,166
Switzerland: MKS Finance S.A.	137,796	158,959	70,438	79,876
Russia: NOMOS bank	118,793	221,072	59,509	128,396
Russia: VTB	74,833	—	40,463	—
Russia: Sberbank	33,090	—	17,665	—
Switzerland: Standard Bank	23,720	103,222	—	50,964
Total	<u><u>528,539</u></u>	<u><u>543,433</u></u>	<u><u>264,664</u></u>	<u><u>299,402</u></u>

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5. General and administrative expenses

General and administrative expenses were as follows:

	Six months ended June 30,		Three months ended June 30,	
	2012	2011	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Wages and salaries	13,440	10,437	6,756	6,022
Services	11,696	8,196	6,680	4,390
Social security costs	2,539	733	1,285	513
Materials and consumables	619	585	482	284
Depreciation and amortization	451	345	217	166
Change in bad debt allowance	414	(16,518)	(16)	315
Other expenses	2,751	2,431	1,545	1,780
Total	31,910	6,209	16,949	13,470

Change in bad debt allowance for six months ended June 30, 2011 includes a reversal of allowance on debt partially repaid by Prognoz Silver LLC to Buryatzoloto under the contract for exploration work on the Prognoz silver project in amount of US\$ 16.8 million.

6. Other operating expenses, net

	Six months ended June 30,		Three months ended June 30,	
	2012	2011	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Impairment of exploration and evaluation assets	(2,094)	(838)	—	—
Social expenses	(734)	(390)	(256)	(306)
Impairment of available-for-sale investments	(621)	(5,777)	(602)	(701)
Loss on disposal of property, plant and equipment	(394)	(425)	(380)	(327)
Charity donations	(214)	(34)	(92)	—
Net loss from joint ventures	(116)	(287)	—	(148)
Net (loss) / gain from contractual compensations and fines	(86)	1,036	(38)	(1,251)
Reversal of impairment of property, plant and equipment	1,889	—	1,889	—
Net gain on disposal of inventories	116	331	206	146
Loss from inventories write off	—	(6,274)	—	(6,274)
Reversal of provisions and contingencies	—	4,863	—	—
Net gain on disposal of subsidiaries	—	412	—	—
Other	3,614	(289)	3,328	(179)
Total	1,360	(7,672)	4,055	(9,040)

Reversal of impairment of property, plant and equipment for the six months ended June 30, 2012 is related to specific items of property, plant and equipment of the Suzdal and Balazhal segment. The reversal was recognized due to performed repairs and improvement of the technical condition of the items instead of expected complete replacement.

Impairment of available-for-sale investments for the six months ended June 30, 2011 totally consists of impairment of investment in Sacre-Coeur Minerals Ltd. recognized basing on significant decline in its market value.

Reversal of provisions and contingencies for the six months ended June 30, 2011 includes partially reversed provisions for legal claims recognized within final purchase price allocation of Crew Gold Corporation due to certain compromise agreements with the claimants achieved by the management of the Group in 2011.

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7. Finance income and costs

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Foreign exchange gain	—	17,935	—	—
Interest income	2,315	2,903	370	1,598
Finance income	<u>2,315</u>	<u>20,838</u>	<u>370</u>	<u>1,598</u>
Interest expenses	(13,613)	(16,014)	(6,598)	(8,310)
Equity transaction costs	—	(15,676)	—	(8,002)
Foreign exchange loss	(17,682)	—	(34,996)	(1,842)
Finance costs	<u>(31,295)</u>	<u>(31,690)</u>	<u>(41,594)</u>	<u>(18,154)</u>
Total	<u>(28,980)</u>	<u>(10,852)</u>	<u>(41,224)</u>	<u>(16,556)</u>

Equity transaction costs for the six months ended June 30, 2011 includes costs incurred in connection with probable future equity transaction and written off in 2011 as the management of the Group has no further intention to finalize the transaction.

8. Related party transactions

Transactions with related parties, except Parent Company and Joint Venture, were the following:

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Cost of sales	(1,979)	(1,193)	(318)	(288)
General and administrative costs	(358)	(454)	(187)	(205)
Other operating expenses	(29)	—	—	3
Interest income	532	1,154	3	6
Interest expense	(5,655)	(11,279)	—	(5,976)
Purchases:				
non-capital expenditures	(2,366)	(1,647)	(505)	(490)
capital expenditures	—	(98)	—	(2)

Transactions with the Joint Venture Prognosz-Silver LLC were the following:

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Repayment of debt	—	16,822	—	—
Other operating income	—	2,299	—	—

There were no transactions with the Parent Company.

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9. Related party balances

Balances with related parties, except Parent Company and Joint Venture, were the following:

	June 30, 2012 (unaudited)	December 31, 2011
Cash and cash equivalents	180	46,281
Short-term accounts receivable	703	640
Short-term loans given	—	447
	<u>883</u>	<u>47,368</u>
Short-term accounts payable	440	503
Short-term debt finance	7	257,516
Long-term debt finance	—	84,062
	<u>447</u>	<u>342,081</u>

All outstanding balances with related parties are to be settled in cash. The Group did not hold any collateral for amounts owed by related parties.

There were no balances with the Parent Company.

10. Debt finance

Short-term debt financing was as follows:

	June 30, 2012 (unaudited)	December 31, 2011
Notes and bonds issued	58,537	58,812
Loans	—	232,910
Accrued interest	590	24,606
Bank overdrafts	565	—
Total	<u>59,692</u>	<u>316,328</u>

Long-term debt financing was as follows:

	June 30, 2012 (unaudited)	December 31, 2011
Bank and other credit organizations financing	335,194	—
Loans	—	73,889
Accrued interest	—	10,173
Derivative financial liabilities	37,626	—
Unamortized balance of transaction costs	(1,573)	—
Total	<u>371,247</u>	<u>84,062</u>

In March 2012, the Company received a US\$ 375 million loan facility from Sberbank denominated in Russian roubles maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears an interest at a variable rate of 3-month Mosprime + 3.8% per annum payable on quarterly basis. The loan is secured by pledge of the Group's ownership in High River Gold Mines Ltd (not less than 50% + 1 share of all High River Gold Mines Ltd outstanding shares) and by guarantees of certain Group's subsidiaries. The proceeds from the facility were used to repay the Group's

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outstanding debt financing to Severstal Group in amount of US\$ 358.4 million. This completed debt financing arrangements between the Group and Severstal Group as at March 31, 2012. In April 2012, the Group signed cross-currency swap agreements with Sberbank and Raiffeisenbank for the full amount of the Sberbank loan facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 29.3:1 and the interest rate was fixed at approximately 5.6%. The swap agreements with Sberbank are secured by the same collaterals as the loan agreement. The swap agreement with Raiffeisenbank is not secured by any collateral.

The company fully met the covenants criteria as per 30 June 2012.

In July 2012, the Company received a US\$ 152 million loan facility from Sberbank denominated in Russian roubles maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears an interest at a variable rate of 3-month Mosprime + 3.3% per annum payable on quarterly basis. The loan has the same security as the US\$375 mln loan received in March 2012. The proceeds from the facility will be used to finance the Group's capital expenditures and other investments. In July 2012, the Group signed a cross-currency swap agreement with Sberbank for the full amount of the loan facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 32.7:1 and interest rate was fixed at 5.2%. The swap agreement with Sberbank is secured by the same collaterals as the loan agreement.

Short-term and long-term loans and accrued interest at December 31, 2011 are all from related parties (Note 9).

Fair value hierarchy

As at June 30, 2012, the derivative financial liability represents fair value of cross-currency swaps held by the Group for hedging of currency and interest rate risks attributable to the loan agreement with Sberbank. This derivative financial liability and the Sberbank loan facility are categorized by the valuation methods into Level 2 of the fair value hierarchy: inputs, other than quoted prices (unadjusted) in active markets for identical assets or liabilities, that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Hedge accounting

As at June 30, 2012, the outstanding derivative financial instruments qualify for hedge accounting under IFRS. To apply for hedge accounting requires the hedge to be highly effective. For the six months ended June 30, 2012 the result recorded in the income statement as a result of ineffectiveness of hedging is: cash flow hedge, US\$ 0 million.

Sensitivity analysis

A sensitivity analysis on the derivative financial instruments portfolio yields the following results assuming an instantaneous 1% decline of the Russian rouble against the US dollar from its levels as at June 30, 2012, and an instantaneous 100 basis points increase of the Russian rouble interest rates respectively (stated in millions of US dollars):

	Equity / Net profit	
	100 BP increase	100 BP decrease
Change in RUB interest rate	<u>6.8</u>	<u>(6.8)</u>
	Equity / Net profit	
	1% strengthening	1% weakening
Change in RUB/USD rate	<u>3.8</u>	<u>(3.8)</u>

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11. Earnings per share

The calculation of basic earnings per share for six months ended June 30, 2012 was based on the profit attributable to ordinary shareholders of US\$ 35.9 million (six months ended June 30, 2011: US\$ 82.6 million), and a weighted average number of outstanding ordinary shares of 358.8 million (2011: 358.8 million).

The calculation of basic earnings per share for three months ended June 30, 2012 was based on the loss attributable to ordinary shareholders of US\$ 3.4 million (three months ended June 30, 2011: profit of US\$ 26.0 million), and a weighted average number of outstanding ordinary shares of 358.8 million (2011: 358.8 million).

The Company has no dilutive potential ordinary shares.

	actually issued shares (in million of shares)	shares with effect of share split and reverse share split (in million of shares)	weighted average number of shares with effect of share split and reverse share split (in million of shares)
Issued shares at January 1, 2011	717.588	358.794	358.794
Effect of reverse share split	(358.794)	—	—
Weighted average number of shares for the six months ended June 30, 2011			358.794
Weighted average number of shares for the three months ended June 30, 2011			358.794
Issued shares at January 1, 2012	358.794	358.794	358.794
Weighted average number of shares for the six months ended June 30, 2012			358.794
Weighted average number of shares for the three months ended June 30, 2012			358.794

12. Acquisitions and disposals

Acquisitions of non-controlling interests

In January 2011, the Group acquired an additional 6.62% stake in Crew Gold Corporation for a total consideration of US\$ 32.9 million resulting in obtaining ownership over 100% of its issued outstanding common shares.

Disposals of subsidiaries

In March 2011, the Group sold High River Gold Group's subsidiary (minor gold-placer mining company) to a third party for a total consideration of US\$ 0.5 million.

13. Commitments and contingencies

a. Taxation and litigations

The Group's tax risks and litigations are the same as those disclosed in the consolidated financial statements as at and for the year ended December, 31 2011 except the following developments.

In October 2011, JSC FIC Alel ("Alel") received notifications from region tax authorities regarding additional royalty and additional corporate tax accrual in total amount of US\$ 3.1 million. Management believed that the royalty and taxes were not supported by applicable regulation and thus no provision was made. However, the final outcome might significantly

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(Amounts expressed in thousands of US dollars, except as stated otherwise)

depend on the political environment of the Republic of Kazakhstan. In May 2012, Alel's complaint was rejected by the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan. Management decided not to file the application to the court and the amounts were paid off. Following this decision a liability of US\$ 2.7 million had been provided for in the six months ended June 30, 2012.

In June 2012, Société Minière de Dinguiraye ("SMD") received a letter from the Guinean Tax authorities which contested the deductibility of certain expenses for corporate income tax purposes in 2008-2010 and claimed tax and penalties for previous years totalling US\$ 16.5 million. SMD considers this claim to be inconsistent and unjustified and will contest the decision. Currently, the part of the claim for the amount of US\$ 1.4 million is assessed to have a probable negative outcome for the SMD and a provision has been made for the six months ended June 30, 2012. The part of the claim for the amount of US\$ 9.0 million was accrued to contingent liability within purchase price allocation on the date of the acquisition of the Crew Gold Corporation business in 2010. For the remaining part of the claim the outcome cannot currently be ascertained and so no provision has been made.

b. Capital commitments

At the reporting date the Group had contractual capital commitments of US\$ 102.6 million (December 31, 2011: US\$ 78.7 million).

14. Events after the reporting period

As described in note 10, in July 2012, the Company received a US\$ 152 million loan facility from Sberbank.

In July 2012, the Company announced its intention to make an offer to acquire the outstanding shares of High River Gold Mines Ltd. ("Shares") in exchange of either 0.285 Company's global depositary receipts or C\$1.40 in cash for each Share. Further to this intention the Company entered into lock-up agreements for 59.9 million Shares representing approximately 7.13% of total High River Gold Mines Ltd. outstanding shares.

There were no other events subsequent to the reporting date, which could influence the economic decisions of users taken on the basis of these consolidated interim condensed financial statements.

These consolidated interim condensed financial statements were approved on 24 August, 2012.

Nord Gold N.V.

Pro Forma Financial Statements

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Basis of Presentation

The unaudited pro forma combined financial information of Nord Gold N.V. (“Nordgold”) is presented to show how Nordgold might have looked if the proposed acquisition by Nordgold of all the issued and outstanding common shares of High River Gold Mines Ltd. (“HRG”) not already owned by Nordgold pursuant to the offer to purchase set out in the offer and take-over bid circular dated October 19, 2012 (the “Offer”) had occurred on the dates and for the periods indicated below. The unaudited pro forma combined financial information has been derived by applying the assumptions and the pro forma adjustments described below to the historical financial information of Nordgold included elsewhere in this Annex B.

The unaudited pro forma combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma combined financial information. In addition, the unaudited pro forma combined financial information should be read in conjunction with the information included under the heading “The Offer” in the Offer and in Annex A, “*Management’s Discussion and Analysis*” and the historical consolidated financial statements and related notes of Nordgold included elsewhere in Annex B hereof.

The unaudited pro forma combined financial information has been presented for informational purposes only. The unaudited pro forma combined financial information is not necessarily indicative of what the combined company’s financial position or results of operations actually would have been had the Offer been completed as of the dates indicated. In addition, the unaudited pro forma combined financial information does not purport to project the future financial position or operating results of the combined company. There can be no assurance that the assumptions used in the preparation of the unaudited pro forma combined financial information will prove to be correct. The unaudited pro forma combined financial information is based on:

- the audited consolidated historical financial statements of Nordgold as of December 31, 2011 and for the financial year ended December 31, 2011, prepared in accordance with IFRS adopted for use in the European Union (“EU IFRS”); and
- the unaudited interim consolidated historical financial statements of Nordgold as of and for the six months ended June 30, 2012, prepared in accordance with IAS 34.

Furthermore, the unaudited pro-forma consolidated statements of income are not necessarily indicative of the operating results that may be obtained by Nordgold in the future.

The historical financial information of Nordgold has been adjusted in the unaudited pro forma combined financial statements to give effect to pro forma events that are directly attributable to the Offer including the financing of the cash consideration offered thereunder. These adjustments include adjustments related to the costs of the Offer and the related financing.

The unaudited pro-forma combined statement of financial position has been prepared as if the acquisition of HRG had occurred on June 30, 2012. The unaudited pro-forma combined statements of income for the six months ended June 30, 2012 and the year ended December 31, 2011 have been prepared as if the acquisition of HRG had occurred on January 1, 2012 and January 1, 2011, respectively.

Adjustments have been made based on available information and certain assumptions that management believes are reasonable.

Other Items for the Basis of Presentation

All material accounts and transactions between Nordgold and HRG have been eliminated from the unaudited pro forma combined financial information. The unaudited pro forma combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the successful completion of the Offer or the costs to combine the operations of Nordgold and HRG or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements. The unaudited pro forma combined statement of income includes recurring as well as non-recurring items.

Unaudited Pro Forma Combined Income Statement for the year ended December 31, 2011

USD'000	Nord Gold N.V.	Adjustments		Pro Forma Combined
For the Year ended December 31, 2011	Note 1	Note 2	Note 3	
Sales	1,182,129			1,182,129
Cost of sales	(672,630)			(672,630)
Gross profit	509,499	—	—	509,499
General and administrative expenses	(37,550)			(37,550)
Taxes other than income tax	(76,473)			(76,473)
Other operating (expenses)/income, net	(13,561)			(13,561)
Profit from operations	381,915	—	—	381,915
Finance income	5,439			5,439
Finance costs	(63,150)	(8,433)		(71,583)
Profit before income tax	324,204	(8,433)	—	315,771
Income tax expense	(72,158)			(72,158)
Profit for the period	252,046	(8,433)	—	243,613
Attributable to:				
Shareholders of the Company	168,929	(8,433)	59,584	220,080
Non-controlling interest	83,117		(59,584)	23,533
Weighted average number of shares outstanding during the period (thousands of shares)	358,794		17,072	375,866
Earnings per share (Note 4)				
Diluted earnings per share	—			
Basic and diluted profit per share (USD)	0.47			0.59

The accompanying notes are an integral part of these pro forma combined financial statements.

Unaudited Pro Forma Combined Statement of Financial Position as at June 30, 2012

USD'000	Nord Gold N.V.	Adjustments		Pro Forma Combined
As at June 30, 2012	Note 1	Note 2	Note 3	(unaudited)
Assets				
Current assets				
Cash and cash equivalents	50,524	205,092	(205,649)	49,967
Accounts receivable	83,455			83,455
Inventories	480,821			480,821
VAT recoverable	75,990			75,990
Short-term financial investments	17,896			17,896
Income tax receivable	10,055			10,055
Total current assets	718,741	205,092	(205,649)	718,184
Non-current assets				
Property, plant and equipment	671,621			671,621
Intangible assets	1,225,751			1,225,751
Long-term financial investments	68,531			68,531
Investment in joint venture	4,575			4,575
Restricted cash	4,726			4,726
Deferred tax assets	2,621			2,621
Other non-current assets	1,487			1,487
Total non-current assets	1,979,312	—	—	1,979,312
Total assets	2,698,053	205,092	(205,649)	2,697,496

The accompanying notes are an integral part of these pro forma combined financial statements.

USD'000	Nord Gold N.V.	Adjustments		Pro Forma Combined
As at June 30, 2012	Note 1	Note 2	Note 3	(unaudited)
Liabilities and shareholders' equity				
Current liabilities				
Short-term debt finance	59,692			59,692
Accounts payable	183,089		6,796	189,885
Income tax payable	13,279			13,279
Provisions	24,243			24,243
Total current liabilities	280,303	—	6,796	287,099
Non-current liabilities				
Long-term debt finance	371,247	205,092		576,339
Provisions	61,886			61,886
Deferred tax liabilities	192,947			192,947
Other non-current liabilities	11,500			11,500
Total non-current liabilities	637,580	205,092	—	842,672
Total liabilities	917,883	205,092	6,796	1,129,771
Equity				
Share capital	1,244,501		53,733	1,298,234
Additional capital	862,340			862,340
Foreign exchange differences	(92,214)			(92,214)
Retained earnings	(514,430)	—	(61,417)	(575,847)
Revaluation reserves	18,503			18,503
Total equity attributable to shareholders of the Company	1,518,700	—	(7,684)	1,511,016
Non-controlling interest	261,470		(204,761)	56,709
Total equity	1,780,170	—	(212,445)	1,567,725
Total equity and liabilities	2,698,053	205,092	(205,649)	2,697,496

The accompanying notes are an integral part of these pro forma combined financial statements.

Unaudited Pro Forma Combined Income Statement for the six months ended June 30, 2012

USD'000	Nord Gold N.V.	Adjustments		Pro Forma Combined
Six months ended June 30, 2012	Note 1	Note 2	Note 3	
Sales	528,539			528,539
Cost of sales	(342,105)			(342,105)
Gross profit	186,434	—	—	186,434
General and administrative expenses	(31,910)			(31,910)
Taxes other than income tax	(33,753)			(33,753)
Other operating (expenses)/income, net	1,360			1,360
Profit from operations	122,131	—	—	122,131
Finance income	2,315			2,315
Finance costs	(31,295)	(4,419)		(35,714)
Profit before income tax	93,151	(4,419)	—	88,732
Income tax expense	(27,899)			(27,899)
Profit for the period	65,252	(4,419)	—	60,833
Attributable to:				
Shareholders of the Company	35,923	(4,419)	20,766	52,270
Non-controlling interest	29,329		(20,766)	8,563
Weighted average number of shares outstanding during the period (thousands of shares)	358,794		17,072	375,866
Earnings per share (Note 4)				
Diluted earnings per share	—			
Basic and diluted profit per share (USD)	0.10			0.14

The accompanying notes are an integral part of these pro forma combined financial statements.

Notes:

- (1) The information in this column has been extracted without material adjustment from the historical consolidated financial information of Nordgold for the year ended December 31, 2011 and for the six months ended June 30, 2012, as applicable, prepared in accordance with EU IFRS.

- (2) The information in this column in the unaudited pro forma combined statement of financial position has been presented as if credit facilities used to finance the cost of the cash portion of the Offer were drawn on June 30, 2012.

The information in this column in the unaudited pro forma combined income statement for the six months ended June 30, 2012 has been presented as if credit facilities used to finance the cost of the cash portion of the Offer were drawn on January 1, 2012.

The information in this column in the unaudited pro forma combined income statement for the year ended December 31, 2011 has been presented as if credit facilities used to finance the cost of the cash portion of the Offer were drawn on January 1, 2011.

- (3) The information in this column has been presented as if only locked-up HRG shareholders had been issued Nordgold global depositary receipts on January 1, 2011 in exchange for their HRG shares.

Equity loss as a result of acquiring the minority HRG shares as of June 30, 2012 is calculated as follows:

USD'000	As at June 30, 2012
Equity loss:	
17,071,559 Nordgold shares issued	53,733
Cash received from credit facility	205,649
Transaction costs	6,796
Non-controlling interest purchase	(204,761)
	<u>61,417</u>

- (4) The pro forma basic and diluted earnings per share have been calculated on the assumption that the 17,071,559 Nordgold shares issued pursuant to the Offer were issued on the first day of the respective periods.

	Issued and outstanding Nord Gold N.V. ordinary shares	
	For the Year ended December 31, 2011	Six months ended June 30, 2012
Weighed average number of Nordgold shares	358,794,180	358,794,180
Nordgold shares issued to HRG shareholders under the Offer as discribed above in Note 3	17,071,559	17,071,559
Nordgold shares after acquisition	375,865,739	375,865,739
Pro forma profit for the period attributable to shareholders of Nordgold (USD'000)	220,080	52,270
Pro forma basic earnings per share (USD)	0.59	0.14
Pro forma diluted earnings per share (USD)	0.59	0.14

ANNEX C
FORMAL VALUATION

October 16, 2012

The Special Committee of Independent Directors
High River Gold Mines Ltd.

67 Yonge Street
Suite 1502
Toronto, ON
M5E 1J8

To the Special Committee and the Board of Directors:

Paradigm Capital Inc. ("**Paradigm Capital**") understands that Nord Gold N.V. ("**Nordgold**") has advised High River Gold Mines Ltd. ("**High River**" or the "**Company**") that it intends to make a formal take-over bid, whereby Nordgold would acquire all the issued and outstanding common shares of High River that Nordgold and its affiliates do not already own, including common shares issuable upon the exercise of certain convertible securities (the "**Minority Shareholders**"), for a price per common share, at the option of the tendering shareholder, of either (a) 0.285 global depositary receipts of Nordgold (the "**GDR Offer**") or (b) \$1.40 in cash (the "**Cash Offer**", together with the GDR Offer, the "**Transaction**").

Paradigm Capital further understands that:

- (a) The Transaction would constitute an "insider bid" for purposes of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and therefore requires a formal valuation (the "**Valuation**") of the Transaction;
- (b) The board of directors of High River (the "**Board of Directors**") has appointed a special committee of independent directors (the "**Special Committee**") to consider and evaluate the Transaction and to make recommendations thereon to the Board of Directors;
- (c) The Special Committee has retained Paradigm Capital to assist it in evaluating the Transaction, including the preparation and delivery to the Special Committee of a formal Valuation in accordance with the requirements of MI 61-101 and By-Law 29 of the Investment Industry Regulatory Organization of Canada ("**IIROC**") (collectively the "**Policies**"); and
- (d) Nordgold has entered into lock-up agreements with certain Minority Shareholders, holding an aggregate of 59,900,206 common shares of High River, representing approximately 29 per cent of the High River common shares not already owned by Nordgold and its affiliates, irrevocably committing to tender their common shares and accept the GDR Offer.

Paradigm Capital also understands Nordgold is required to prepare an offer circular in connection with the Transaction (the "**Take-Over Bid Circular**"), and High River has to prepare a directors' circular (the "**Directors' Circular**", together with the Take-Over Bid Circular, the "**Circulars**") which will be prepared by Nordgold and High River respectively, in compliance with applicable laws, regulations, policies and rules and will be mailed to shareholders of High River.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise.



Paradigm Capital Engagement and Background

Paradigm Capital was first contacted regarding the Transaction on July 18, 2012. Paradigm Capital was formally engaged to act as financial advisor to the Special Committee pursuant to an agreement dated July 31, 2012 (the "**Engagement Agreement**"). The terms of the Engagement Agreement provide that Paradigm Capital is to be paid a fixed fee for its service and will be reimbursed for out of pocket expenses upon submission of the Valuation. In addition, High River has agreed to indemnify Paradigm Capital, its subsidiaries and affiliates, and their respective officers, directors, employees and agents, against certain expenses, losses, claims, actions, damages and liabilities arising from the Engagement Agreement. The fee payable to Paradigm Capital is not contingent upon the completion of the Transaction. No understandings or agreements exist between Paradigm Capital and the Company with respect to future financial advisor or investment banking business.

In connection with the Valuation, Paradigm Capital formally engaged Roscoe Postle Associates Inc. ("**RPA**") pursuant to an agreement dated August 27, 2012 (the "**RPA Agreement**"), to assist with the technical due diligence of High River and Nordgold. The RPA Agreement provides that RPA is to be paid a fixed fee for its service and will be reimbursed for out of pocket expenses.

Subject to the terms of the Engagement Agreement, Paradigm Capital consents to the inclusion of the Valuation in its entirety, together with a summary thereof in a form acceptable to Paradigm Capital, acting reasonably, in each of the Circulars and, documents filed with the securities commissions or similar regulatory authorities in each relevant province of Canada.

Credentials and Independence of Paradigm Capital

Paradigm Capital is a Canadian independent investment banking firm with a sales, trading, research and corporate finance focus providing services for both institutional investors and corporations. Paradigm Capital was founded in 1999 and is a member of the Toronto Stock Exchange, the TSX Venture Exchange and IIROC. Paradigm Capital has participated in many transactions involving both public and private companies.

The Valuation expressed herein represent the opinion of Paradigm Capital and the form and content thereof have been approved for release by a committee of directors and other professionals of Paradigm Capital, each of whom is experienced in mergers, business combinations, divestitures, and valuations.

None of Paradigm Capital, its associates or affiliates: (i) is an issuer insider, associate, affiliate or affiliated entity (as those terms are defined in MI 61-101) of High River or Nordgold, or any of their respective associates or affiliates; (ii) is an advisor to any person or company other than to the Special Committee with respect to the Transaction; (iii) is a manager or co-manager of a soliciting dealer group formed in respect of the Transaction (or a member of such a group performing services beyond the customary soliciting dealer's functions or receiving more than the per security or per security holder fees payable to the other members of the group). Paradigm Capital has not provided any financial advisory services to High River or Nordgold, or any of their respective associates or affiliates for which it has received compensation since January 1, 2009, other than in June 2009 when Paradigm Capital acted as financial advisor to High River in connection with the non-binding expression of interest from OAO Severstal Resources ("**Severstal**") to acquire all the issued and outstanding shares of High River from minority shareholders at \$0.22 per share, and in May 2009 when Paradigm Capital acted as financial advisor to High River with respect to providing High River with a review of the strategic and financing alternatives available to the Company.

Paradigm Capital may, however, in the ordinary course of its business, provide financial advisory or investment banking services to High River, Nordgold or any of their respective affiliates. In addition, during the ordinary course of business, Paradigm Capital may actively trade common shares and other securities of High River or Nordgold for its own account and for the accounts of Paradigm Capital's clients and, accordingly, may at any time hold a long or short position in such securities. As an investment dealer, Paradigm Capital conducts research on securities and may, in the ordinary course of its business, provide research reports and investment

advice to its clients on investment matters, including those related to any of High River, Nordgold, or the Transaction.

Scope of the Review

In connection with this Valuation, Paradigm Capital has reviewed and relied upon and in some cases carried out, among other things, the following:

- a) Nordgold draft Take-Over Bid Circular, received October 15, 2012;
- b) High River's amended and restated Annual Information Form for the fiscal year ended December 31, 2011, dated July 20, 2012;
- c) High River's Management Information Circular dated June 5, 2012;
- d) High River's audited consolidated financial statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2011 and the comparative period ended December 31, 2010;
- e) High River's unaudited quarterly consolidated interim financial statements and Management's Discussion and Analysis as at and for the periods ended June 30, 2012, March 31, 2012 and September 30, 2011, and the comparative periods ended June 30, 2011, March 31, 2011 and September 30, 2010, respectively;
- f) Amended and restated NI 43-101 Technical Report – The Taparko-Bouroum Assets, Burkina Faso, dated July 2012, prepared for High River, by Phil Newall, BSc (ARSM), PhD (MCSM), CEng, FIMMM, of Wardell Armstrong International Ltd. (the **"July 2012 Tarparko Technical Report"**);
- g) Amended and restated NI 43-101 Technical Report – The Berezitovy Project, Russia, dated July 2012, prepared for High River, by Mark Owen, BSc, MSc, MCSM, CGeol, of Wardell Armstrong International Ltd. (the **"July 2012 Berezitovy Technical Report"**);
- h) Amended and restated NI 43-101 Technical Report – The Bissa Asset, Burkina Faso, dated July 2012, prepared for High River, by Phil Newall, BSc (ARSM), PhD (MCSM), CEng, FIMMM, of Wardell Armstrong International Ltd. (the **"July 2012 Bissa Technical Report"**);
- i) NI 43-101 Technical Report on the Irokinda Project, Republic of Buryatia, Russian Federation, dated April 5, 2012, prepared for High River, by Ricardo A. Valls, MSc, PGeo, of Valls Geoconsultant (the **"April 2012 Irokinda Technical Report"**);
- j) NI 43-101 Technical Report and Audit of the Resource and Reserve Estimates for the Irokinda Gold Mine, Republic of Buryatia, Russian Federation, dated August 30, 2012, effective date of April 1, 2012, prepared for High River, by William J. Lewis, BSc, PGeo, of Micon International Limited (the **"August 2012 Irokinda Technical Report"**);
- k) NI 43-101 Technical Report on the Zun-Holba Project, Republic of Buryatia, Russian Federation, dated April 5, 2012, prepared for High River, by Ricardo A. Valls, MSc, PGeo, of Valls Geoconsultant (the **"April 2012 Zun-Holba Technical Report"**);
- l) NI 43-101 Technical Report and Audit of the Resource and Reserve Estimates for the Zun-Holba Gold Mine, Russian Federation, dated September 10, 2012, effective date of April 1,



2012, prepared for High River, by William J. Lewis, BSc, PGeo, of Micon International Limited (the “**September 2012 Zun-Holba Technical Report**”);

- m) NI 43-101 Technical Report and Resource Estimate on the Prognoz Silver Project, Republic of Sakha (Yakutia), Russian Federation, dated June 27, 2008, prepared for High River by William J. Lewis, BSc, PGeo, of Micon International Limited (the “**June 2008 Prognoz Technical Report**”);
- n) High River’s press releases, Material Change Reports and Early Warning Report for the one year period ending October 16, 2012;
- o) High River’s internal financial, operational and corporate projections for the Company’s assets;
- p) Certain internal financial, operational, corporate and other information concerning High River’s assets, including financial models for High River’s assets, that were prepared or provided by the management of High River;
- q) High River’s Corporate Presentation dated June 2012;
- r) Nordgold’s annual reports for the fiscal year ended December 31, 2011, and the comparative period ended December 31, 2010;
- s) Nordgold’s unaudited quarterly consolidated interim financial statements as at and for the periods ended June 30, 2012, March 31, 2012, and September 30, 2011;
- t) Nordgold’s Updated Competent Person’s Report (“**CPR**”) on the Assets of Nord Gold for Russian-Federation, Burkina Faso, Guinea and Kazakhstan, dated April 2012, prepared for Nordgold by Phil Newall, BSc (ARSM), PhD (MCSM), CEng, FIMMM, of Wardell Armstrong International Ltd. (the “**April 2012 Nordgold CPR Report**”);
- u) NI 43-101 Pre-Feasibility Study on the Gross Gold Ore Deposit, dated August 2012, prepared for Nordgold by Alan Cooper, BAppSc, GradDip, MAusIMM, of Snowden Mining Industry Consultants (the “**August 2012 Gross Pre-Feasibility Study**”);
- v) Nordgold Prospectus, for Listing and Admission to the Official List and to Trading on the London Stock Exchange, dated January 27, 2012;
- w) Nordgold’s press releases for the one year period ending October 16, 2012;
- x) Nordgold’s internal financial, operational and corporate projections for the Company’s assets;
- y) Certain internal financial, operational, corporate and other information concerning Nordgold’s assets, including financial models for Nordgold’s assets, that were prepared or provided by the management of Nordgold;
- z) Nordgold’s Corporate Presentation dated August 2012;
- aa) Oral representations obtained from senior representatives of High River and Nordgold as to matters of fact considered by Paradigm Capital to be relevant;
- bb) Selected public market trading statistics and relevant business and financial information of High River, Nordgold and other comparable publicly traded entities;

- cc) Relevant financial information and selected financial metrics with respect to precedent transactions deemed relevant by Paradigm Capital; and
- dd) Such other corporate, industry and financial market information, investigations and analyses as Paradigm Capital considered necessary or appropriate in the circumstances.

In addition, Paradigm Capital has participated in discussions with members of High River and Nordgold's senior management and project technical teams regarding High River and Nordgold, past and current business operations, and High River and Nordgold's respective financial condition and prospects. Paradigm Capital has not, to the best of its knowledge, been denied access by High River or Nordgold to any information requested. Paradigm Capital did not meet with the auditors of High River or Nordgold and has assumed the accuracy and fair presentation of the audited consolidated financial statements of High River and Nordgold and the reports of the auditors thereon.

This Valuation has been prepared in accordance with MI 61-101 and the Disclosure Standards for Formal Valuations contained in ByLaw 29 of IIROC, but IIROC has not been involved in the preparation or review of the Valuation.

Assumptions and Limitations

With the approval of the Special Committee and, as provided in the Engagement Agreement, Paradigm Capital has relied, without independent verification, upon all financial and other information that was obtained from public sources or that was provided to us by High River, Nordgold and their respective affiliates, associates, advisors or otherwise. Paradigm Capital has assumed that this information was complete and accurate as of the date thereof and did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. This Valuation is conditional upon such completeness and accuracy. In accordance with the terms of our engagement, but subject to the exercise of Paradigm Capital's professional judgment, Paradigm Capital has not conducted any independent investigation to verify the completeness or accuracy of such information. With respect to the financial forecasts and budgets provided to us and used in our analysis, Paradigm Capital has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of High River and the management of Nordgold as to the matters covered thereby.

Senior representatives of High River have represented to us in a certificate of one senior officer of High River, among other things, that the information, opinions and other materials (the "**Information**") provided to us by, or on behalf of High River are complete and accurate as of the date of the Information and that: (i) since the date of the Information, except as publicly disclosed, there has been no material change, financial or otherwise, in High River or in its assets, liabilities (contingent or otherwise), business or operations and there has been no change in any material fact which is of a nature as to render the Information untrue or misleading in any material respect except to the extent disclosed in subsequent Information; (ii) since the dates on which the Information was provided to Paradigm Capital, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of High River or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Valuation; (iii) there are no independent appraisals or valuations or material non-independent appraisals, valuations or material expert reports relating to High River, its securities, or any of its subsidiaries or any of its respective material assets or liabilities within their possession or control or knowledge that have been prepared as of a date within the two years preceding the date hereof; (iv) since the dates on which the Information was provided to Paradigm Capital, no material transaction has been entered into by High River or any of its subsidiaries, and, except for the Offer contemplated, High River has no plans and is not aware of any circumstances or developments that could reasonably be expected to have a material effect on the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of High River or any of its subsidiaries or that would constitute a "material change" (as such term is defined in the *Securities Act* (Ontario) (the "**Act**")); (v) such senior officers of

High River have no knowledge of any facts or circumstances, public or otherwise, not contained in or referred to in the Information that could reasonably be expected to affect the Valuation, including the assumptions used, procedures adopted, the scope of the review undertaken or the conclusions reached; (vi) other than as disclosed in the Information, none of High River or its subsidiaries has any material contingent liabilities (on a consolidated or non-consolidated basis) and there are no material actions, suits, proceedings or inquiries pending or threatened against or affecting High River or any of its subsidiaries, at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, bureau, board agency or instrumentality which may in any way materially affect High River and its subsidiaries, taken as a whole; (vii) all financial material, documentation and other data concerning High River, its subsidiaries, the Offer, including any strategic plans, financial forecasts, projections, models or estimates provided to Paradigm Capital, were prepared on a basis consistent in all material respects with the accounting policies of High River applied in the audited consolidated financial statements of High River; (viii) with respect to any portions of the Information that constitute budgets, strategic plans, financial forecasts, projections, models or estimates, such portions of the Information (a) were reasonably prepared on bases reflecting the best currently available estimates and judgment of High River; (b) were prepared using the assumptions identified therein, which in the reasonable belief of the management of High River are (or were at the time of preparation) reasonable in the circumstances; and (c) are not, in the reasonable belief of the management of High River, misleading in any material respect in light of the assumptions used or in light of any developments since the time of their preparation; (ix) no verbal or written offers for, at any one time, all or a material part of the properties and assets owned by, or the securities of, High River, or any of its subsidiaries, have been received or made and no negotiations have occurred relating to any such offer within the two years preceding the date hereof that have not been disclosed to Paradigm; (x) there are no agreements, undertakings, commitments or understandings (written or oral, formal or informal) relating to the Transaction, except as have been disclosed in writing to Paradigm Capital; (xi) the contents of High River's public disclosure documents are true and correct in all material respects and do not contain any misrepresentation (as such term is defined in the Act) and such disclosure documents comply in all material respects with all requirements under applicable laws; and (xii) all of the facts upon which Paradigm Capital expresses as being its understanding in the Valuation are true and correct in all material respects.

This Valuation is based on the securities markets, economic, general business and financial conditions prevailing as of the date of the Valuation and the conditions and prospects, financial and otherwise, of High River as they were reflected in the Information reviewed by us. In the analysis and in preparing the Valuation, Paradigm Capital has made a number of assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Paradigm Capital, High River, Nordgold and any other party involved in connection with the Transaction.

Paradigm Capital has also assumed that the final terms of the Transaction will be substantially the same as contemplated in the July 18, 2012 press release by Nordgold and reviewed by Paradigm Capital. Paradigm Capital has also assumed that each of the Take-Over Bid Circular and the Directors' Circular will satisfy all applicable legal requirements.

Paradigm Capital has not been requested to identify, solicit, consider or develop any potential alternatives to the Transaction.

Finally, Paradigm Capital has assumed that all material governmental, regulatory or other required consents and approvals necessary for the consummation of the Transaction will be obtained without any meaningful adverse effect on High River, Nordgold or the contemplated benefits of the Transaction.

This Valuation has been provided for the use of the Special Committee and the Board of Directors for their use in considering the Transaction and may not be used or relied upon for any other purpose and may not be published without the express written consent of Paradigm Capital. Paradigm Capital consents to the inclusion of the Valuation and / or a summary thereof in a form acceptable to Paradigm Capital, acting reasonably, or both, in the Circulars. The Valuation is given as of the date hereof and, subject to the requirements of MI 61-101, Paradigm Capital disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation which may come or be brought to Paradigm Capital's attention after the date

hereof. The Valuation is limited to Paradigm Capital's understanding of the Transaction as of the date hereof and Paradigm Capital assumes no obligation to update the Valuation to take into account any changes regarding the Transaction after the date hereof. Without limiting the generality of the foregoing, in the event that there is any material change in any fact or matter affecting the Valuation, after the date hereof, Paradigm Capital reserves the right to change, modify or withdraw the Valuation.

Opinions of Financial Advisors

The valuation methodology employed by Paradigm Capital requires the development of long-range financial projections for High River and Nordgold, which reflect numerous assumptions regarding the impact of general economic and industry conditions on their future financial results. The Valuation of High River and Nordgold reflect their Fair Market Values (as herein defined) as at October 16, 2012 (the "**Valuation Date**"). While Paradigm Capital believes the assumptions used are appropriate in the circumstances, some or all of the assumptions may prove to be incorrect.

In preparing the Valuation, Paradigm Capital performed a variety of financial and comparative analyses, including those described below. The summary of Paradigm Capital's analyses described below is not a complete description of the analyses underlying the Valuation. In preparing the Valuation, Paradigm Capital made qualitative judgements as to the significance and relevance of each analysis and factor that it considered.

No company, transaction or business used in Paradigm Capital's analyses as a comparison is identical to High River, Nordgold or the Transaction, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgements concerning financial and operating characteristics and other factors that could affect the business combination, public trading or other values of the companies, business segments or transactions being analysed. The estimates contained in Paradigm Capital's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favourable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, Paradigm Capital's analyses and estimates are inherently subject to uncertainty.

Paradigm Capital believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying this report. The preparation of a valuation is complex and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Valuation is not and should not be construed as a recommendation to shareholders of High River, other than Nordgold, to accept or reject the Transaction.

Prior Valuations

High River and Nordgold have represented to Paradigm Capital that there have been no independent appraisals or prior valuations (as defined in the Policies) of all or a material part of the respective properties or assets owned by High River, Nordgold or any of their subsidiaries made in the preceding 24 months and in the possession or control of High River or Nordgold.

HIGH RIVER OVERVIEW

Overview of High River

High River is a Canadian resources company focused on the development and operation of gold and silver projects in Burkina Faso and Russia. High River is listed on the Toronto Stock Exchange (the "**TSX**") under the

symbol 'HRG'. High River, through its subsidiaries, operates two underground gold mines, the Zun-Holba Mine ("**Zun-Holba**") and the Irokinda Mine ("**Irokinda**"), both located in the Republic of Buryatia, Russia, and two open-pit mines, the Taparko-Bouroum Mine in Burkina Faso ("**Taparko**"), and the Berezitovy Mine in the Amur Region, Russia ("**Berezitovy**"). The Company is also engaged in the continued exploration and development of the Bissa Gold Project ("**Bissa**"), in Burkina Faso and the Prognoz Silver Project ("**Prognoz**"), located in Russia.

High River, through its subsidiary SOMITA S.A. ("**Somita**"), operates Taparko in Burkina Faso, and through its subsidiary Berezitovy, operates the Berezitovy Mine in the Amur Region, Russia. The primary production methods at Berezitovy and Taparko are open-pit mining and conventional mill processing.

High River operates Zun-Holba and Irokinda, through its subsidiary, Open Joint Stock Company Buryatzoloto ("**Buryatzoloto**"). The primary production method used is underground mining and conventional mill processing; however, a small placer mining operation is also underway near Irokinda. High River, through its subsidiary Prognoz Invest Ltd., has a 50 per cent equity interest in Prognoz.

As of June 30, 2012, High River has \$18 million in cash, \$10 million in debt, \$215 million of working capital and a book value of \$812 million. As of the day of this Valuation, High River has a market capitalization of \$1,160 million. Nordgold holds 630.6 million shares of High River, representing approximately 75 per cent of the basic shares outstanding.

Nordgold acquired the 75 per cent interest in High River through the following series of transactions. In November 2008, Severstal acquired 282,288,515 common shares and 40,674,540 warrants of the Company, each warrant entitling the holder thereof to acquire one share at an exercise price of \$0.64 until September 29, 2013 pursuant to a "financial hardship" private placement. Immediately before the November 2008 private placement, Severstal, through its affiliates, held 30,482,615 common shares of the Company representing approximately 9.9 per cent and after such private placement held 312,771,130 common shares, representing approximately 53 per cent of the outstanding common shares. In June 2009, Severstal made a take-over bid to all minority shareholders of High River at a price of \$0.22 per share in cash which was subsequently increased to \$0.30 per share in cash. In connection with the offer, High River closed a private placement of 59 million shares to Lybica Holding B.V. ("**Lybica**"), resulting in Severstal controlling 57.3 per cent of the outstanding shares of High River. The offer expired in August 2009, with 29.9 million shares being deposited and taken up by Severstal, resulting in Severstal controlling 61.7 per cent of the outstanding shares of the Company. In December 2009, High River completed a private placement with Polenica Investments Limited ("**Polenica**"), an affiliate of the Troika Dialog Group. In 2010, Polenica divested its position in the Company, with Nordgold acquiring the 150 million shares owned by Polenica. In connection with this transaction, Nordgold increased its shareholding in High River to 68.9 per cent. In August 2010, Nordgold exercised the warrants that Severstal had acquired pursuant to the November 2008 private placement and acquired 40.7 million additional common shares of the Company. Following the exercise of warrants, Severstal increased its ownership position in High River to 70.4 per cent. On August 22, 2011, Severstal purchased an additional 8.2 million common shares of High River and on August 25, 2011, purchased an additional 12.1 million common shares. Following the two acquisitions, Severstal, through Nordgold, beneficially owned 75.1 per cent of the issued and outstanding common shares. On March 14, 2012, Nordgold announced the completion of the separation of Nordgold from Severstal. Following the separation of Nordgold from Severstal, Nordgold retained ownership and control of 75.1 per cent of the issued and outstanding common shares of High River.

Overview of Berezitovy

Berezitovy is located in the Tyndinski district, within the western part of the Amurskaya Oblast of the Russian Federation, 1,000 kilometres north of Blagoveshensk, the Amurskaya Oblast capital city. Berezitovy is owned by High River through its 99.91 per cent owned subsidiary Berezitovy Rudnik LLC. The Berezitovy license covers an area of 17 square kilometres and is valid from October 9, 2003 to August 1, 2017.

Berezitovy is a well-established open-pit mine mining 1.8 million tonnes per annum (“Mtpa”) of ore. The process plant had throughput of approximately 1.4 Mtpa, with 250 t/hr through the CIP plant to a dry paste plant at a nominal average grade of 2.62 grams per tonne gold in 2011.

Berezitovy Historical Operating Results⁽¹⁾⁽²⁾

	Unit	2008	2009	2010	2011
Ore Mined	kt	833	1,342	1,839	1,758
Ore Milled	kt	691	1,092	1,050	1,391
Average Au Grade	g/t	2.5	2.8	2.2	2.6
Gold Recovered	koz	44	87	71	107
Recovery Rate	%	89.4%	87.3%	89.2%	89.8%
Full Cash Cost	US\$/oz	n/a	570	824	633
Capital Expenditure	US\$ M	n/a	12	23	17

Notes:

1. Source: April 2012 Nordgold CPR Report
2. Operating results shown on a 100 per cent basis

Berezitovy Mineral Reserves and Resources⁽¹⁾

Reported as 100% and a 0.5 g/t Au cut-off

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Proven	9,102	1.7	499
Probable	9,249	1.6	464
Total Reserves	18,351	1.6	963
Measured	9,669	1.7	540
Indicated	11,479	1.5	536
Inferred	6,208	1.2	247
Total	27,356	1.5	1,323

Notes:

1. Source: July 2012 Berezitovy Technical Report

Overview of Bissa

Bissa is an advanced gold development project located approximately 85 kilometres north of Ouagadougou, the Capital City of Burkina Faso. High River owns the mining permit of Bissa through its 90 per cent owned subsidiary Bissa Gold SA. The remaining 10 per cent carried interest in Bissa Gold SA is held by the State of Burkina Faso. GEP Mines SARL ("**GEP Mines**") holds a 10 per cent net profit interest on the 90 per cent owned by High River. The Bissa Gold exploitation permit, which includes areas that were previously part of the Namtenga exploration permit, was obtained in June 2011 and is valid for 20 years. The Bissa groups of exploration permits cover an area of approximately 1,000 square kilometers and are comprised of seven contiguous permits: Bissa, Gargo, Namtenga, Raka, Tema, Tosse and Zandkom. High River owns 100 per cent of the permits except for Zandkom and Bissa (147 square kilometers), where the Company has a 90 per interest. Construction commenced at Bissa in 2011 and as of December 31, 2011, the capital expenditure spent to date on Bissa totaled US\$62 million with estimated 2012 capital expenditure of US\$174 million.

Bissa is comprised of a number of near surface gold deposits that have been traced by trenching over a strike length of approximately 5 kilometres. Between 1998 and 2011, significant exploration work has been carried out at Bissa, including 167 trenches (15,395m), 244 core boreholes (33,310m) and 1,178 reverse circulation boreholes (105,868m).

Bissa Mineral Resources:

Bissa Mineral Reserves and Resources⁽¹⁾⁽²⁾

Reported as 100% and cut-off grades ranging from 0.5 - 0.9 g/t Au

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Proven	1,480	2.9	139
Probable	29,132	1.8	1,664
Total Reserves	30,612	1.8	1,803
Measured	1,964	2.5	156
Indicated	64,833	1.2	2,590
Inferred	22,772	1.1	803
Total Resources	89,569	1.2	3,549

Notes:

1. Source: July 2012 Bissa Technical Report
2. Includes Bissa Gold and Gougre deposits

Overview of Irokinda and Zun-Holba

Irokinda is a producing underground mining operation, located in the Republic of Buryatia, Russia, 80 kilometres by road from the Baikal-Amur railroad, at the north-east end of Lake Baikal. High River holds its interest in Irokinda through its 84.94 per cent interest in its subsidiary Buryatzoloto. Buryatzoloto holds two licenses for Irokinda and portions of the area around it, including the Irokindinskoye deposit and the area directly northeast.

Irokinda Mineral Reserves and Resources⁽¹⁾

Reported as 100% and a 3 g/t Au cut-off

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Proven	225	11.4	82
Probable	1	5.6	0
Total Reserves	226	11.4	83
Measured	320	12.7	130
Indicated	373	7.1	85
Inferred	204	10.3	68
Total	897	9.8	283

Notes:

1. Source: September 2012 Irokinda Technical Report

Zun-Holba is a producing underground gold mining operation located in the western portion of Buryatia with the Okinskiy district, which borders the Irkutsk Region to the north and west and Mongolia to the south. Within the Okinskiy district, Buryatzoloto holds three licenses for Zun-Holba and surrounding areas. High River holds its interest in Zun-Holba, as with Irokinda, through its 84.94 per cent interest in Buryatzoloto, which has operated Zun-Holba since 1996.

Zun-Holba Mineral Reserves and Resources⁽¹⁾

Reported as 100% and a 3 g/t Au cut-off

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Proven	505	9.1	148
Probable	384	7.8	96
Total Reserves	889	8.5	244
Measured	452	11.3	164
Indicated	261	10.3	87
Inferred	92	10.9	32
Total	805	10.9	283

Notes:

1. Source: September 2012 Zun-Holba Technical Report

In 2011, the combined operation of Irokinda and Zun-Holba processed 680 thousand tonnes of ore at an average grade of 6.5 grams per tonne gold, and recovered 134.3 thousand ounces of gold.

Buryatzoloto (Irokinda and Zun-Holba Combined) Historical Operating Results⁽¹⁾⁽²⁾

	Unit	2008	2009	2010	2011
Ore Mined	kt	596	626	630	660
Ore Milled	kt	563	632	661	680
Average Au Grade	g/t	8.3	7.9	6.9	6.5
Gold Recovered	koz	146	155	136	134
Recovery Rate	%	95.4%	92.7%	91.7%	92.9%
Full Cash Cost	US\$/oz	n/a	466	649	596
Capital Expenditure	US\$ M	n/a	13	28	37

Notes:

1. Source: April 2012 Nordgold CPR Report
2. Operating results shown on a 100 per cent basis

Overview of Prognoz

The Prognoz silver deposit is located in the Republic of Yakutia in the Russian Federation, 444 kilometres north-east of Yakutsk. Prognoz is considered one of the largest high grade undeveloped primary silver deposits in the world, with 56 square kilometres of property and 30 epithermal veins averaging 2-4 metres wide, several kilometers long and several hundred metres deep.

High River owns a 50 per cent interest in Prognoz Silver LLC ("**Prognoz LLC**"), which owns rights to the Prognoz deposit. The balance is owned by ZAO Argentum ("**Argentum**"), an unrelated third party.

Paradigm Capital understands that in October 2009, Buryatzoloto (84.94% owned by High River) filed a claim to the Arbitration Court of the City of Moscow against Prognoz LLC to recover an outstanding debt due under the contract for exploration work on Prognoz. The amount of the claim including interest and other expenses was US\$18 million. The outstanding debt of Prognoz LLC originated from the inability of the shareholders other than High River to finance their share of expenditures at Prognoz LLC. In December 2009, the court ruled in favour of Buryatzoloto. Later, in March 2010, the ruling was confirmed by the appellate court. The court awarded Buryatzoloto the claimed amount; however Buryatzoloto did not succeed in collecting it. On June 8, 2010, High River announced that the Arbitration Court of the City of Moscow had approved the application of Buryatzoloto for official bankruptcy proceedings for Prognoz LLC. On February 18, 2011, High River announced that Prognoz LLC had repaid part of an outstanding debt due to Buryatzoloto of approximately US\$18 million. Following the repayment, the Arbitration Court of the City of Moscow dismissed Buryatzoloto's application for official bankruptcy procedures for Prognoz LLC. On September 2, 2011, High River announced that the Arbitration Court of the City of Moscow had terminated the official bankruptcy proceedings for Prognoz LLC. Paradigm Capital understands that on February 24, 2012, High River was informed that Argentum applied to the Arbitration Court of the City of Moscow for commencing official bankruptcy proceeds for Prognoz LLC. Paradigm Capital understands that High River is considering the circumstances of Argentum's application and evaluating its next steps.

Prognoz Mineral Resources:

Prognoz Mineral Resources⁽¹⁾

Reported as 100% and a 100 g/t Ag cut-off

	Tonnes (kt)	Grade Ag (g/t)	Contained Ag (k oz)
Indicated	4,490	704	101,627
Inferred	4,870	659	103,182
Total	9,360	681	204,809

Notes:

1. Source: June 2008 Prognoz Technical Report

Overview of Taparko

Taparko is a gold project located in the Namantenga Province, Burkina Faso in West Africa, approximately 200 kilometres northeast of Ouagadougou, the capital city of Burkina Faso. Taparko is comprised of two separate sites. The Taparko mine is located in a sparsely populated area, accessible by road from Ouagadougou. The Bouroum site is located approximately 49 kilometres northwest of the main Taparko site, where all mining and milling infrastructure is located. The Taparko-Bouroum Group Property comprises two exploitation licenses, covering area of 667 square kilometers in Taparko and 11.7 square kilometers in Bouroum. Taparko is owned

by High River through Somita, a Burkinabe subsidiary. Somita is 90 per cent owned by High River with the remaining 10 per cent carried interest held by the Government of Burkina Faso.

The Taparko processing plant consists of conventional crushing, grinding, and CIL circuits which recover gold for the production of doré. The original design capacity of the plant was 1.0 Mtpa, however, since 2010 attempts have been made to increase total capacity to 1.5 Mtpa. In 2011, the process plant had a throughput of approximately 1.4 million tonnes, at a nominal average grade of 3.3 grams per tonne gold, recovering 132.5 thousand ounces of gold.

Taparko Historical Operating Results⁽¹⁾⁽²⁾

	Unit	2008	2009	2010	2011
Ore Mined	kt	266	814	1,349	1,457
Ore Milled	kt	369	815	1,274	1,421
Average Au Grade	g/t	3.0	4.0	3.5	3.3
Gold Recovered	koz	31	98	127	133
Recovery Rate	%	91.4%	94.9%	90.2%	84.4%
Full Cash Cost	US\$/oz	n/a	499	408	511
Capital Expenditure	US\$ M	n/a	6	8	11

Notes:

1. Source: April 2012 Nordgold CPR Report
2. Operating results shown on a 100 per cent basis

Taparko-Bouroum Mineral Reserves and Resources⁽¹⁾

Reported as 100% and cut-off grades ranging from 0.5 - 0.82 g/t Au

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Probable	7,190	2.7	629
Indicated	9,468	2.5	756
Inferred	8,654	1.9	521
Total	18,122	2.2	1,277

Notes:

1. Source: July 2012 Taparko Technical Report

Overview of High River's Exploration Portfolio

High River continues to invest in exploration in Burkina Faso and in Russia. The focus of High River's exploration program in Burkina Faso is in the areas surrounding the Taparko-Bouroum and Bissa Mines. The 2012 exploration budget for the Greenfield properties in Burkina Faso totals \$24 million with an additional \$7 million to be invested in drilling around the Taparko pits. High River has over 30 potential exploration permits in Burkina Faso.

The exploration program in Russia is focused on increasing the life of the Irokinda and Zun-Holba mines, commenced in 2010 and continued into 2011 and 2012. The annual exploration budget amounts to \$10 million for each mine. Other exploration activities in Russia include the Sergachinsky exploration package, acquired in November 2006. Sergachinsky is located south and west of Berezitovy covering a land package of 163 square kilometres.

NORDGOLD OVERVIEW

Overview of Nordgold

Nordgold is an emerging markets-focused gold mining company, with operations in Burkina Faso, Guinea, Kazakhstan and Russia. Nordgold's project portfolio consists of eight producing mines, two development projects and a broad portfolio of early-stage exploration projects and licenses.

Nordgold was established in 2007 as Severstal diversified into gold mining through the acquisition of assets in Kazakhstan and Russia. Nordgold was established as the gold producing division of Severstal. In January 2012, Nordgold separated from Severstal to establish an independent gold company. The separation from Severstal was completed by means of exchange through Nordgold's wholly owned subsidiary, Lybica. Severstal exchanged shares and Severstal GDRs for 100 per cent of the share capital of Nordgold. Nordgold holds 75 per cent interest in High River, which encompasses the Berezitovy, Bissa, Irokinda, Prognoz, Taparko and Zun-Holba development stage and producing projects.

Paradigm Capital understands that Nordgold has share capital of 358.8 million and a public float of approximately 10 per cent. Paradigm Capital further understands that Alexey Mordashov, a non-executive director of Nordgold, controls 88.9 per cent of the share capital of Nordgold (the "**Controlling Shareholder**").

As of June 30, 2012, Nordgold has US\$51 million in cash, US\$431 million in debt, and a book value of US\$1,519 million. In July 2012, Nordgold received a US\$152 million loan facility from Sberbank denominated in Russian roubles maturing in 2015, and on October 2, 2012 Nordgold redeemed US\$58.9 million of bonds issued by its subsidiary Crew Gold Corp, bringing total debt to US\$524 million. As of June 30, 2012, High River had provided \$166 million in loans to affiliates of Nordgold at interest rates ranging from 6.0 per cent per annum to 6.25 per cent per annum. The current portion of these loans as at June 30, 2012 was \$101 million. As of the day of this Valuation, Nordgold has a market capitalization of US\$1,794 million.

Overview of Aprelkovo

The Aprelkovo open-pit gold mine ("**Aprelkovo**") is located 200 kilometres from the city of Chita, in the Russian Federation. Severstal (and subsequently Nordgold) acquired the Aprelkovo Mine from subsidiaries of the Arlan Investment Company through the acquisition of 100 per cent of the shares of Russian based Mine Aprelkovo CJSC, which held licenses to the Aprelkovo Mine. Nordgold currently owns 100 per cent of Aprelkovo.

Nordgold commenced production at Aprelkovo in 2008 as an open-pit gold mine, containing a processing plant with crushing and heap leach extraction capabilities. The current mining operation had concentrated on the mining of oxide and transitional ore which has now been depleted. In 2011, Aprelkovo processed 2.5 million tonnes of ore at an average grade of 0.9 grams per tonne gold, recovering 30.3 thousand ounces of gold.

Aprelkovo Historical Operating Results⁽¹⁾⁽²⁾

	Unit	2008	2009	2010	2011
Ore Mined	kt	863	1,586	1,601	1,628
Ore Processed	kt	1,351	1,704	1,627	2,577
Average Au Grade	g/t	1.0	1.0	1.2	0.9
Gold Recovered	koz	30	29	35	30
Recovery Rate	%	74.4%	70.7%	60.0%	60.0%
Full Cash Cost	US\$/oz	616	754	798	838
Capital Expenditure	US\$ M	13	5	6	12

Notes:

1. Source: April 2012 Nordgold CPR Report
2. Operating results shown on a 100 per cent basis

Aprelkovo Mineral Reserves and Resources⁽¹⁾

Reported as 100% and cut-off grades ranging from 0.35 - 0.47 g/t Au

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Proven	2,531	1.2	96
Probable	11,616	1.0	362
Total Reserves	14,147	1.0	458
Measured	2,606	1.3	106
Indicated	13,824	1.0	465
Inferred	7,687	0.9	218
Total	24,117	1.0	789

Notes:

1. Source: April 2012 Nordgold CPR Report

Overview of Gross

The Gross gold deposit ("**Gross**") is located in the Yakutia region of the Russian Federation. Gross is located 4 kilometres from Nordgold's existing gold mine and production facility, the Neryungri gold mine (Tabornoe deposit) ("**Neryungri**").

Nordgold management expects Gross to operate as a simple heap leaching operation at an annual mining rate of approximately 12 Mtpa and production in excess of 175 thousand ounces of gold per annum. Construction at Gross is underway and management expects to achieve full scale capacity in 2015. There exists potential synergy between Gross and Neryungri, such as the use of Neryungri transportation infrastructure and management personnel at Gross.

Gross Mineral Resources⁽¹⁾

Reported as 100% and a Reserve and Resource cut-off grade of 0.4 g/t Au and 0.5 g/t Au

	Tonnes (Mt)	Grade		Contained	
		Au (g/t)	Ag (g/t)	Au (M oz)	Ag (M oz)
Probable	156	0.6	2.8	3.2	14.1
Measured	10.8	0.7	2.6	0.3	0.9
Indicated	126.8	0.7	3.4	3.0	13.7
Inferred	147.7	0.7	3.8	3.5	17.9
Total	285.3	0.7	3.5	6.7	32.5

Notes:

1. Source: August 2012 Gross Pre-Feasibility Study

Overview of LEFA

LEFA is an open-pit gold mine located in Guinea, 700 kilometres from the capital city of Conakry. Nordgold acquired its interest in LEFA through the acquisition of a controlling interest in Crew Gold Corp. ("**Crew Gold**") in July 2010, which it ultimately acquired and took private in June 2011. The mining and exploration concessions at LEFA total 2,550 square kilometers, with the exploration targets located within 10 kilometres of the mine.

Commercial production began at LEFA in 2008. LEFA consists of two main open-pits, Lero-Karta and Fayalala, as well as multiple smaller satellite pits. Current processing plant design capacity is 7 Mtpa with overall process plant recovery at approximately 90 percent. In 2011, LEFA mined 6.7 million tonnes of ore at an average grade of 1.1 grams per tonne gold, and recovered 195.7 thousand ounces of gold.

LEFA Historical Operating Results⁽¹⁾⁽²⁾

	Unit	2008	2009	2010	2011
Ore Mined	kt	3,885	4,774	6,383	6,660
Ore Milled	kt	3,085	4,422	5,525	6,128
Average Au Grade	g/t	2.2	1.4	1.3	1.1
Gold Recovered	koz	198	178	197	196
Recovery Rate	%	93.0%	90.0%	89.0%	85.5%
Full Cash Cost	US\$/oz	n/a	n/a	1,034	1,002

Notes:

1. Source: April 2012 Nordgold CPR Report

2. Operating results shown on a 100 per cent basis



LEFA Mineral Reserves and Resources⁽¹⁾⁽²⁾

Reported as 100% and cut-off grades ranging from 0.5 - 0.8 g/t Au

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Proven	52,592	1.4	2,414
Probable	43,335	1.5	2,119
Total Reserves	95,927	1.5	4,533
Measured	62,045	1.3	2,676
Indicated	70,186	1.3	2,844
Inferred	55,497	1.2	2,063
Total	187,728	1.3	7,583

Notes:

1. Source: April 2012 Nordgold CPR Report
2. Includes Lero Karta, Kan Karta, Fayalala, Kankarta North, Banko, Banko South Extension, Toume Toume and Banora deposits as well as Heapleach and Stockpiles

Overview of Neryungri

Neryungri is an operating open-pit gold mine located in a remote region in the southwest of the Yakutia (Saha) region within the Russian Federation. The deposit is located approximately 125 kilometres north east of Ikabya. Neryungri is wholly owned by Nordgold, with the exploration license covering an area of 58 square kilometers. The license includes the Neryungri, Temny Tabornoe and Gross mineral occurrences. The mining license for the Tabornoe deposit is valid until the end of 2020 and covers an area of 0.93 square kilometers.

We show the recent operating history below.

Neryungri Historical Operating Results⁽¹⁾⁽²⁾

	Unit	2008	2009	2010	2011
Ore Mined	kt	1,526	1,769	2,209	2,475
Ore Processed	kt	1,677	2,251	2,201	2,622
Average Au Grade	g/t	1.1	1.1	1.3	1.2
Gold Recovered	koz	38	50	59	73
Recovery Rate	%	75.0%	75.0%	75.0%	75.0%
Full Cash Cost	US\$/oz	567	636	655	795
Capital Expenditure	US\$ M	34	28	24	50

Notes:

1. Source: April 2012 Nordgold CPR Report
2. Operating results shown on a 100 per cent basis



Neryungri Mineral Reserves and Resources⁽¹⁾

Reported as 100% and cut-off grades ranging from 0.46 - 0.5 g/t Au

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Proven	4,126	0.9	124
Probable	11,962	0.7	279
Total Reserves	16,088	0.8	403
Measured	3,742	1.1	127
Indicated	16,284	0.9	448
Inferred	38,850	0.8	1,033
Total	58,876	0.8	1,608

Notes:

1. Source: April 2012 Nordgold CPR Report

Overview of Suzdal

Suzdal is an underground gold mine located in Kazakhstan, approximately 55 kilometres southwest of the city of Semipalatinsk. Nordgold holds a 100 per cent interest in Suzdal.

Suzdal was acquired as a component of Nordgold's acquisition of a 100 per cent stake in Celtic Resources Holdings in January 2008.

We show the recent operating history below.

Suzdal Historical Operating Results⁽¹⁾⁽²⁾

	Unit	2008	2009	2010	2011
Ore Mined	kt	331	340	348	400
Ore Milled	kt	302	317	334	509
Average Au Grade	g/t	14.5	13.4	9.4	6.8
Gold Recovered	koz	103	103	74	77
Recovery Rate	%	71.8%	74.8%	70.9%	60.9%
Full Cash Cost	US\$/oz	372	425	556	890
Capital Expenditure	US\$ M	33	33	38	21

Notes:

1. Source: April 2012 Nordgold CPR Report

2. Operating results shown on a 100 per cent basis

Suzdal Mineral Reserves and Resources⁽¹⁾⁽²⁾

Reported as 100% and cut-off grades ranging from 1.5 - 4.0 g/t Au

	Tonnes (kt)	Grade Au (g/t)	Contained Au (k oz)
Proven	385	9.1	113
Probable	1,615	7.2	373
Total Reserves	2,000	7.6	486
Measured	759	10.2	250
Indicated	2,859	7.2	661
Inferred	2,534	6.0	490
Total	6,152	7.1	1,401

Notes:

1. Source: April 2012 Nordgold CPR Report
2. Does not include Balazhal or Zherek deposits

Overview of Nordgold's Exploration Portfolio

Nordgold has a broad portfolio of exploration projects in Burkina Faso, Guinea, Kazakhstan and Russia with additional targets located across West Africa. Key exploration projects include the LEFA and Banora corridors in Guinea, Bouly, Zinigma, Gougre and Labola in Burkina Faso and Prognoz, Nerchinsk, Uryakh and Vitimkan in Russia.

As of June 30, 2012, the forecast exploration spending for 2012 was US\$65 million. In 2011, Nordgold's exploration expenditures totaled US\$124 million. From 2007 to September 30, 2010, Nordgold invested approximately US\$109 million in exploration, which resulted in resource expansion at existing mines and the identification of a broad portfolio of exploration projects.

Valuation Methodology

Definition of Fair Market Value

In this context, and for the purposes of the Valuation, fair market value ("**Fair Market Value**") means the easily ascertainable monetary consideration that, in an open and unrestricted market, a prudent informed buyer would pay to an informed seller, each acting at arm's length and under no compulsion to act.

Approach to Valuation

The Valuation has been prepared based on techniques that Paradigm Capital considers appropriate in the circumstances, after considering all relevant facts and taking into account Paradigm Capital's assumptions, in order to arrive at the Fair Market Value of High River and Nordgold.

For purposes of determining the Fair Market Value of High River and Nordgold, Paradigm Capital relied on a variety of financial and comparative analyses, including those described below. In arriving at the Valuation, Paradigm Capital weighted the Fair Market Values calculated using the following items and methodologies:

- a) Net Asset Value ("**NAV**") analysis;
- b) Market Trading Multiples
 - (i) Comparable Price to Paradigm Capital NAV ("**P / NAV**");

- (ii) Comparable Price to Cash Flow ("**P / CF**");
- (iii) Comparable Enterprise Value to EBITDA ("**EV / EBITDA**");
- (iv) Comparable Price to Earnings ("**P / E**");
- (v) Comparable Price to Book Value ("**P / BV**")
- c) Precedent Transaction Analysis;
- d) Analyst Target Prices;
- e) Historical Trading; and
- f) Other.

a) Net Asset Value Analysis

In determining the NAV for High River and Nordgold, Paradigm Capital calculated the NAV of High River and Nordgold using a discounted cash flow ("**DCF**") analysis. The DCF considered the present value of the free cash flows to the firm ("**FCFF**") generated by the High River and Nordgold assets using an appropriate discount rate. This approach took into account the timing and relative certainty of projected cash flows, and required that certain assumptions be made regarding, among other things, commodity prices, exchange rates, capital costs, operational costs, taxes, timing and discount rates.

The High River and Nordgold NAV ranges are determined by adding the value of the operating assets, development-stage assets, exploration projects, and current assets and subtracting debt outstanding, current liabilities and corporate general and administrative costs.

b) Market Trading Multiples

Paradigm Capital compared financial, asset and operational data of High River and Nordgold to the corresponding data of a comparable group of companies determined by Paradigm Capital. Paradigm Capital has chosen comparable companies based on key criteria such as primary commodity, stage of development, production levels, project location and enterprise value. The valuation metrics selected by Paradigm Capital to be the most appropriate to determine the value of High River and Nordgold were comparable trading ranges of P / NAV, P / CF, EV / EBITDA, P / E, and P / BV. An analysis of the results of the selected company analysis involves complex considerations of the selected companies and other factors that could affect the Fair Market Value of High River and Nordgold and the selected companies.

The table below show the comparable companies used in Paradigm Capital's market trading multiple analysis and the mean and median multiples. All the forecasts in the table below are consensus estimates of street research. Paradigm Capital weights the High River and Nordgold multiples by the corresponding asset distribution in West Africa, Russia and Kazakhstan.

Gold Comparables

US\$ unless otherwise noted

Company	Market Cap			EV/EBITDA		P/E		P/CF		Valuation		
	Price (Local)	Market Cap. (\$ M)	EV (\$ M)	2013E	2014E	2013E	2014E	2013E	2014E	P/Book	Analyst Target Return	P/NAV ⁽¹⁾
Alacer Gold Corporation	C\$6.11	1,779	1,666	3.8x	4.2x	10.9x	16.6x	5.3x	5.8x	1.1x	44%	0.99x
Avocet Mining plc	£0.80	257	200	2.7x	2.6x	6.9x	6.1x	4.2x	4.5x	0.7x	74%	0.46x
Centerra Gold Inc.	C\$12.00	2,879	2,581	3.4x	2.5x	5.4x	3.6x	4.3x	3.0x	2.0x	31%	0.67x
Dundee Precious Metals Inc	C\$9.03	1,150	1,111	4.9x	3.9x	8.1x	7.4x	6.0x	5.3x	1.6x	37%	0.63x
Golden Star Resources, Ltd.	C\$2.08	547	585	2.6x	2.6x	4.1x	4.5x	3.0x	2.8x	1.2x	33%	0.78x
Harmony Gold Mining Co.	US\$70.30	3,479	3,484	3.5x	3.9x	6.5x	7.3x	4.9x	4.1x	0.8x	22%	0.76x
Highland Gold Mining Ltd.	£1.10	576	496	2.2x	2.1x	4.2x	4.0x	3.2x	3.1x	0.9x	57%	0.67x
IAMGOLD Corp.	C\$15.78	6,030	5,669	5.2x	5.7x	10.7x	12.2x	7.4x	8.0x	2.0x	23%	0.84x
Perseus Mining Limited	A\$2.76	1,298	1,251	5.6x	3.9x	8.3x	5.7x	6.3x	4.2x	3.5x	22%	0.81x
Petropavlovsk PLC	£4.40	1,321	2,722	4.2x	4.0x	5.3x	5.0x	2.9x	2.8x	0.7x	34%	0.71x
Polymetal International Plc	£11.60	7,146	8,141	6.7x	6.8x	9.1x	9.5x	8.9x	8.9x	3.8x	6%	1.13x
Resolute Mining Limited	A\$1.83	1,179	1,106	3.6x	3.2x	7.2x	6.9x	4.5x	3.9x	2.1x	2%	0.86x
Semafo, Inc.	C\$4.03	1,118	991	4.3x	5.1x	8.1x	9.4x	5.8x	6.6x	1.7x	47%	0.83x
Teranga Gold Corporation	C\$2.24	558	596	4.7x	3.0x	7.9x	5.3x	4.9x	3.4x	1.9x	33%	0.86x

High River Weighted Multiples

Weighted Mean	C\$1.38			4.1x	3.8x	7.3x	7.4x	5.1x	4.7x	1.7x		0.79x
Weighted Median	C\$1.38			3.9x	3.9x	7.0x	6.2x	4.7x	3.8x	1.7x		0.77x

Nordgold Weighted Multiples

Weighted Mean	US\$5.00			4.1x	3.8x	7.3x	7.3x	5.1x	4.7x	1.7x		0.71x
Weighted Median	US\$5.00			4.0x	3.9x	6.9x	6.1x	4.7x	3.8x	1.7x		0.73x

Notes:

1. Consensus NAVs

c) Precedent Transaction Analysis

Paradigm Capital identified and reviewed numerous precedent company takeover transactions that occurred over the last two years in the gold mining sector. Paradigm Capital considered the transaction premiums to the closing share price and 20-day volume weighted average price ("VWAP").

d) Analyst Target Prices

Paradigm Capital examined the analyst target prices for High River and Nordgold.

e) Historical Trading

Paradigm Capital examined the trading ranges of High River and Nordgold for the 3 months preceding the public announcement by Nordgold of its intention to make the offer.

f) Other

Paradigm Capital examined High River's current balance sheet items as well as its short term obligations as of June 30, 2012. Paradigm Capital has also reviewed the synergies and material benefits that would accrue to Nordgold in the event of the Transaction.

HIGH RIVER ANALYSIS

NAV Analysis

(i) NAV Assumptions

As a basis for the development of projected future cash flows, Paradigm Capital reviewed management's financial and operating projections for High River. Paradigm Capital developed its own projections for the future cash flows at High River, based on its own knowledge and experience in modeling mining companies. These projections are based primarily on management's projections, except for a few circumstances. The primary differences from estimates provided by management are related to mine life, metal prices, capital expenditures, operating costs and timing of expenditures.

The metal price forecasts used in Paradigm Capital's financial projections played a critical role in determining the NAV of High River, and, in turn, the Fair Market Value of High River. In considering future metal prices, Paradigm Capital reviewed various equity research projections and economic factors such as supply and demand.

In Paradigm Capital's opinion, the most important assumptions in the High River DCF analysis are: (i) future metal prices; (ii) capital costs; (iii) operating costs; (iv) mine operating life and rate; (v) recovery rates; and (vi) corporate tax rates. Paradigm Capital believes that the DCF analysis is based on reasonable assumptions and is accurately calculated although it is highly dependent on numerous assumptions as outlined above. The major difference in Paradigm Capital's low and high net asset value estimates are: (i) life of mine gold price forecast of US\$1,400 per ounce for low estimates and US\$1,748 per ounce for high estimates; (ii) mine life estimates of Buryatzoloto, with two and three year low estimates for Irokinda and Zun-Holba respectively, and four and six year high estimates for Irokinda and Zun-Holba respectively; (iii) Prognoz valuation based on book value for low estimates and comparable company analysis for high estimates; and (iv) exploration properties based on Paradigm Capital and RPA's valuation analysis of the High River exploration property package.

High River Net Asset Value		Low	High
High River NAV	US\$ million	1,218	1,795

Select key line items of the base case financial forecasts for High River are set out below:

High River Financial Summary ⁽¹⁾									
		LOM	2012	2013	2014	2015	2016	2017	2018
Spot Gold Price	US\$/oz		1,748	1,748	1,748	1,748	1,748	1,748	1,748
Spot Silver Price	US\$/oz		32.97	32.97	32.97	32.97	32.97	32.97	32.97
Cash Flow									
Revenue	US\$ 000s	6,578,776	545,707	654,061	777,112	783,375	722,789	529,201	531,436
EBITDA	US\$ 000s	3,933,357	343,475	395,065	463,064	440,442	431,061	327,900	312,743
Cash Taxes	US\$ 000s	(565,697)	(51,018)	(50,642)	(63,094)	(60,544)	(60,126)	(46,451)	(44,787)
Increase in Working Capital	US\$ 000s	50,308	-	(14,191)	(13,763)	(7,221)	12,801	22,607	(4,348)
CFO	US\$ 000s	3,417,968	292,457	330,232	386,207	372,677	383,736	304,057	263,607
Capital Expenditures	US\$ 000s	(765,428)	(251,612)	(86,502)	(83,759)	(65,914)	(64,141)	(52,524)	(41,889)
FCFF	US\$ 000s	2,652,540	40,846	243,730	302,448	306,763	319,594	251,533	221,718

Notes:

1. LOM: Life of Mine

(ii) Discount Rate

Paradigm Capital selected appropriate discount rates to apply to the FCFFs using the Capital Asset Pricing Model to determine an appropriate weighted average cost of capital ("**WACC**").

An appropriate discount rate was selected based on Paradigm Capital's experience in valuing mining companies. The discount rate reflects:

- a) market risk (risk free rate, equity risk premium, small capitalization premium and volatility);
- b) project risk (commodity type, project scale, projected free cash flows and other mining risks); and,
- c) country risk.

WACC Summary

	Burkina Faso	Russia
Cost of Debt		
Pre-tax Cost of Debt ⁽¹⁾	10.0%	10.0%
Tax Rate	17.5%	20.0%
After-tax Cost of Debt	8.3%	8.0%
Cost of Equity		
Risk Free Rate ⁽²⁾	2.3%	2.3%
Beta ⁽³⁾	1.1	1.1
Market Risk Premium ⁽⁴⁾	6.0%	6.0%
Cost of Equity	8.8%	8.8%
Country Risk Premium ⁽¹⁾	4.1%	2.3%
Risk Adjusted Cost of Equity	12.9%	11.0%
Optimal Debt / Total Capital ⁽¹⁾	25.0%	25.0%
WACC	11.7%	10.3%

(1) Paradigm Capital Estimate

(2) Government of Canada 10 Year Bond Yield

(3) Comparable company adjusted beta

(4) Aswath Damodaran - Equity Risk Premiums: Determinants, Estimation and Implications (2011)

Paradigm Capital's analysis determined the appropriate WACC for High River's Burkina Faso assets to be 11.7 per cent and Russian assets to be 10.3 per cent. Paradigm Capital believes that, based on the foregoing analysis and its knowledge of the mining industry, a discount rate of 12.5 per cent is appropriate for the operating assets of High River and a discount rate of 15 per cent is appropriate for the development stage assets of High River.

(iii) NAV of High River and Sensitivities

To complete the DCF analysis, Paradigm Capital did not rely on any single series of projected FCFF, rather Paradigm Capital performed a variety of sensitivity analyses. Based on the FCFF of High River and discount rates presented above, Paradigm Capital's DCF analysis produced NAV ranges using sensitivity analysis. High and low NAVs were derived from modification of several important assumptions including (i) future metal prices;

(ii) capital costs; (iii) operating costs; (iv) discount rates; and (v) mine operating life and rate, amongst other factors.

Sensitivity to Discounted Cash Flow Analysis

Paradigm Capital did not rely on any single series of projected cash flows but performed a variety of sensitivity analyses. We show three key sensitivities in the table below.

Variable	Sensitivity	NAV Impact	NAV Sensitivity
Gold Price	+ 10%	262	14.6%
Operating Costs	- 10%	81	4.5%
WACC	- 1pp	52	2.9%

Market Trading Multiples

Paradigm Capital calculated the mean and median values for the comparable companies and then applied the multiples to High River's NAV, EBITDA, Cash Flow, Earnings, and Book Value to determine its implied value. The comparable companies were selected based on production status, location and commodity focus.

(i) Price to NAV

For purposes of the P / NAV analysis, Paradigm Capital used the high and low Paradigm NAV estimates for High River and applied the median P / NAV ratio of the comparable group to arrive at the Fair Market Value for High River. The low and high case scenarios and the associated calculations are set forth below.

Price / Paradigm Net Asset Value		Low	High
High River NAV	US\$ million	1,218	1,795
Comparable P / NAV Multiple	x	0.77x	0.77x
High River Implied Value	US\$ million	938	1,382
Foreign Exchange	USD/CAD	0.98	0.98
Implied Market Capitalization	C\$ million	919	1,354
FDITM Shares Outstanding	million	840	840
Implied Share Price	C\$ million	1.09	1.61

(ii) Price to Cash Flow

For purposes of the P / CF analysis, Paradigm Capital used the calendar year 2013 and 2014 cash flow estimates from the DCF analysis for High River under the low and high price assumptions and applied the median P / CF multiple of the comparable group to arrive at the Fair Market Value for High River. The low and high case scenarios and the associated calculations are set forth below.

2013 Price / Cash Flow		Low	High
2013 Cash Flow	US\$ million	222	330
Comparable 2013 P/CF Multiple	x	4.7x	4.7x
High River Implied Value	US\$ million	1,044	1,550
Foreign Exchange	USD/CAD	0.98	0.98
High River Implied Value	C\$ million	1,023	1,518
FDITM Shares Outstanding	million	840	840
Implied Share Price	C\$	1.22	1.81

2014 Price / Cash Flow		Low	High
2014 Cash Flow	US\$ million	259	386
Comparable 2014 P/CF Multiple	x	3.8x	3.8x
High River Implied Value	US\$ million	979	1,461
Foreign Exchange	USD/CAD	0.98	0.98
High River Implied Value	C\$ million	959	1,431
FDITM Shares Outstanding	million	840	840
Implied Share Price	C\$	1.14	1.70

(iii) Enterprise Value / EBITDA

For purposes of the EV / EBITDA analysis, Paradigm Capital used the calendar year 2013 and 2014 EBITDA estimates from the DCF analysis for High River under the low and high price assumptions and applied the median EV / EBITDA multiple of the comparable group to arrive at the Fair Market Value for High River. The low and high case scenarios and the associated calculations are set forth below.

2013 EV / EBITDA		Low	High
2013 EBITDA	US\$ million	265	395
Comparable 2013 EV/EBITDA Multiple	x	3.9x	3.9x
High River Implied Enterprise Value	US\$ million	1,046	1,560
+ Attributable Cash	US\$ million	18	18
+ Loans to Related Parties	US\$ million	163	163
- Attributable Debt	US\$ million	10	10
High River Implied Value	US\$ million	1,216	1,730
Foreign Exchange	USD/CAD	0.98	0.98
Implied Value	C\$ million	1,191	1,695
FDITM Shares Outstanding	million	840	840
Implied Share Price	C\$	1.42	2.02

2014 EV / EBITDA		Low	High
2014 EBITDA	US\$ million	308	463
Comparable 2014 EV/EBITDA Multiple	x	3.9x	3.9x
High River Implied Enterprise Value	US\$ million	1,196	1,796
+ Attributable Cash	US\$ million	18	18
+ Loans to Related Parties	US\$ million	163	163
- Attributable Debt	US\$ million	10	10
High River Implied Value	US\$ million	1,366	1,966
Foreign Exchange	USD/CAD	0.98	0.98
Implied Value	C\$ million	1,338	1,926
FDITM Shares Outstanding	million	840	840
Implied Share Price	C\$	1.59	2.29

(iv) Price to Earnings

For purposes of the P / E analysis, Paradigm Capital used the calendar year 2013 and 2014 earnings estimates from the DCF analysis for High River under the low and high price assumptions and then applied the median P / E multiples of the comparable group to arrive at the Fair Market Value for High River. The low and high case scenarios and the associated calculations are set forth below.

2013 Price / Earnings		Low	High
2013 Earnings	US\$ million	185	290
Comparable 2013 P/E Multiple	x	7.0x	7.0x
High River Implied Value	US\$ million	1,297	2,036
Foreign Exchange	USD/CAD	0.98	0.98
High River Implied Value	C\$ million	1,271	1,994
FDITM Shares Outstanding	million	840	840
Implied Share Price	C\$	1.51	2.37

2014 Price / Earnings		Low	High
2014 Earnings	US\$ million	195	319
Comparable 2014 P/E Multiple	x	6.2x	6.2x
High River Implied Value	US\$ million	1,208	1,973
Foreign Exchange	USD/CAD	0.98	0.98
High River Implied Value	C\$ million	1,183	1,933
FDITM Shares Outstanding	million	840	840
Implied Share Price	C\$	1.41	2.30

(v) Price to Book Value

For purposes of the P / BV analysis, Paradigm Capital used the book value of equity attributable to the shareholders of High River and then applied the mean and median P / BV multiples of the comparable group to arrive at the Fair Market Value for High River. The low and high case scenarios and the associated calculations are set forth below.

Price / Book		Low	High
High River Book Value	US\$ million	829	829
Comparable P / BV Multiple	x	1.70x	1.72x
High River Implied Value	US\$ million	1,407	1,430
Foreign Exchange	USD/CAD	0.98	0.98
High River Implied Value	C\$ million	1,379	1,401
FDITM Shares Outstanding	million	840	840
Implied Share Price	C\$	1.64	1.67

Precedent Transaction Analysis

Paradigm Capital identified a list of comparable transactions, where public information was available and examined 14 precedent transactions announced between September 2010 and October 2012. Paradigm Capital applied the median closing price premium and median 20-day VWAP premium to High River's closing share price and 20-day VWAP respectively, as of July 17, 2012.

Precedent Transaction Premiums		Close	20-Day VWAP
Share Price	C\$	1.23	1.20
Median Comparable Premiums	%	58%	52%
Adjusted Share Price	C\$	1.94	1.81

Analyst Target Prices

Paradigm Capital examined the share price targets for High River from 5 brokers. These share price targets were as of before the July 18, 2012 press release by Nordgold.

Analyst Target Prices		Low	High
Target Price	C\$	1.30	1.64

Historical Trading Range

Paradigm Capital examined the trading range of High River for the 3 months preceding the date that Nordgold publicly announced its intention to make the offer. Paradigm Capital used the high and low share prices over the 3 month period.

Historical Trading Range		Low	High
Share Price	C\$	0.92	1.27

Paradigm Capital notes that from August 25, 2011, the last date that Severstal acquired shares of High River on the open market, to July 17, 2012, the day prior to Nordgold's announcement of its intention to make a bid for shares of High River held by the Minority Shareholders, High River has outperformed its peers by 24 per cent. In addition, from March 10, 2012, the day before an article was released where Nikolai Zelenski, the Chief Executive Officer of Nordgold, speculated that Nordgold may attempt to swap shares with the Minority Shareholders to increase the float of Nordgold, to July 17, 2012. High River has outperformed its peers by 31 per cent.

Balance Sheet Summary

Paradigm Capital has reviewed High River's unaudited balance sheet as at June 30, 2012. Paradigm Capital notes High River's working capital balance of \$215 million and total equity attributable to the equity holders of High River of \$812 million.

High River Valuation Summary

In arriving at our opinion of the Fair Market Value range of High River, Paradigm Capital attributed the weights below to each valuation technique. Paradigm Capital has made qualitative judgements based on our experience in rendering such opinions and on circumstances then prevailing as to the significance and relevance of each factor.

High River Fair Market Value Summary

	Weight	Low	High
P/NAV	20.0%	1.09	1.61
Precedent Transaction Premiums	15.0%	1.81	1.94
2013 EV/EBITDA	10.0%	1.42	2.02
2014 EV/EBITDA	5.0%	1.59	2.29
2013 P/CF	15.0%	1.22	1.81
2014 P/CF	7.5%	1.14	1.70
2013 P/E	5.0%	1.51	2.37
2014 P/E	2.5%	1.41	2.30
P/BV	5.0%	1.64	1.67
Analyst Target Price	5.0%	1.30	1.64
Historical Trading Range	10.0%	0.92	1.27
Weighted Average Value Range	100.0%	1.33	1.80

High River Valuation Conclusion

Based upon and subject to the foregoing and such other factors as Paradigm Capital considered relevant, Paradigm Capital is of the opinion that, as of the date hereof, the Fair Market Value of High River is in the range of \$1.33 to \$1.80 per share.

NORDGOLD ANALYSIS

Nordgold Liquidity

Paradigm Capital has conducted an analysis of the publicly traded share capital of Nordgold to determine if the published market for Nordgold GDRs can be considered liquid.

In analyzing the liquidity of Nordgold, Paradigm Capital has considered a number of financial and qualitative analyses, including but not limited to, (i) the objective liquidity tests ("**Liquidity Tests**") as outlined by the Ontario Securities Commission ("**OSC**"), (ii) Nordgold volume analysis, and (iii) other considerations.

(i) OSC Objective Liquidity Tests

Paradigm Capital has relied on the Liquidity Tests as a framework for analyzing the liquidity of Nordgold. Although Nordgold passes the Liquidity Tests, such Liquidity Tests do not themselves exempt Nordgold from the

requirements of a formal valuation. Nordgold has not been trading on the LSE for the requisite minimum period of 12 months to qualify for an exemption to a formal valuation pursuant to MI 61-101.

OSC Liquidity Test ⁽¹⁾	Status:	Commentary
Is there a published market?	YES	GDRs trade on LSE
In the last twelve months, have there been more than 1,000 transaction?	YES	4,198 transactions
In the LTM, have more than 1,000,000 shares traded?	YES	29,278,997 GDRs traded
Float of over 5,000,000 shares?	YES	Public float of 35,856,313 ⁽²⁾
Value of trades in LTM greater than \$15 million?	YES	US\$172 million
Value of float in month prior to bid greater than \$75 million?	YES	US\$179 million

Notes:

1. As of October 15, 2012
2. Assumes share capital of 358,794,180 shares with 319,059,925 shares owned by Alexey Mordashov, 2,511,559 shares owned by Nikolai Zelenski, 1,076,383 shares owned by Oleg Pelevin, 200,000 shares owned by Mikhail Noskov, and 90,000 owned by Philip Baum

(ii) Nordgold Volume Analysis

Paradigm Capital understands that the Nordgold GDRs commenced trading on the LSE on January 19, 2012. Since the admission of trading to the LSE, and up to October 15, 2012, Nordgold has had average daily volume of 161,762 GDRs, total volume of 29,278,997 GDRs, and average daily value of US\$949,110. On July 18, 2012, Nordgold announced its intention to acquire all the issued and outstanding shares of High River it did not already own. Since the announcement date of the Transaction, and up to October 15, 2012, Nordgold has had average daily volume of 64,964 GDRs and total volume of 4,092,752 GDRs. Paradigm Capital has used the Fidessa Fragmentation Index as our source for Nordgold trading data.

Based on the average daily volume of Nordgold prior to announcement and assuming this average daily volume increases proportionate to the corresponding increase in float and that 25 per cent of the daily average volume can be sold without impacting the share price, it would take approximately one and a half years for High River shareholders to monetize their position. It would take approximately one half year for a one times turn of the Nordgold float, assuming all High River shareholders subscribe to the GDR Offer and that the average daily volume of Nordgold increases proportionate to corresponding increase in float.

(iii) Other Considerations

Paradigm Capital understands that Nordgold has share capital of 358.8 million and a public float of approximately 10 per cent. Paradigm Capital further understands that the Controlling Shareholder controls 88.9 per cent of the share capital of Nordgold.

Paradigm Capital also understands that if all the Minority Shareholders tendered to the GDR Offer, Nordgold would not meet the 25 per cent public float requirement of the LSE to achieve a premium listing. If all Minority Shareholders tendered to the GDR Offer, the public float of Nordgold would increase to approximately 23 per cent.

Nordgold Liquidity Summary

Based upon and subject to the foregoing and such other factors as Paradigm Capital considered relevant, Paradigm Capital is of the opinion that, as of the date hereof, Nordgold's GDRs cannot be considered a cash equivalent to the Minority Shareholders of High River. As such, Paradigm Capital has completed a formal valuation of Nordgold to determine the fair market value of the GDR Offer.

NAV Analysis

(i) NAV Assumptions

As a basis for the development of projected future cash flows, Paradigm Capital reviewed management's financial and operating projections for Nordgold. Paradigm Capital developed its own projections for the future cash flows at Nordgold, based on its own knowledge and experience in modeling mining companies. These projections are based primarily on management's projections, except for a few circumstances. The primary differences from estimates provided by management are related to mine life, metal prices, capital expenditures, operating costs and timing of expenditures.

The metal price forecasts used in Paradigm Capital's financial projections played a critical role in determining the NAV of Nordgold, and in turn the Fair Market Value of Nordgold. In considering future metal prices, Paradigm Capital reviewed various equity research projections and economic factors such as supply and demand.

In Paradigm Capital's opinion, the most important assumptions in the Nordgold DCF analysis are: (i) future metal prices; (ii) capital costs; (iii) operating costs; (iv) mine operating life and rate; (v) recovery rates; and (vi) corporate tax rates. Paradigm Capital believes that the DCF analysis is based on reasonable assumptions and is accurately calculated although it is highly dependent on numerous assumptions as outlined above. The major difference in Paradigm Capital's low and high net asset value estimates are: (i) life of mine gold price forecast of US\$1,400 per ounce for low estimates and US\$1,748 per ounce for high estimates; (ii) mine life estimates of Buryatzoloto, with two and three year low estimates for Irokinda and Zun-Holba respectively, and four and six year high estimates for Irokinda and Zun-Holba respectively; (iii) Prognoz valuation based on book value for low estimates and comparable company analysis for high estimates; and (iv) exploration properties based on Paradigm Capital and RPA's valuation analysis of the Nordgold's exploration property package.

Select key line items of the base case financial forecasts for Nordgold are set out below:

Nordgold Financial Summary									
		LOM	2012	2013	2014	2015	2016	2017	2018
Spot Gold Price	US\$/oz		1,748	1,748	1,748	1,748	1,748	1,748	1,748
Spot Silver Price	US\$/oz		32.97	32.97	32.97	32.97	32.97	32.97	32.97
Cash Flow									
Revenue	US\$ 000s	22,913,454	981,996	1,243,806	1,509,632	1,570,596	1,476,583	1,385,189	1,338,852
EBITDA	US\$ 000s	13,033,754	468,075	632,652	818,331	830,826	830,380	804,797	774,498
Cash Taxes	US\$ 000s	(2,689,670)	(75,527)	(111,282)	(152,746)	(150,535)	(151,944)	(159,803)	(156,672)
Increase in Working Capital	US\$ 000s	121,418	-	(24,308)	(20,037)	(12,117)	23,392	16,453	4,010
CFO	US\$ 000s	10,465,502	392,549	497,062	645,548	668,174	701,828	661,446	621,836
Capital Expenditures	US\$ 000s	(2,018,090)	(395,807)	(270,876)	(304,247)	(115,905)	(103,225)	(79,615)	(76,495)
FCFF	US\$ 000s	8,447,411	(3,258)	226,187	341,301	552,270	598,602	581,831	545,341

(ii) Discount Rate

Paradigm Capital selected appropriate discount rates to apply to the FCFFs using the Capital Asset Pricing Model to determine an appropriate WACC.

An appropriate discount rate was selected based on Paradigm Capital's experience in valuing mining companies. The discount rate reflects:

- d) market risk (risk free rate, equity risk premium, small capitalization premium and volatility);
- e) project risk (commodity type, project scale, projected free cash flows and other mining risks); and,
- f) country risk.

WACC Summary

	Burkina Faso	Guinea	Kazakhstan	Russia
Cost of Debt				
Pre-tax Cost of Debt ⁽¹⁾	10.0%	10.0%	10.0%	10.0%
Tax Rate	17.5%	30.0%	20.0%	20.0%
After-tax Cost of Debt	8.3%	7.0%	8.0%	8.0%
Cost of Equity				
Risk Free Rate ⁽²⁾	2.3%	2.3%	2.3%	2.3%
Beta ⁽³⁾	1.1	1.1	1.1	1.1
Market Risk Premium ⁽⁴⁾	6.0%	6.0%	6.0%	6.0%
Cost of Equity	8.8%	8.8%	8.8%	8.8%
Country Risk Premium ⁽¹⁾	4.1%	4.1%	2.6%	2.3%
Risk Adjusted Cost of Equity	12.9%	12.9%	11.4%	11.0%
Optimal Debt / Total Capital ⁽¹⁾	25.0%	25.0%	25.0%	25.0%
WACC	11.7%	11.4%	10.6%	10.3%

(1) Paradigm Capital Estimate

(2) Government of Canada 10 Year Bond Yield

(3) Comparable company adjusted beta

(4) Aswath Damodaran - Equity Risk Premiums: Determinants, Estimation and Implications (2011)

Paradigm Capital's analysis determined the appropriate WACC for Nordgold's Burkina Faso operating assets to be 11.7 per cent, Guinean operating assets to be 11.4 per cent, Kazakhstan operating assets to be 10.6 per cent and Russian operating assets to be 10.3 per cent. Paradigm Capital believes that, based on the foregoing analysis and its knowledge of the mining industry, a discount rate of 12.5 per cent is appropriate for Nordgold's operating assets and a discount rate of 15 per cent is appropriate for Nordgold's development stage assets.

(iii) NAV of Nordgold and Sensitivities

To complete the DCF analysis, Paradigm Capital did not rely on any single series of projected FCFF, rather Paradigm Capital performed a variety of sensitivity analyses. Based on the FCFF of Nordgold and discount rates presented above, Paradigm Capital's DCF analysis produced NAV ranges using sensitivity analysis. High and low NAVs were derived from modification of several important assumptions including (i) future metal prices; (ii) capital costs; (iii) operating costs; (iv) discount rates; and (v) mine operating life and rate, amongst other factors.

Sensitivity to Discounted Cash Flow Analysis

Paradigm Capital did not rely on any single series of projected cash flows but performed a variety of sensitivity analyses. We show three key sensitivities in the table below.

Variable	Sensitivity	NAV Impact	NAV Sensitivity
Gold Price	+ 10%	627	20.4%
Operating Costs	- 10%	222	7.2%
WACC	- 1pp	184	6.0%

Market Trading Multiples

Paradigm Capital calculated the mean and median values for the comparable companies and then applied the multiples to Nordgold's NAV, EBITDA, Cash Flow, Earnings, and Book Value to determine its implied value. The comparable companies were selected based on production status, location and commodity focus.

(i) Price to NAV

For purposes of the P / NAV analysis, Paradigm Capital used the high and low Paradigm NAV estimates for Nordgold and applied the median P / NAV ratio of the comparable group to arrive at the Fair Market Value for Nordgold. The low and high case scenarios and the associated calculations are set forth below.

Price / Paradigm Net Asset Value		Low	High
Nordgold NAV	US\$ million	1,726	3,073
Comparable P / NAV Multiples	x	0.73x	0.73x
Nordgold Implied Value	US\$ million	1,264	2,250
Foreign Exchange	USD/CAD	0.98	0.98
Implied Market Cap	C\$ million	1,238	2,204
FDITM Shares Outstanding	million	359	359
Implied Share Price	C\$	3.45	6.14

(ii) Price to Cash Flow

For purposes of the P / CF analysis, Paradigm Capital used the calendar year 2013 and 2014 cash flow estimates from the DCF analysis for Nordgold under the low and high price assumptions and applied the median P / CF multiple of the comparable group to arrive at the Fair Market Value for Nordgold. The low and high case scenarios and the associated calculations are set forth below.

2013 Price / Cash Flow		Low	High
2013 Cash Flow	US\$ million	304	497
Comparable 2013 P/CF Multiple	x	4.7x	4.7x
Nordgold Implied Value	US\$ million	1,423	2,323
Foreign Exchange	USD/CAD	0.98	0.98
Nordgold Implied Value	C\$ million	1,394	2,276
FDITM Shares Outstanding	million	359	359
Implied Share Price	C\$	3.89	6.34

2014 Price / Cash Flow		Low	High
2014 Cash Flow	US\$ million	412	646
Comparable 2014 P/CF Multiple	x	3.8x	3.8x
Nordgold Implied Value	US\$ million	1,544	2,422
Foreign Exchange	USD/CAD	0.98	0.98
Nordgold Implied Value	C\$ million	1,512	2,372
FDITM Shares Outstanding	million	359	359
Implied Share Price	C\$	4.22	6.61

(iii) Enterprise Value / EBITDA

For purposes of the EV / EBITDA analysis, Paradigm Capital used the calendar year 2013 and 2014 EBITDA estimates from the DCF analysis for Nordgold under the low and high price assumptions and applied the median EV / EBITDA multiple of the comparable group to arrive at the Fair Market Value for Nordgold. The low and high case scenarios and the associated calculations are set forth below.

2013 EV / EBITDA		Low	High
2013 EBITDA	US\$ million	385	633
Comparable 2013 EV/EBITDA Multiple	x	4.0x	4.0x
Nordgold Implied Enterprise Value	US\$ million	1,525	2,505
+ Attributable Cash	US\$ million	51	51
- Attributable Debt	US\$ million	583	583
Nordgold Implied Value	US\$ million	992	1,973
Foreign Exchange	USD/CAD	0.98	0.98
Implied Value	C\$ million	972	1,933
FDITM Shares Outstanding	million	359	359
Implied Share Price	C\$	2.71	5.39

2014 EV / EBITDA		Low	High
2014 EBITDA	US\$ million	518	818
Comparable 2014 EV/EBITDA Multiple	x	3.9x	3.9x
Nordgold Implied Enterprise Value	US\$ million	2,008	3,174
+ Attributable Cash	US\$ million	51	51
- Attributable Debt	US\$ million	583	583
Nordgold Implied Value	US\$ million	1,475	2,641
Foreign Exchange	USD/CAD	0.98	0.98
Implied Value	C\$ million	1,445	2,588
FDITM Shares Outstanding	million	359	359
Implied Share Price	C\$	4.03	7.21

(iv) Price to Earnings

For purposes of the P / E analysis, Paradigm Capital used the calendar year 2013 and 2014 earnings estimates from the DCF analysis for Nordgold under the low and high price assumptions and then applied the median P / E multiples of the comparable group to arrive at the Fair Market Value for Nordgold. The low and high case scenarios and the associated calculations are set forth below.

2013 Price / Earnings		Low	High
2013 Earnings	US\$ million	218	408
Comparable 2013 P/E Multiple	x	6.9x	6.9x
Nordgold Implied Value	US\$ million	1,515	2,836
Foreign Exchange	USD/CAD	0.98	0.98
Nordgold Implied Value	C\$ million	1,484	2,778
FDITM Shares Outstanding	million	359	359
Implied Share Price	C\$	4.14	7.74

2014 Price / Earnings		Low	High
2014 Earnings	US\$ million	288	518
Comparable 2014 P/E Multiple	x	6.1x	6.1x
Nordgold Implied Value	US\$ million	1,768	3,177
Foreign Exchange	USD/CAD	0.98	0.98
Nordgold Implied Value	C\$ million	1,732	3,113
FDITM Shares Outstanding	million	359	359
Implied Share Price	C\$	4.83	8.68

(v) Price to Book Value

For purposes of the P / BV analysis, Paradigm Capital used the book value of equity attributable to the shareholders of Nordgold and then applied the mean and median P / BV multiples of the comparable group to arrive at the Fair Market Value for Nordgold. The low and high case scenarios and the associated calculations are set forth below.

Price / Book		Low	High
Nordgold Book Value	US\$ million	1,519	1,519
Comparable P / BV Multiple	x	1.69x	1.73x
Nordgold Implied Value	US\$ million	2,572	2,623
Foreign Exchange	USD/CAD	0.98	0.98
Nordgold Implied Value	C\$ million	2,519	2,570
FDITM Shares Outstanding	million	359	359
Implied Share Price	C\$	7.02	7.16

Analyst Target Prices

Paradigm Capital examined the share price targets for Nordgold from 7 brokers.

Analyst Target Prices		Low	High
Target Price	C\$	5.68	9.21

Historical Trading Ranges

Paradigm Capital examined the trading range of Nordgold for the 3 months preceding the public announcement by Nordgold of its intention to make the Offer. Paradigm Capital used the high and low share prices over the 3 month period.

Historical Trading Range		Low	High
Share Price	C\$	4.46	6.27

Balance Sheet Summary

Paradigm Capital has reviewed Nordgold's unaudited balance sheet as at June 30, 2012. Paradigm Capital notes Nordgold's working capital balance of \$438 million and equity attributable to the shareholders of Nordgold of \$1,519 million.

Synergies and Material Benefits to Nordgold

Paradigm Capital understands that if any of the Minority Shareholders tender to the GDR Offer, Nordgold will move closer to the 25 per cent float threshold needed to achieve a premium listing on the LSE. Paradigm Capital notes that benefits of a premium listing include the potential inclusion in the FTSE UK series of indices and a broader access to capital.

Paradigm Capital understands that development at Prognoz by High River has been compromised by the bankruptcy proceedings initiated by High River's joint-venture partner, Argentum. Paradigm Capital notes that High River is reviewing the circumstances surrounding Argentum's application to the Arbitration Court of the City of Moscow for commencing official bankruptcy proceedings against Prognoz LLC.

Prognoz is considered one of the largest high grade undeveloped silver deposits in the world, hosting approximately 204 million ounces of silver. Paradigm Capital notes that if the Transaction is completed, Nordgold will assume ownership of High River's 50 per cent interest in Prognoz LLC. In the event the bankruptcy proceedings initiated by Argentum are dismissed by the Arbitration Court of the City of Moscow, or terminated by Argentum, Nordgold as 50 per cent owner in Prognoz would be in a position to realize value for Prognoz as it proceeds with the development of the deposit.

Nordgold Valuation Summary

In arriving at our opinion of the Fair Market Value range of Nordgold, Paradigm Capital attributed the weights below to each valuation technique. Paradigm Capital has made qualitative judgements based on our experience in rendering such opinions and on circumstances then prevailing as to the significance and relevance of each factor.

Nordgold Fair Market Value Summary

Metric	Weight	Low	High
P/NAV	30.0%	3.45	6.14
2013 EV/EBITDA	10.0%	2.71	5.39
2014 EV/EBITDA	5.0%	4.03	7.21
2013 P/CF	15.0%	3.89	6.34
2014 P/CF	10.0%	4.22	6.61
2013 P/E	7.5%	4.14	7.74
2014 P/E	2.5%	4.83	8.68
P/BV	5.0%	7.02	7.16
Analyst Target Price	5.0%	5.68	9.21
Historical Trading Range	10.0%	4.46	6.27
Weighted Average Value Range	100.0%	4.02	6.60

Nordgold Valuation Conclusion

Based upon and subject to the foregoing and such other factors as Paradigm Capital considered relevant, Paradigm Capital is of the opinion that, as of the date hereof, the Fair Market Value of Nordgold is in the range of \$4.02 to \$6.60 per share.

Valuation Conclusion

Based upon and subject to the foregoing and such other factors as Paradigm Capital considered relevant, Paradigm Capital is of the opinion that, as of the date hereof, the Fair Market Value of High River is in the range of \$1.33 to \$1.80 per share.

Based upon and subject to the foregoing and such other factors as Paradigm Capital considered relevant, Paradigm Capital is of the opinion that, as of the date hereof, the Fair Market Value of Nordgold is in the range of \$4.02 to \$6.60 per share.



PARADIGM
C A P I T A L

Yours very truly,

Paradigm Capital Inc.

PARADIGM CAPITAL INC.

The Depositary for the Offer is:

EQUITY FINANCIAL TRUST COMPANY



By Registered Mail, Mail, Hand or Courier

Toronto

200 University Avenue

Suite 400

Toronto, Ontario

M5H 4H1

Attention: Corporate Actions

Inquiries

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Any questions or requests for assistance or additional copies of this document, the Letter of Transmittal or the Notice of Guaranteed Delivery may be directed to the Depositary. High River Shareholders may also contact their brokers, dealers, commercial banks, trust companies or other nominees for assistance in depositing their High River Shares to the Offer.