Polyus Gold

Interim condensed consolidated
financial statements
for the six months ended 30 June 2009
(unaudited)

POLYUS GOLD

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The following statement, which should be read in conjunction with the report on the review of interim condensed consolidated financial statements set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the unaudited interim condensed consolidated financial statements of Open Joint Stock Company "Polyus Gold" and its subsidiaries (the "Group").

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly the financial position of the Group at 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive income, cash flows, changes in equity for the six months then ended, and selected explanatory notes, in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

In preparing interim condensed consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- Preparing the interim condensed consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking steps to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial statements for the six months ended 30 June 2009 were approved on 10 September 2009 by:

Ivanov E.I.
General Director

Ignatov O.V.
Deputy General Director

Moscow, Russia
10 September 2009

ZAO Deloitte & Touche CIS
Business Center "Mokhovaya"
4/7 Vozdvizhenka St., Bldg. 2
Moscow, 125009
Russia

Tel: +7 (495) 787 0600
Fax: +7 (495) 787 0601
www.deloitte.ru

REPORT ON THE REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Open Joint Stock Company "Polyus Gold":

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Open Joint Stock Company "Polyus Gold" and subsidiaries (the "Group") as at 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive income, cash flows, changes in equity for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte + Touche

Moscow, Russia
10 September 2009

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POLYUS GOLD

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE (UNAUDITED)
(in thousands of US Dollars)

	Notes	2009	2008
Gold sales		441,686	505,730
Other sales		10,273	13,179
Total revenue		**451,959**	**518,909**
Cost of gold sales	4	(209,358)	(243,644)
Cost of other sales		(9,248)	(13,230)
Gross profit		**233,353**	**262,035**
Selling, general and administrative expenses	5	(45,542)	(64,954)
Research and exploration expenses		(909)	(4,430)
Other expenses, net	6	(10,724)	(2,603)
Finance costs		(1,754)	(2,335)
Income from investments	7	10,394	25,047
Foreign exchange gain		6,479	290
Profit before income tax		**191,297**	**213,050**
Current income tax expense		(33,861)	(46,316)
Deferred tax expense		(7,423)	(5,847)
Profit for the period		**150,013**	**160,887**
Attributable to:			
Shareholders of the parent company		150,310	161,199
Minority interest		(297)	(312)
		150,013	**160,887**
Earnings per share			
Weighted average number of ordinary shares in issue during the period		178,151,346	178,124,637
Basic and diluted (US cents)		84	90

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR SIX MONTHS ENDED 30 JUNE (UNAUDITED)

(in thousands of US Dollars)

	2009	2008
Profit for the period	**150,013**	**160,887**
Other comprehensive (loss)/income		
Increase in fair value of available-for-sale investments, net of deferred tax of USD nil (six months, ended 30 June 2008: USD 7,054 thousand)	5,007	12,647
Exchange difference on translation of foreign operations	67,891	(59,054)
Effect of translation to presentation currency	(202,473)	189,548
Other comprehensive (loss)/income for the period	**(129,575)**	**143,141**
Total comprehensive income for the period	**20,438**	**304,028**
Attributable to:		
Shareholders of the parent company	23,085	294,041
Minority interest	(2,647)	9,987
	20,438	**304,028**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

POLYUS GOLD

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2009 (UNAUDITED)
(in thousands of US Dollars)

	Notes	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,768,162	1,772,319
Deferred stripping costs		147,344	163,988
Inventories	10	36,679	39,063
Investments in securities and other financial assets	9	3,623	4,095
Long-term portion of reimbursable value added tax		4,594	9,188
Other non-current assets		4,678	2,164
		1,965,080	**1,990,817**
Current assets			
Inventories	10	263,126	233,001
Reimbursable value added tax		98,273	104,872
Accounts receivable		15,569	15,513
Advances paid to suppliers		14,708	14,558
Investments in securities and other financial assets	9	291,092	285,236
Income tax prepaid		18,727	17,545
Other current assets	11	38,830	18,494
Cash and cash equivalents	12	441,367	398,826
		1,181,692	**1,088,045**
TOTAL ASSETS		**3,146,772**	**3,078,862**
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	13	6,871	6,871
Additional paid-in capital		2,116,655	2,116,655
Treasury shares		(724,927)	(724,927)
Investments revaluation reserve		5,007	-
Translation reserve		(175,638)	(43,406)
Retained earnings		1,551,850	1,401,540
Equity attributable to shareholders of the parent company		**2,779,818**	**2,756,733**
Minority interest		34,722	37,808
		2,814,540	**2,794,541**
Non-current liabilities			
Deferred tax liabilities		146,905	148,244
Environmental obligations		46,607	34,379
		193,512	**182,623**
Current liabilities			
Trade payables		49,905	17,918
Other payables and accrued expenses		61,115	65,609
Income tax payable		4,611	1,344
Other taxes payable		23,089	16,827
		138,720	**101,698**
TOTAL LIABILITIES		**332,232**	**284,321**
TOTAL EQUITY AND LIABILITIES		**3,146,772**	**3,078,862**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

POLYUS GOLD

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE (UNAUDITED)
(in thousands of US Dollars)

	2009	2008
Operating activities		
Profit before income tax	**191,297**	**213,050**
Adjustments for:		
Amortisation and depreciation	40,454	55,633
Expensed stripping costs	6,277	-
Loss/(profit) on disposal of property, plant and equipment	1,371	(1,951)
Finance costs	1,754	2,335
Net income from investments	(10,394)	(25,047)
Foreign exchange gain	(6,479)	(290)
Other	3,568	(2,801)
Operating profit before working capital changes	**227,848**	**240,929**
Increase in inventories	(42,241)	(4,055)
Increase in accounts receivable and advances paid to suppliers	(2,330)	(9,817)
Increase in other current assets and reimbursable value added tax	(20,396)	(13,138)
Increase in trade and other payables	17,024	1,884
Increase/(decrease) in other taxes payable	6,859	(318)
Cash flows from operations	**186,764**	**215,485**
Interest paid	-	(2,527)
Income tax paid	(31,508)	(27,126)
Net cash generated from operating activities	**155,256**	**185,832**
Investing activities		
Increase of ownership in subsidiaries	-	(22,128)
Repayment of consideration on acquisition of subsidiaries	-	(20,069)
Purchase of property, plant and equipment	(117,373)	(230,101)
Deferred stripping costs capitalised	-	(57,817)
Proceeds from sale of property, plant and equipment	1,059	4,635
Interest received	5,794	19,103
Purchase of promissory notes and other financial assets	(11,571)	(2,024)
Proceeds from sale of promissory notes and other financial assets	13,253	574,506
Net cash (used in)/generated from investing activities	**(108,838)**	**266,105**

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE (UNAUDITED)
(in thousands of US Dollars)

	2009	2008
Financing activities		
Repayments of borrowings	-	(19,843)
Repayments of finance lease obligations	-	(1,668)
Proceeds from issuance of Company's shares from treasury shares	-	1,334
Dividends paid to minority shareholders of the Group's subsidiary	-	(658)
Net cash used in financing activities	**-**	**(20,835)**
Effect of translation to presentation currency	(3,877)	14,834
Net increase in cash and cash equivalents	**42,541**	**445,936**
Cash and cash equivalents at beginning of the period	**398,826**	**226,174**
Cash and cash equivalents at end of the period	**441,367**	**672,110**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

POLYUS GOLD

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
(in thousands of US Dollars)

		Equity attributable to shareholders of the parent company								
	Notes	Share capital	Additional paid-in capital	Treasury shares	Investments revaluation reserve	Translation reserve	Retained earnings	Total	Minority interest	Total
Balance at 31 December 2007		**6,871**	**2,118,165**	**(730,450)**	**36,907**	**425,727**	**1,404,554**	**3,261,774**	**47,187**	**3,308,961**
Profit for the period		-	-	-	-	-	161,199	**161,199**	(312)	**160,887**
Other comprehensive income		-	-	-	4,624	128,218	-	**132,842**	10,299	**143,141**
Total comprehensive income		**-**	**-**	**-**	**4,624**	**128,218**	**161,199**	**294,041**	**9,987**	**304,028**
Dividends to shareholders of the parent company	13	-	-	-	-	-	(22,258)	**(22,258)**	-	**(22,258)**
Dividends to minority shareholders of the Group's subsidiaries		-	-	-	-	-	-	**-**	(658)	**(658)**
Decrease in minority interest due to change of shareholding structure of subsidiaries		-	-	-	-	-	1,108	**1,108**	(1,108)	**-**
Increase in minority interest due to increase in share capital of a subsidiary		-	-	-	-	-	(17,029)	**(17,029)**	(5,099)	**(22,128)**
Issuance of shares from treasury shares under share option plan		-	(1,510)	5,523	-	(307)	-	**3,706**	-	**3,706**
Minority interest liability		-	-	-	-	-	(13,858)	**(13,858)**	(4,974)	**(18,832)**
Balance at 30 June 2008		**6,871**	**2,116,655**	**(724,927)**	**41,531**	**553,638**	**1,513,716**	**3,507,484**	**45,335**	**3,552,819**
Balance at 31 December 2008		**6,871**	**2,116,655**	**(724,927)**	**-**	**(43,406)**	**1,401,540**	**2,756,733**	**37,808**	**2,794,541**
Profit for the period		**-**	**-**	**-**	**-**	**-**	150,310	**150,310**	(297)	**150,013**
Other comprehensive loss		**-**	**-**	**-**	5,007	(132,232)	**-**	**(127,225)**	(2,350)	**(129,575)**
Total comprehensive income		**-**	**-**	**-**	**5,007**	**(132,232)**	**150,310**	**23,085**	**(2,647)**	**20,438**
Dividends to minority shareholders of the Group's subsidiaries		-	-	-	-	-	-	-	(439)	**(439)**
Balance at 30 June 2009		**6,871**	**2,116,655**	**(724,927)**	**5,007**	**(175,638)**	**1,551,850**	**2,779,818**	**34,722**	**2,814,540**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. GENERAL

Organisation

Open Joint Stock Company "Polyus Gold" (the "Company" or "Polyus Gold") is incorporated in Moscow, Russian Federation. The principal activities of the Company and its subsidiaries (the "Group") are the extraction, refining and sale of gold. Mining and processing facilities of the Group are located in the Krasnoyarsk and Irkutsk regions and the Sakha Republic of the Russian Federation. The Group also performs research, exploration and development works, primarily at the Natalka field located in the Magadan region and the Nezhdaninskoe field located in the Sakha Republic.

Foreign currency exchange rates

The individual financial statements of the Group entities operating in the Russian Federation are prepared in their functional currency, Russian Rouble ("RUR").

Functional currency of subsidiaries of the Group operating in Cyprus and the British Virgin Islands is United States of America Dollar ("USD").

Exchange rates quoted by the Central Bank of the Russian Federation were as follows (RUR to 1 USD):

	30 June 2009	30 June 2008	31 December 2008
Period-end rates	31.2904	23.4573	29.3804
Average for the period	33.0679	23.9440	24.8553

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Group's consolidated financial statements for the year ended 31 December 2008.

The Group does not include all of the disclosures required by IFRS in these unaudited interim condensed consolidated financial statements. However, management of the Group believes that the disclosures are adequate to make the information presented not misleading.

Accounting policies and critical accounting judgments, estimates and assumptions

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2008, except for the adoption of new and revised standards and interpretations as of 1 January 2009 as noted below.

The critical accounting judgments, estimates and assumptions made by management of the Group and applied in the accompanying unaudited interim condensed consolidated financial statements for the six months ended 30 June 2009 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2008.

Adoption of new and revised Standards and Interpretations

The Group has adopted all new Standards and Interpretations issued by International Financial Reporting Committee ("IFRIC") that are mandatory for adoption in the annual periods beginning on or after 1 January 2009. The principles changes due to implementation were as follows:

IFRS 8 *Operating Segments* (effective 1 January 2009)

This standard requires disclosure of financial information about the Group's operating segments based on the management reporting system and replaces the requirements to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect of the financial position or performance of the Group. Segment information presented in these interim condensed consolidated financial statements was prepared to comply with management reporting system, including comparative information for the six months ended 30 June 2008. Additional information and disclosure about each of the operating segments are presented in note 3.

IAS 1 *Presentation of Financial Statements* (revised and effective 1 January 2009)

This revised standard separates owner and non-owner changes in the statement of changes in equity. Based on revised standard the statement of changes in equity includes only details of transactions with owner, with non-owner changes in equity presented as a single line item and separately disclosed in statement of comprehensive income. In addition, the Standard introduces the statement of comprehensive income and introduces new names of some statements. All information presented in these interim condensed consolidated financial statements was amended, accordingly.

The revisions and amendments to the following Standards and Interpretations presented below did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*;
- IFRS 2 *Share-based Payments*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 19 *Employee Benefits*;
- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*;
- IAS 23 *Borrowing Costs*;
- IAS 27 *Consolidated and Separate Financial Statements*;
- IAS 28 *Investments in Associates*;
- IAS 32 *Financial Instruments: Presentation*;
- IAS 34 *Interim Financial Reporting*;
- IAS 36 *Impairment of Assets*;
- IAS 38 *Intangible Assets*;
- IAS 39 *Financial Instruments: Recognition and Measurement*.

(in thousands of US Dollars)

3. SEGMENT INFORMATION

For management purposes the Group is organised by separate business segments identified on a combination of operating activities and geographical area basis with the separate financial information available and reported regularly to the chief operating decision maker ("CODM"), identified as the Budget Committee. The following is a description of operations the Group's seven identified reportable segments:

- Krasnoyarsk segment – located in Krasnoyarsk region of Russian Federation and includes extraction, refining and sales of gold from Olimpiada mine, as well as research, exploration and development works at Blagodatnoe, Titimukhta, Kvartsevaya Gora, Kuzeevskoe and Olimpiada deposits;
- Irkutsk alluvial segment – located in Irkutsk region (Bodaibo district) of Russian Federation and includes extraction, refining and sales of gold from several alluvial deposits;
- Irkutsk ore segment – located in Irkutsk region (Bodaibo district) of Russian Federation and includes extraction, refining and sales of gold from Zapadnoe mine, as well as research, exploration and development works at Chertovo Koryto, Pervenetc, Verninskoe, Zapadnoe, Medvezhiy Ruchei and Mukodek deposits. Irkutsk ore business unit also includes electricity and utilities production and sales in Bodaibo district of Irkutsk region;
- Yakutsk Kuranakh segment – located in Sakha Republic of Russian Federation and includes extraction, refining and sales of gold from Kuranakh ore field;
- Exploration segment comprising of Yakutsk (Nezhdaninskoe) and Polyus Exploration (PEL) business units – represents two operating segments that were combined into single reportable segment in accordance with aggregation criteria. Yakutsk (Nezhdaninskoe) business unit is located in Sakha Republic of Russian Federation and includes research and exploration works at Nezhdaninskoe deposit; PEL business unit represents research and exploration works in several regions of Russian Federation (Krasnoyarsk region, Irkutsk region, Amur region, etc.);
- Magadan segment – located in Magadan region of Russian Federation and represented by OJSC "Matrosov Mine" which performs development works at Natalka deposit and
- Unallocated – the Group chose not to allocate segment results of companies that perform management, investing activities and certain other functions.

The reportable segments derive their revenue primarily from gold sales and substantial costs incurred are cost of gold sold for the period. CODM performs analysis of operating results based on these business units separately and evaluates reporting segments results based on profit before income tax. Business segment assets or liabilities do not represent key performance indicators for CODM for decision making and therefore are not disclosed in these unaudited interim condensed consolidated financial statements. Segment financial information provided to CODM is prepared based on Russian accounting standards.

	Gold sales	**Profit before income tax**
Six months ended 30 June 2009		
Krasnoyarsk segment	334,003	204,127
Irkutsk alluvial segment	30,968	6,126
Irkutsk ore segment	10,568	442
Yakutsk Kuranakh segment	66,147	16,194
Exploration segment	-	(6,747)
Magadan segment	-	(6,023)
Unallocated	-	23,221
Segment result	**441,686**	**237,340**

(in thousands of US Dollars)

	Gold sales	Profit before income tax
Six months ended 30 June 2008		
Krasnoyarsk segment	405,901	267,488
Irkutsk alluvial segment	26,861	504
Irkutsk ore segment	10,561	(2,678)
Yakutsk Kuranakh segment	62,407	9,205
Exploration segment	-	(9,211)
Magadan segment	-	(4,722)
Unallocated	-	15,202
Segment result	**505,730**	**275,788**

Reconciliation of segment result to IFRS profit before income tax

	Six months ended 30 June 2009	Six months ended 30 June 2008
Segment result	**237,340**	**275,788**
Capitalised exploration works	9,392	(19,910)
Provisions and accruals	(10,788)	(6,347)
Additional depreciation charge and amortisation of mineral rights	(16,298)	(24,864)
Revaluation of gold-in-process at net production cost	(20,050)	(8,900)
Other	(8,299)	(2,717)
Profit before income tax	**191,297**	**213,050**

4. COST OF GOLD SALES

	Six months ended 30 June 2009	Six months ended 30 June 2008
Consumables and spares	101,832	105,520
Labour	53,657	84,946
Tax on mining	37,207	34,209
Utilities	10,352	14,205
Outsourced mining services	2,132	2,851
Refining costs	1,793	2,019
Sundry costs	5,979	2,685
Total cash operating costs	**212,952**	**246,435**
Amortisation and depreciation of operating assets	38,433	52,805
Deferred stripping costs expensed/(capitalised)	6,277	(57,817)
Increase in provision for land restoration	2,850	618
(Increase)/decrease in gold-in-process and refined gold	(51,154)	1,603
Total	**209,358**	**243,644**

(in thousands of US Dollars)

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2009	Six months ended 30 June 2008
Salaries	23,375	31,265
Taxes other than mining and income taxes	7,789	9,711
Professional services	2,096	5,938
Other	12,282	18,040
Total	**45,542**	**64,954**

6. OTHER EXPENSES, NET

	Six months ended 30 June 2009	Six months ended 30 June 2008
Donations	6,978	2,257
Loss/(profit) on disposal of property, plant and equipment	1,371	(1,951)
Other	2,375	2,297
Total	**10,724**	**2,603**

7. INCOME FROM INVESTMENTS

	Six months ended 30 June 2009	Six months ended 30 June 2008
Income from financial assets at fair value through profit and loss		
Income from investments in listed companies held for trading	3,577	415
Income from held-to-maturity investments		
Interest income on promissory notes	890	2,958
Income from loans given		
Interest income on bank deposits	5,927	15,088
Interest income on loans under repurchase agreements	-	6,047
Other	-	539
Total	**10,394**	**25,047**

(in thousands of US Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Exploration and evaluation assets	Mining assets	Non-mining assets	Capital construction-in-progress	Total
Cost					
Balance at 31 December 2008	**214,920**	**1,594,500**	**61,235**	**304,391**	**2,175,046**
Additions	18,724	62,312	330	62,322	**143,688**
Transfers	-	12,858	-	(12,858)	**-**
Change in decommissioning liabilities	-	8,781	-	-	**8,781**
Disposals	-	(3,531)	(296)	(975)	**(4,802)**
Effect of translation to presentation currency	(12,055)	(92,762)	(3,736)	(15,826)	**(124,379)**
Balance at 30 June 2009	**221,589**	**1,582,158**	**57,533**	**337,054**	**2,198,334**
Accumulated amortisation, depreciation and impairment					
Balance at 31 December 2008	**-**	**(376,151)**	**(21,421)**	**(5,155)**	**(402,727)**
Charge for the period	-	(49,485)	(2,117)	-	**(51,602)**
Disposals	-	2,176	196	-	**2,372**
Effect of translation to presentation currency	-	20,273	1,198	314	**21,785**
Balance at 30 June 2009	**-**	**(403,187)**	**(22,144)**	**(4,841)**	**(430,172)**
Net book value					
31 December 2008	**214,920**	**1,218,349**	**39,814**	**299,236**	**1,772,319**
30 June 2009	**221,589**	**1,178,971**	**35,389**	**332,213**	**1,768,162**

Mining assets at 30 June 2009 included mineral rights of USD 400,382 thousand (31 December 2008: USD 433,112 thousand).

Amortisation and depreciation capitalised during the six months ended 30 June 2009 amounted to USD 11,148 thousand (30 June 2008: USD 11,049 thousand).

(in thousands of US Dollars)

9. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 June 2009	31 December 2008
Non-current		
Loans advanced	3,319	3,772
Other	304	323
Total non-current	**3,623**	**4,095**
Current		
Available-for-sale equity investments	213,687	208,680
Promissory notes receivable	36,818	35,928
Equity investments in listed companies held for trading	27,646	40,628
Bank deposits	12,941	-
Total current	**291,092**	**285,236**

Available-for-sale equity investments, carried at fair value

At 30 June 2009, available-for-sale equity investments mainly represented investment in shares of Rosfund, SPC (Cayman Islands) acquired in July 2006. The principal amounts invested by the Group to Rosfund, SPC shares as of 30 June 2009 was USD 308,770 thousand (31 December 2008: USD 308,770 thousand).

Fair value of available for sale (AFS) investment in Rosfund, SPC is determined based on quoted market prices of securities, included in the portfolio as at 30 June 2009 and 31 December 2008. In 2008, as a result of recent volatility in global and Russian financial markets, and the uncertainty surrounding long-term recovery, the decline in the fair value of investment in shares of Rosfund, SPC below its cost was assessed as not recoverable and was recognised in the consolidated income statement. As a result investments revaluation reserve was recycled from equity at 31 December 2008.

Increase in fair value of available-for-sale equity investments during six months ended 30 June 2009 in the amount of USD 5,007 thousand was recognised in equity within investments revaluation reserve.

Financial assets at fair value through profit or loss, carried at fair value

Equity investments in listed companies held for trading are treated as financial assets at fair value through profit or loss. These investments were acquired by Managing Company Rosbank on behalf of the Group under Asset management agreement. During six months ended 30 June 2009 the Group has withdrawn USD 19,505 thousand from Asset management agreement, including cash in the amount of USD 6,252 thousand, previously held under asset management agreement.

Investments, carried at amortised cost

Promissory notes at 6.0% per annum are repayable on demand.

Loans and receivables, carried at amortised cost

Bank deposits at 3.3-5.2% per annum are denominated in USD and EUR and mature in October 2009 and November 2009.

(in thousands of US Dollars)

10. INVENTORIES

	30 June 2009	31 December 2008
Inventories expected to be recovered after twelve months		
Stockpiles	36,679	39,063
Total	**36,679**	**39,063**
Inventories expected to be recovered in the next twelve months		
Gold-in-process at net production cost	101,212	49,052
Refined gold at net production cost	519	1,849
Total metal inventories	**101,731**	**50,901**
Stores and materials at cost	164,506	185,313
Less: Allowance for obsolescence	(3,111)	(3,213)
Total	**263,126**	**233,001**

11. OTHER CURRENT ASSETS

	30 June 2009	31 December 2008
Deferred expenditures	37,828	14,938
Other prepaid taxes	1,002	3,556
Total	**38,830**	**18,494**

Deferred expenditures relate to the preparation for the seasonal alluvial mining activities mostly comprised of excavation costs, general production and specific administration costs.

12. CASH AND CASH EQUIVALENTS

		30 June 2009	31 December 2008
Bank deposits	– RUR	80,948	70,375
	– foreign currencies	251,895	208,074
Current bank accounts	– RUR	73,537	25,645
	– foreign currencies	22,477	81,409
Other cash and cash equivalents		12,510	13,323
Total		**441,367**	**398,826**

Bank deposits are denominated in RUR, USD and EUR and bear interest of 0.22-12.50% per annum with original maturity within three months.

(in thousands of US Dollars)

13. SHARE CAPITAL

At 30 June 2009, authorised, issued and fully paid share capital of the Company comprised of 190,627,747 ordinary shares at par value of RUR 1.

At 26 June 2008 the Company declared dividends of RUR 2.95, or USD 0.13 (at 26 June 2008 exchange rate) per share related to the year ended 31 December 2007. Dividends in the amount of USD 22,258 thousand (net of USD 1,559 thousand attributable to treasury shares) were paid to shareholders at 31 August 2008.

14. RELATED PARTIES

Related parties include shareholders, entities under common ownership and control with the Group and members of key management personnel. The Company and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with related parties. During six months ended 30 June 2009 and 2008 related party transactions included only transactions with entities under common control. The terms of these transactions would not necessarily be on similar terms had the Group entered into the transactions with third parties.

As a result of change of shareholders the following companies and their subsidiaries are no longer considered related parties for the Group:

	From
Norilsk Nickel and it's subsidiaries	24 April 2008
AKB Rosbank and it's subsidiaries	13 February 2008
Managing company Rosbank	5 March 2009

During the six months ended 30 June 2009 and 30 June 2008, Group entered into the following transactions with related parties:

	Six months ended 30 June 2009	**Six months ended 30 June 2008**
Gold sales	-	57,753
Purchase of goods and services	284	15,914
Income from investments	-	567

Outstanding balances with related parties as at 30 June 2009 and 31 December 2008 were as following:

	30 June 2009	**31 December 2008**
Accounts receivable	2	15
Advances paid to suppliers	572	25
Trade payables	6	-
Other payables	2	6

(in thousands of US Dollars)

The amounts outstanding are unsecured and expected to be settled in cash. No expense has been recognised in the reporting periods for bad or doubtful debts in respect of the amounts owed by related parties. All trade payable and receivable balances are expected to be settled on a gross basis.

The Group has asset management agreements with Managing Company Rosbank, which acts on behalf of the Group. The principal amounts invested by the Group under these agreements at 30 June 2009 amounted to USD 129,592 thousand (31 December 2008: USD 159,971 thousand) and were not guaranteed by the Bank.

Compensation of key management personnel

	Six months ended 30 June 2009	**Six months ended 30 June 2008**
Short-term employee benefits	3,165	5,807
Total	**3,165**	**5,807**

15. CONTINGENCIES

Operating leases: Group as a lessee

The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2057.

Future minimum lease payments due under non-cancellable operating lease agreements at 30 June 2009 were as follows:

Due within one year	6,075
From one to five years	9,552
Thereafter	19,922
Total	**35,549**

Litigation

The Group has a number of insignificant claims and litigation relating to sales and purchases of goods and services from suppliers. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation is characterised by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels. The government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The laws reduce the number of taxes and overall tax burden on businesses and simplify tax legislation. However, these tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

With regards to matters where practice concerning payment of taxes is unclear, management estimated the tax exposure at 30 June 2009 of approximately USD 11,953 thousand (31 December 2008: USD 436 thousand). This amount had not been accrued at 30 June 2009 as management does not believe the payment to be probable.

Russian Federation risk

As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure including stable banking and judicial systems, which would generally exist in a more mature market economy. The economy of the Russian Federation is characterised by a currency that is not freely convertible outside the country, currency controls, low liquidity levels for debt and equity markets and continuing inflation. As a result operations in the Russian Federation involve risks that are not typically associated with those in more developed markets.

Stability and success of Russian economy depends on the effectiveness of the government economic policies and the continued development of the legal and political systems.

16. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Recommendation of dividends declaration

At 30 July 2009 the Board of Directors of the Company recommended dividends of RUR 6.55, or USD 0.21 (at 30 July 2009 exchange rate) per share for the six months ended 30 June 2009.

Acquisition of KazakhGold Group Ltd.

In July 2009 Jenington International Inc., a 100% subsidiary of the Group, prepared and issued a Partial Offer Document together with the Prospectus for the acquisition of 50.1% of issued and to be issued share capital of KazakhGold Group Ltd. The Partial Offer provides for 0.423 Polyus Gold treasury shares ("Consideration Shares") in exchange for each KazakhGold share, of which 84.86% of Consideration Shares will be repurchased immediately by Polyus Gold for cash at a price of USD 20 per each Consideration Share.

At 30 July 2009, the Partial Offer Document became unconditional because Jenington International Inc. had received valid acceptances of partial offer terms from more than 50.1% shareholders of KazakhGold Group Ltd. Therefore, the acquisition date is considered 30 July 2009.

Upon settlement of partial offer terms during August 2009 the total consideration given for the acquisition of 50.1% of issued share capital (or 26.5 million shares) of KazakhGold Group Ltd. amounted to USD 254,199 thousand. The consideration comprised cash of USD 190,614 thousand and 1,700,240 Polyus Gold treasury shares valued at USD 63,585 thousand. These unaudited interim consolidated financial statements do not include the provisional purchase price allocation of the fair value of the net assets acquired or the carrying value of these assets because at the date of acquisition, the acquired entity did not prepare financial statements in accordance with IFRS and the Group has not been able to develop a provisional fair value estimates of the assets, liabilities and contingent liabilities acquired.

(in thousands of US Dollars)

The primary reason for the business acquisition was followed by the Company's previously stated objective of seeking expansion opportunities outside of Russia as part of its long-term corporate strategy. The Company has identified Kazakhstan as a very prospective geological region and an area for strategic external growth. KazakhGold Group Ltd. is the largest gold producer in Kazakhstan and the Company believes that KazakhGold Group Ltd. represents an attractive opportunity to acquire producing assets with strong growth potential.

17. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

Subsidiaries	Country of incorporation	Nature of business	Effective % held[1] 30 June 2009	Effective % held[1] 31 December 2008
CJSC "Gold Mining Company Polyus"	Russian Federation	Mining	100.0	100.0
OJSC "Aldanzoloto GRK"	Russian Federation	Mining	100.0	100.0
OJSC "Lenzoloto"	Russian Federation	Market agent	64.1	64.1
LLC "Lenskaya Zolotorudnaya Company"	Russian Federation	Market agent	100.0	100.0
CJSC "ZDK Lenzoloto"	Russian Federation	Mining	66.2	66.2
CJSC "Lensib"	Russian Federation	Mining	40.4	40.4
CJSC "Svetliy"	Russian Federation	Mining	55.6	55.6
CJSC "Marakan"	Russian Federation	Mining	55.6	55.6
CJSC "Dalnaya Taiga"	Russian Federation	Mining	54.3	54.3
CJSC "Sevzoto"	Russian Federation	Mining	43.0	43.0
CJSC "GRK Sukhoy Log"	Russian Federation	Mining	100.0	100.0
OJSC "Matrosov Mine"	Russian Federation	Mining (development stage)	100.0	100.0
CJSC "Tonoda"	Russian Federation	Mining (exploration stage)	100.0	100.0
OJSC "Pervenets"	Russian Federation	Mining (development stage)	100.0	100.0
OJSC "South-Verkhoyansk Mining Company"	Russian Federation	Mining (exploration stage)	100.0	100.0
Polyus Exploration Ltd.	British Virgin Islands	Geological research	100.0	100.0
Jenington International Inc.	British Virgin Islands	Market agent	100.0	100.0
Polyus Investments Ltd.	Cyprus	Market agent	100.0	100.0

[1] Effective % held by the Company, including holdings by other subsidiaries of the Group