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Polymetal International plc

Polymetal agrees to sell the Kapan mine in Armenia

Polymetal International plc has entered into a legally binding agreement with Chaarat Gold Holdings Limited (AIM:CGH) (together with its subsidiaries - "Chaarat") for the sale of the Kapan mine in the Republic of Armenia ("Kapan") for a total consideration of US\$ 55 million (the "Transaction").

"The sale of Kapan is a step towards shrinking Polymetal's asset base to focus on large long-life projects", said Vitaly Nesis, Group CEO of Polymetal. "The transaction will have immediate benefits as it is expected to improve our cost position and reduce leverage. On behalf of Polymetal, I would like to thank the team at Kapan for their hard work and dedication and wish them all the best going forward."

TRANSACTION DETAILS

The principal terms of the Transaction are as follows:

- The total consideration payable for Kapan will be US\$ 55 million, subject to working capital and other customary adjustments. This represents US\$ 99 per ounce of gold equivalent (GE) Ore Reserves.
- The consideration will be payable in cash upon closing of the Transaction, with an option for Chaarat to elect to satisfy up to US\$ 5 million of the consideration in Chaarat's 2021 Convertible Notes.
- The Transaction is conditional upon Chaarat obtaining financing to satisfy the purchase consideration and certain regulatory approvals, including anti-monopoly approval from the Republic of Armenia. Completion of the Transaction is expected to take place in Q1 2019 but in any event no later than 15 February 2019.
- A termination fee of US\$10 million will be payable to Polymetal in the event that the Transaction is not completed by 15 February 2019 as a result of any conditions not being satisfied. US\$ 5 million of this fee is to be deposited within 10 working days from signing of the sale and purchase agreement.
- Polymetal will grant Chaarat an exclusive right for a period of 6 months from completion and a right of first refusal for a period of 12 months upon expiry of the exclusivity period in relation to Polymetal's other interests in Armenia, including the Lichkvaz deposit.

STRATEGIC RATIONALE

The sale of Kapan advances the Company's strategy of focusing on large-scale and long-life operations.

Kapan is the smallest and highest-cost mine in Polymetal's portfolio, representing:

- 3% of the Group's Ore Reserves as at 1 January 2018 (0.5 Moz of GE)
- 3% of the Group's LTM production ending 30 September 2018 (51 Koz GE) and 5% of the Group's expected 2019 production (90 Koz GE) including feed from Lichkvaz
- 3% of Group's LTM adjusted EBITDA¹ ending 30 June 2018 (US\$ 22 million)
- 7% of Company's workforce as of 30 September 2018.

In 2017, Kapan's TCC¹ of US\$ 871/oz and AISC of US\$ 1,292/oz were above Polymetal's average of US\$ 650/oz and US\$ 877/oz (excluding Kapan).

Polymetal acquired Kapan in April 2016 for US\$ 38 million including US\$ 9 million fair value of the Net Smelter Return royalty on future gold production. The transaction is expected to result in a US\$ 3 million accounting profit for the Company. Polymetal plans to use proceeds from the Transaction to reduce debt.

Scotiabank Europe plc acted as financial advisor to Polymetal.

About Polymetal

Polymetal International plc (LSE, MOEX: POLY, ADR: AUCOY) (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) is a top-20 global gold producer and top-5 global silver producer with assets in Russia, Kazakhstan and Armenia. The Company combines strong growth with a robust dividend yield.

Note:

¹ The alternative performance measures disclosed to compliment measures that are defined or specified under International Financial Reporting Standards (IFRS) and reported by the Group in the IFRS consolidated financial accounts.

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