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Polymetal International plc

Polymetal serves Nezhda call option exercise notice

Polymetal International plc (LSE, MOEX: POLY, ADR: AUCOY) (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) announces that the Company has served an exercise notice for the call option to buy out the remaining 75.3% stake in the Nezhda gold property.

TRANSACTION DETAILS

In accordance with the previously announced shareholder agreement ([press release as of 17 July 2017](#)), the Company has decided to exercise its call option to acquire the remaining 75.3% stake in the Nezhda gold property from Ivan Kulakov’s investment vehicle. This acquisition, when completed, will bring the Company’s ownership in the asset to 100%.

The total consideration for the call option exercise will amount to US\$ 144 million, payable in Polymetal shares. The consideration amount was determined by multiplying US\$ 75.3 by the total gold reserve ounces estimated in the Ore Reserves Report. Nezhda JORC-compliant proven and probable ore reserves are estimated at 1,915 Koz of gold.

Completion of the transaction is expected by the end of 2018 after the receipt of required Russian regulatory approvals, including federal government’s clearance under the law governing foreign investment in strategic assets.

STRATEGIC RATIONALE FOR THE TRANSACTION

Nezhda is a world-class gold deposit that fits well with Polymetal’s strategy and core competences:

- Significant high-grade open-pit reserves of 2.0 Moz of gold equivalent at 4.0 g/t (JORC)
- Outstanding reserve growth potential with 8.9 Moz of additional resources at 5.0 g/t (JORC)
- Simple mining and straightforward metallurgy
- Low capital intensity

PROJECT DEVELOPMENT

Polymetal plans to present detailed development plan for Nezhda after the completion of Feasibility Study (FS) in Q4 of 2018. Project activities for 2018 include additional exploration and metallurgical testing, full-scale statutory permitting, and detailed engineering. Subject to a positive development decision in 2018, first production is expected in 2022.

INFORMATION ON THE PROPERTY

Nezhda is Russia’s 4th largest gold deposit. It is located in northeast Yakutia, in the Tompon municipal district, approximately 480 km east from the city of Yakutsk. The property is remote with access by an all-season unpaved road and no grid connection. 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.

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 3rd 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.

The gross assets of Nezhda are US\$ 95 million and a reported pre-tax loss of US\$ 5.3 million has been attributable to these assets in 2017.

“We are excited about consolidating 100% of Nezhda under Polymetal. This deposit is a low-risk asset that provides the Company with the opportunity to realise superior returns on invested capital. High reserve grades and a long life-of-mine will ensure these returns are robust even in the event of a significant decline in gold prices”, said Vitaly Nesis, Group CEO of Polymetal.

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