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## **Polymetal International plc**

### **Initial ore reserve estimate for the Nezhda gold property**

**Polymetal International plc (LSE, MOEX: POLY; ADR: AUCOY) (“Polymetal”, the “Company”) is pleased to report the initial Ore Reserve estimate for the Nezhda gold property in accordance with the JORC Code (2012).**

#### **HIGHLIGHTS**

- Open-pit Ore Reserves are estimated at 15.5 Mt of ore with an average gold equivalent (GE) grade of 4.0 g/t for 2.0 Moz of GE contained.
- Additional Mineral Resources are estimated at 55.9 Mt of ore with an average GE grade of 5.0 g/t for 8.9 Moz of GE contained.
- Current reserve estimate assumes 11 years of open-pit mining from Ore Zone 1. Ore will be processed by a conventional concentrator with further off-site downstream processing or sale of concentrate to 3<sup>rd</sup> parties.
- The Company expects average annual production of 150 Koz of payable gold in concentrate with all-in sustaining cash costs in the range of US\$ 650-710/oz of GE and total cash costs in the range of US\$590-640/oz of GE.
- Nezhda is expected to benefit from low capital intensity with robust project economics. Total capital expenditures are estimated at US\$ 249 million (including pre-stripping costs).
- The project’s IRR is expected to be 20% with an NPV of US\$ 132 million (using a 10% discount rate, US\$ 1,200/oz gold price, US\$ 16/oz silver price and RUB/USD exchange rate of 60). This estimate is only based on the current reserve estimate.
- Production start date is currently projected to start during first half of 2022, subject to a positive investment and development decision in Q4 of 2018. Such date would be after the successful ramp-up of Kyzyl and consolidation of 100% ownership in the Nezhda property.
- Polymetal is now focused on further exploration drilling for the conversion of resources into higher categories and the preparation of a feasibility study by the end of 2018.

“I am pleased that the initial Ore Reserve estimate for Nezhda reaffirms its economic viability and justifies Polymetal’s approach to developing the asset.” said Vitaly Nesis, Group CEO of Polymetal. “With low capital intensity and significant low-cost production, Nezhda retains significant optionality which we will work hard on to incorporate in the development plan before our final investment decision”.

## INITIAL ORE RESERVE STATEMENT

The Nezhda Ore Reserve estimate for the open pit is reported in accordance with the JORC Code (2012) as at 1 July 2017 using a gold price of US\$ 1,200/oz and silver price of US\$ 16/oz. A cut-off grade of 2.0 g/t gold equivalent (GE) has been applied. The Ore Reserve statement was prepared by Polymetal.

### Nezhda Open-pit Ore Reserves estimate

Ore Reserves	Tonnage		Grade			Content	
	Mt	Au, g/t	Ag, g/t	GE, g/t	Au, Moz	Ag, Moz	GE, Moz
Proved	7.6	4.0	25	4.2	1.0	6.2	1.0
Probable	7.9	3.7	15	3.8	0.9	3.8	1.0
<b>Proved+Probable</b>	<b>15.5</b>	<b>3.8</b>	<b>20</b>	<b>4.0</b>	<b>1.9</b>	<b>10.0</b>	<b>2.0</b>

Notes: Ore Reserves were estimated as at 01.07.2017 at the prices: Au=US\$ 1,200/oz, Ag = US\$ 16/oz, COG GE =2.0 g/t. Ore Reserves are reported in accordance with JORC Code (2012). Discrepancies in calculations are due to rounding

## ADDITIONAL MINERAL RESOURCES

Additional Mineral Resources for Nezhda for the open pit and underground are reported in accordance with the JORC Code (2012) as at 1 July 2017 using a gold price of US\$ 1,200/oz and silver price of US\$ 16/oz. The revaluation of Mineral Resources was prepared by Polymetal based on new geomechanical data for the deposit.

### Nezhda Additional Mineral Resource estimate

Additional Mineral Resources	Tonnage		Grade			Content	
	Mt	Au, g/t	Ag, g/t	GE, g/t	Au, Moz	Ag, Moz	GE, Moz
<b>Measured</b>							
Underground	1.2	5.3	13	5.4	0.2	0.5	0.2
<b>Total Measured</b>	<b>1.2</b>	<b>5.3</b>	<b>13</b>	<b>5.4</b>	<b>0.2</b>	<b>0.5</b>	<b>0.2</b>
<b>Indicated</b>							
Open-pit	0.8	2.9	21	3.0	0.1	0.5	0.1
Underground	5.5	5.2	16	5.3	0.9	2.9	0.9
<b>Total Indicated</b>	<b>6.3</b>	<b>4.9</b>	<b>17</b>	<b>5.0</b>	<b>1.0</b>	<b>3.4</b>	<b>1.0</b>
<b>Measured+Indicated</b>							
Open-pit	0.8	2.9	21	3.0	0.1	0.5	0.1
Underground	6.7	5.2	15	5.3	1.1	3.3	1.2
<b>Total Measured+Indicated</b>	<b>7.5</b>	<b>5.0</b>	<b>16</b>	<b>5.1</b>	<b>1.2</b>	<b>3.9</b>	<b>1.2</b>
<b>Inferred</b>							
Open-pit	1.8	3.0	13	3.1	0.2	0.7	0.2
Underground	46.7	4.9	10	5.0	7.4	15.4	7.5
<b>Total Inferred</b>	<b>48.5</b>	<b>4.9</b>	<b>10</b>	<b>4.9</b>	<b>7.6</b>	<b>16.1</b>	<b>7.7</b>
<b>Measured + Indicated + Inferred</b>							
Open-pit	2.6	3.0	15	3.1	0.2	1.3	0.3
Underground	53.4	5.0	11	5.1	8.5	18.7	8.7
<b>Total Measured + Indicated + Inferred</b>	<b>55.9</b>	<b>4.9</b>	<b>11</b>	<b>5.0</b>	<b>8.8</b>	<b>20.0</b>	<b>8.9</b>

Notes: Measured and Indicated Mineral Resources are additional to Ore Reserves. Inferred Mineral Resources are by definition always additional to Ore Reserves. Cut-off grades of 3.0 and 2.0 g/t gold equivalent (GE) have been applied for the underground and open pit Mineral Resources, respectively. Due to the effects of rounding, the sum of individual values will not necessarily equal the total.

The estimate is based on data from 42,479 m of diamond drilling completed by Polymetal in 2015 and 2017 in addition to the 339,392 m of drilling completed by previous owners. Mineral resources for the open pit were estimated up to a depth of 250 m from the surface.

The largest mineralised structure is mineralised zone 1 ("MZ 1") which has a strike length of 4,900 m and a vertical extent over 1,800 m and comprises 80% of currently estimated Mineral Resources at Nezhda in terms of gold contained. For MZ 1, top cutting at 80 g/t gold was applied to reduce outlier grade influence on local estimation.

## INFORMATION ON NEZHDA

Nezhda is the fourth largest gold deposit in Russia, located in northeast Yakutia in the Tompon municipal district, approximately 480 km east from the city of Yakutsk (population of 350,000). The property is remote with access by an all-season unpaved road and no grid connection. The nearest federal highway is 110 km away from the deposit by all-year unpaved road. The highway provides direct access to the Khandyga river port (170 km) and the Nizhniy Bestiakh railway spur (370 km). The climate is characterized by long severe winters and short hot summers. The relief is moderately mountainous with relative altitudes above valley floors not exceeding 600 m.

The deposit is composed of large mineralised zones, representing areas of intense brecciation comprised of crushed and sheared, hydrothermally altered, sedimentary rocks that have been variably enriched in quartz. The Nezhda mineralisation is double refractory due to the encapsulation of fine gold particles within sulphide minerals and significant presence of preg-robbing carbonaceous material.

The Nezhdaninskoye gold deposit was discovered in 1951 during the Allakh-Yunskaya geological exploration expedition. From 1959, the deposit was subject to several exploration and evaluation initiatives resulting in newly identified ore zones. In 1975, a 180 Kt per annum underground mine and concentrator was commissioned at Nezhda with over 2 Mt of ore mined and processed before the operation was placed on care and maintenance in 2005. Polyus acquired the asset in 2006, subsequently undertaking an extensive exploration program and completing several technical studies.

Polymetal entered into the joint venture with Polyus Gold for the Nezhda gold deposit in 2015, completing a total 42,479 m of diamond drilling by 2017, which resulted in an initial JORC-compliant mineral resource estimate reported on July 17, 2017.

## MINING

The mine plan envisages two large open pits that will be mined over 11 years via conventional drill-and-blast and truck-shovel methods. Evaluation of subsequent underground mining potential is under way.

The ultimate contours of the open pits were determined via pit optimization, including trade-off studies with underground mining. An open-pit cut-off grade of 2.0 g/t GE was used. Average pit slope angles of 45-55 degrees for open-pit No.1 and 39-55 for open-pit No.2 were applied, with the upper and lower levels estimated at +1,475 m above sea level (asl) and +680 m asl, respectively.

Projected open-pit mining volumes are currently set at 1.5 Mtpa of ore with an average stripping ratio of 12:1.

## METALLURGY AND PROCESSING

Currently expected flotation plant capacity is 1.5 Mt of ore per annum, followed by concentrate off-take or POX processing. Gold recovery to concentrate is anticipated at 85% with a mass pull ratio of 5.3%.

The current estimate envisages 1.5 Mtpa concentrator incorporating crushing, two-stage grinding, and flotation and gravity circuits. Tailings will be filtered and dry stacked within the existing historic storage facility. Dried flotation concentrates will be sold to third party off-takers while gravity concentrate will be processed at the Amursk POX facility.

## CAPITAL EXPENDITURE

Total capital costs for Nezhda are estimated at US\$ 249 million, including US\$ 15 million capitalised pre-stripping costs, with approximately US\$ 30 million to be invested in 2018 into project design, permitting and exploration.

Area	Capital Cost, US\$ million
Mining fleet	41
Processing plant equipment	49
Construction and infrastructure	122
Engineering	7
Contingency	15
<b>Initial Capital Costs</b>	<b>234</b>
Pre-stripping	15
<b>Total Capital Costs</b>	<b>249</b>

## PROJECT DEVELOPMENT TIMELINE

Polymetal envisages the following conceptual development timeline for the Nezhda gold Project:

- Completion of Feasibility Study and investment decision in Q4 2018
- Start of construction in Q4 2018 subject to positive investment decision
- Pre-stripping to start in 2019
- First production: 2022
- Full capacity: 2023

## COMPETENT PERSONS

This estimate was prepared by employees of JSC Polymetal Management Company and JSC Polymetal Engineering, subsidiaries of the Company, led by Mr. Boris Sogrin, who assumes overall responsibility for the Mineral Resources and Ore Reserves Report.

Mr. Sogrin is with JSC Polymetal Engineering since 2004 and has more than 13 years experience in gold, silver and polymetallic mining. He is a Member of the Institute of Materials, Minerals & Mining (MIMMM), London, and a Competent Person under the JORC Code.

Listed below are other Competent Persons employed by the Company that are responsible for relevant research on which the Mineral Resources and Ore Reserves estimate is based:

- Geology and Mineral Resources – Roman Govorukha, Head of Geologic Modelling and Monitoring Department, MIMMM, with 16 years' relevant experience;
- Mining and Ore Reserves - Igor Epshteyn, Head of Mining Process Department, MIMMM, with 35 years' relevant experience;
- Concentration and Metals – Igor Agapov, Deputy Director of Science and Technology, MIMMM, with 19 years' relevant experience;

All the above mentioned Competent Persons have sufficient experience that is relevant to the style of mineralisation and types of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code).

All Competent Persons have given their consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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