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Polymetal International plc

Q4 and full year 2017 production results

Polymetal International plc (LSE, MOEX: POLY; ADR: AUCOY) (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) is pleased to report the Group’s production results for the fourth quarter and twelve months ended December 31, 2017.

HIGHLIGHTS

- Polymetal produced 405 Koz of gold equivalent (GE) in Q4 2017, an 8% increase over the same period in the previous year. Total GE production for FY 2017 increased 13% year-on-year to 1,433 Koz, 2% above our initial production guidance of 1,400 Koz. The strong finish to 2017 was driven by contributions from the fully ramped-up Svetloye heap leach (Okhotsk hub), as well as a strong performance at Komar (Varvara hub), Omolon and Amursk-Albazino.
- Gold production in Q4 was 317 Koz, an 11% increase year-on-year, while silver production was down 6% to 6.6 Moz due to the planned grade decline at the Dukat underground mine. Full year gold production totaled 1,075 Koz, a 21% increase year-on-year, allowing Polymetal to join the prestigious 1Moz club, the second LSE premium-listed gold company to achieve this important milestone.
- The Kyzyl project is progressing on schedule with commissioning expected to start in July and first concentrate expected in mid-August 2018. During the quarter, the Company completed the tailings storage facility and installed the ROM ore crusher unit. First ore has been mined from the open pit in January, ahead of schedule.
- Net debt stood at US\$ 1,421 million as of December 31, 2017. This represents a substantial US\$ 178 million decrease compared with the previous quarter end as free cash flows benefited from the traditional seasonal de-stockpiling at a number of operations.
- In 2017, Polymetal paid out US\$ 138 million in dividends, translating into a 2.7% dividend yield based on the average share price for the year. The Board has decided that there will be no special dividend for 2017 as free cash flow will be distributed to shareholders through the regular dividend at an increased pay-out ratio of 50% of underlying net income. The final dividend for 2017 will be proposed by the Board in March 2018 based on final financial results.
- Polymetal regrettably reports one fatal accident in the quarter that occurred as a result of a rock mass fall at Omolon, on 20 October 2017. While the total number of fatalities for the year has halved to two compared to 2016, we view this result as unsatisfactory. The Company plans to implement additional safety measures in 2018 with a particular focus on smaller operating units, especially at remote locations.
- Polymetal provides an updated cost guidance for FY 2017:
 - Based on the actual 2017 average exchange rate of 58.3 USD/RUB, total cash costs (TCC) are expected to be in the range of US\$ 650-675/ GE ounce, as opposed to the initial guidance of US\$ 600-650/ GE oz (based on the exchange rate of 60 USD/RUB). The increase in TCC was driven by rising domestic diesel fuel prices and the strengthening of the Russian rouble on the back of the recent oil price rally.
 - All-in sustaining cash costs (AISC) are expected to be in the range of US\$ 850-900/GE oz, compared to the initial guidance of US\$ 775-825/ GE oz. In addition to exchange rates and diesel prices, AISC was impacted by significantly increased exploration spending across the portfolio.
 - Capital expenditure for 2017 is expected at around US\$ 415 million, 12% above the original guidance of US\$ 370 million. This is primarily driven by accelerated pre-stripping and construction at Kyzyl, higher expenditures at Nezhda and Prognoz on the back of positive drilling results, as well as increased brownfield exploration spend across the operating assets portfolio.

2018 OUTLOOK

- The Company reiterates its production guidance for 2018 and 2019 of 1.55 Moz and 1.7 Moz of gold equivalent, respectively. The main growth drivers will be the ramp-up of Kyzyl, re-commissioning of the oxide circuit at Mayskoye, and incremental improvements at Varvara and Kapan. This should offset anticipated grade declines at Khakanja and Voro. As in prior years, production in both years will be weighted towards 2H due to seasonality.
- TCC in 2018 are expected to be in the range of US\$ 650-700/ GE oz while AISC are expected to average US\$ 875-925/ GE oz. The anticipated increase in costs is due to rising domestic diesel prices and expected strengthening of the Russian rouble. Cost guidance remains contingent on the Rouble/Dollar exchange rate dynamic that has a significant effect on the Group's operating costs.
- The capital expenditure in 2018 is expected to be slightly lower compared to 2017 at roughly US\$ 400 million. Significant investments will be directed towards completion of Kyzyl and POX debottlenecking projects. The Company also plans to advance feasibility studies for Nezhda and POX-2 projects. Exploration spending is expected to stay elevated as Polymetal will continue its aggressive drilling campaign at the Prognoz silver project.

"Polymetal delivered a strong finish to 2017 and exceeded production guidance for the 6th year in a row", said Vitaly Nesis, Group CEO of Polymetal, commenting on the results. "We have an important year ahead of us with first production from Kyzyl paving the way for investment decisions on Nezhda and POX-2. All the while, we will continue to deliver positive free cash flow and prioritise dividends in our capital allocation process".

	3 months ended Dec 31,			12 months ended Dec 31,		
	2017	2016	% change	2017	2016	% change ¹
Waste mined, Mt	29.3	24.0	+22%	114.0	82.1	+39%
Underground development, km	31.5	23.9	+32%	115.4	92.2	+25%
Ore mined, Kt	2,945	4,186	-30%	12,589	13,380	-6%
Open-pit	1,864	3,058	-39%	8,241	9,506	-13%
Underground	1,081	1,128	-4%	4,347	3,874	+12%
Ore processed, Kt	3,026	2,824	+7%	13,037	11,417	+14%
Production						
Gold, Koz	317	285	+11%	1,075	890	+21%
Silver, Moz	6.6	7.0	-6%	26.8	29.2	-8%
Copper, Kt	0.8	0.2	+332%	2.7	1.5	+87%
Zinc, Kt	1.2	0.9	+39%	4.8	2.9	+66%
Gold equivalent, Koz ²	405	375	+8%	1,433	1,269	+13%
Sales						
Gold, Koz	356	319	+12%	1,099	880	+25%
Silver, Moz	8.3	9.4	-12%	26.5	30.7	-14%
Copper, Kt	1.3	1.2	+8%	2.6	1.6	+57%
Zinc, Kt	1.2	1.3	-3%	4.7	2.8	+67%
Revenue, US\$m ³	586	524	+12%	1,815	1,583	+15%
Net debt, US\$m ⁴	1,421	1,599	-11%	1,421	1,329	+7%
Safety ⁵						
LTIFR	0.18	0.22	-18%	0.15	0.19	-21%
Fatalities	1	2	-50%	2	4	-50%

Notes: (1) % changes can be different from zero even when absolute numbers are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute numbers differ due to the same reason. This note applies to all tables in this release.

(2) Based on 1:80 Ag/Au, 5:1 Cu/Au and 2:1 Zn/Au conversion ratios.

(3) Calculated based on the unaudited consolidated management accounts. Concentrate sales are recorded based on forward prices for the expected dates of final settlement and concentrate revenue is presented net of refining and treatment charges.

(4) Non-IFRS measure based on unaudited consolidated management accounts. Net debt equals to current and non-current borrowings less cash and cash equivalents and includes the liability for dividend payable. Comparative information is presented for 30 September 2017 (for the 3 months period) and 31 December 2016 (for the 12 months period).

(5) LTIFR = lost time injury frequency rate per 200,000 hours worked.

PRODUCTION BY MINE

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change ¹
	2017	2016		2017	2016	
GOLD EQ. (KOZ)²						
Dukat	81	89	-9%	322	369	-13%
Albazino-Amursk	71	54	+32%	269	244	+10%
Mayskoye	35	47	-27%	124	116	+7%
Omolon	64	61	+3%	202	170	+19%
Voro	31	35	-13%	120	129	-7%
Varvara	42	28	+52%	130	85	+54%
Okhotsk	70	53	+33%	217	131	+65%
Kapan	13	7	+73%	50	26	+94%
TOTAL	405	375	+8%	1,433	1,269	+13%

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(2) Based on 1:80 Ag/Au, 5:1 Cu/Au and 2:1 Zn/Au conversion ratios.

CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Wednesday, January 24, 2018 at 12:00 London time (15:00 Moscow time).

To participate in the call, please dial:

8 800 500 98 63 access code 22542091# (free from Russia), or

+44 20 3009 2480 (free from the UK), or

1 646 722 4915 (free from the US), or

follow the link: <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=5237>

Please be prepared to introduce yourself to the moderator or register.

Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=5237>. A recording of the call will be available immediately after the call at +44 20 3364 5147 (from within the UK), 1 646 722 4969 (USA Toll Free) and +7 495 249 16 71 (from within Russia), access code 725805#, from 15:00 Moscow time Wednesday, January 24, till 15:00 Moscow time Wednesday, January 31, 2018.

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FORWARD-LOOKING STATEMENTS

THIS RELEASE MAY INCLUDE STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, "FORWARD-LOOKING STATEMENTS". THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF THIS RELEASE. THESE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY, INCLUDING THE WORDS "TARGETS", "BELIEVES", "EXPECTS", "AIMS", "INTENDS", "WILL", "MAY", "ANTICIPATES", "WOULD", "COULD" OR "SHOULD" OR SIMILAR EXPRESSIONS OR, IN EACH CASE THEIR NEGATIVE OR OTHER VARIATIONS OR BY DISCUSSION OF STRATEGIES, PLANS, OBJECTIVES, GOALS, FUTURE EVENTS OR INTENTIONS. THESE FORWARD-LOOKING STATEMENTS ALL INCLUDE MATTERS THAT ARE NOT HISTORICAL FACTS. BY THEIR NATURE, SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS BEYOND THE COMPANY'S CONTROL THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON NUMEROUS ASSUMPTIONS REGARDING THE COMPANY'S PRESENT AND FUTURE BUSINESS STRATEGIES AND THE ENVIRONMENT IN WHICH THE COMPANY WILL OPERATE IN THE FUTURE. FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE. THERE ARE MANY FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE COMPANY'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENTS ARE BASED

DUKAT OPERATIONS

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016		2017	2016	
MINING						
Dukat						
Underground development, m	8,890	8,552	+4%	33,813	35,066	-4%
Ore mined (underground), Kt	393	449	-12%	1,605	1,661	-3%
Grade						
Gold, g/t				0.4	0.7	-36%
Silver, g/t				306	378	-19%
Goltsovoye						
Underground development, m	1,806	1,298	+39%	6,904	6,010	+15%
Ore mined (underground), Kt	47	41	+14%	190	183	+4%
Silver grade, g/t				366	370	-1%
Lunnoye + Arylakh						
Underground development, m	2,327	1,297	+79%	8,174	5,249	+56%
Ore mined (underground), Kt	133	121	+10%	552	435	+27%
Grade						
Gold, g/t				1.4	1.5	-11%
Silver, g/t				334	434	-23%
Perevalnoye						
Underground development, m	964	-	NA	3,223	-	NA
Nachalny-2						
Waste mined, Kt	-	-	NA	273	-	NA
Ore mined (open pit), Kt	-	-	NA	48	-	NA
Silver grade, g/t				283	-	NA
Terem						
Underground development, m	998	-	NA	2,167	-	NA
Ore mined (underground), Kt	10	-	NA	21	-	NA
Silver grade, g/t				565	-	NA
TOTAL HUB						
Waste mined, Kt	-	-	NA	273	-	NA
Underground development, m	14,985	11,147	+34%	54,281	46,325	+17%
Ore mined, Kt	583	611	-5%	2,416	2,278	+6%
Open pit	-	-	NA	48	-	NA
Underground	583	611	-5%	2,368	2,278	+4%
PROCESSING						
Dukat						
Ore processed, Kt	517	480	+8%	1,979	1,938	+2%
Grade						
Gold, g/t	0.5	0.6	-16%	0.4	0.6	-26%
Silver, g/t	316	366	-14%	321	372	-14%
Recovery ¹						
Gold	86.6%	85.8%	+1%	86.3%	86.2%	+0%
Silver	88.4%	85.9%	+3%	88.6%	85.4%	+4%
Production						

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016		2017	2016	
Gold, Koz	6.5	7.6	-15%	24.2	31.6	-23%
Silver, Moz	4.5	5.0	-10%	17.7	19.8	-11%
Lunnoye						
Ore processed, Kt	114	111	+3%	460	435	+6%
Grade						
Gold, g/t	1.2	1.4	-12%	1.2	1.5	-17%
Silver, g/t	320	356	-10%	352	436	-19%
Recovery ¹						
Gold	87.5%	90.3%	-3%	90.3%	91.9%	-2%
Silver	93.3%	90.1%	+4%	92.8%	91.6%	+1%
Production						
Gold, Koz	4.0	4.4	-9%	16.8	19.6	-14%
Silver, Moz	1.1	1.2	-2%	4.8	5.6	-14%
TOTAL PRODUCTION						
Gold, Koz	10.5	12.1	-13%	41.0	51.2	-20%
Silver, Moz	5.6	6.2	-9%	22.5	25.4	-12%

Note: (1) Technological recovery, includes gold and silver within work-in-progress inventory (concentrate, precipitate)

Full year silver production at the Dukat hub was 22.5 Moz, a decrease of 12% over the previous year, as higher processing volumes and improved recoveries failed to offset declining grades. Lower grades are partially the result of lower cut-off grades which take into account lower mining costs, lower treatment charges and higher recoveries. In the meantime, the Dukat concentrator set a new throughput record, processing 1,979 Kt of ore in 2017.

Underground development at Perevalnoye and Terem is making good progress with both ore sources expected to make significant contributions to the feed at the Omsukchan concentrator in 2018.

At Lunnoye, record amounts of ore were mined and processed during the year as stoping continues at the new Zone 5 vein. Lower silver grade is mostly attributable to depletion of high-grade portion of the Zone 7 vein.

ALBAZINO-AMURSK

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016		2017	2016	
MINING						
Waste mined, Kt	4,963	4,234	+17%	19,586	18,078	+8%
Underground development, m	2,156	1,459	+48%	7,766	5,838	+33%
Ore mined, Kt	365	498	-27%	1,832	1,866	-2%
Open-pit	295	436	-32%	1,512	1,599	-5%
Underground	70	62	+12%	320	267	+20%
Gold grade, g/t				4.7	4.8	-1%
Open-pit				4.7	4.7	-0%
Underground				4.9	5.2	-5%
PROCESSING						
Albazino concentrator						
Ore processed, Kt	434	415	+4%	1,725	1,654	+4%
Gold grade, g/t	5.1	5.0	+3%	4.9	5.0	-3%
Gold recovery ¹	87.5%	87.7%	-0%	87.5%	87.2%	+0%
Concentrate produced, Kt	35.2	33.5	+5%	140.9	136.3	+3%
Concentrate gold grade, g/t	54.8	53.6	+2%	52.3	53.3	-2%
Gold in concentrate, Koz ²	62.0	57.8	+7%	237.2	233.6	+2%
Amursk POX						
Concentrate processed, Kt	40.2	31.8	+26%	153.7	148.9	+3%

Gold grade, g/t	58.6	52.3	+12%	58.3	52.1	+12%
Gold recovery	97.2%	95.7%	+2%	96.4%	94.5%	+2%
Gold produced, Koz ³	71.2	53.7	+32%	268.5	243.6	+10%
TOTAL PRODUCTION						
Gold, Koz	71.2	53.7	+32%	268.5	243.6	+10%

Notes: (1) To concentrate
(2) For information only; not considered as gold produced and therefore not reflected in the table representing total production. Included in total production upon completion of downstream processing at the Amursk POX
(3) Includes gold produced from the third-party concentrate

In 2017, Albazino/Amursk achieved record gold production of 268.5 Koz, up 10% year-on-year while advancing the debottlenecking project. This growth was achieved despite the 7-week maintenance retro-fit shutdown completed in Q2 and an additional 15 day maintenance shutdown in Q4. The latter shutdown enabled the expansion of desorption and electrolysis units, and commissioning of the automatic sulphur grade control system.

The production increase was primarily driven by higher hourly productivity and recovery levels. The 12% improvement in head grades also made a significant contribution as the facility continued to process high-grade 3rd party material. A record 97.2% average recovery was achieved in Q4 2017, thanks mostly to full automation of material flow control system and expansion of the water treatment section.

The debottlenecking project at the Amursk POX is progressing on schedule. The oxygen plant has arrived on site and equipment installation is under way, including new filter presses for tails and gypsum sediment. Polymetal plans to ramp up the debottlenecked POX plant in the second half of 2018, in time to take feed from the Kyzyl concentrator.

At the Albazino underground mine productivity continued to improve with full transition to partially consolidated backfill in primary stopes. As a result, both underground development and ore mined volumes demonstrated substantial improvements both quarter-on-quarter and year-on-year.

Open-pit mining at the Olga pit was completed in Q4 with all equipment now moved to the Ekaterina-1 pit.

Incremental continuous improvements in throughput and recovery at the Albazino concentrator ensured production growth despite some grade erosion.

OMOLON OPERATIONS

	3 months ended Dec 31,		%	12 months ended Dec 31,		%
	2017	2016	change	2017	2016	change
MINING						
Sopka						
Waste mined, Kt	2,152	-	NA	6,442	-	NA
Ore mined (open pit), Kt	37	-	NA	261	-	NA
Grade						
Gold, g/t				3.7	-	NA
Silver, g/t				117	-	NA
Tsokol						
Underground development, m	927	980	-5%	3,786	3,934	-4%
Ore mined (underground), Kt	47	33	+40%	153	103	+48%
Gold grade, g/t				10.4	12.7	-18%
Birkachan						
Waste mined, Kt	-	374	-100%	-	2,548	-100%
Underground development, m	1,118	712	+57%	4,526	2,286	+98%
Ore mined, Kt	31	346	-91%	114	961	-88%
Open-pit	-	304	-100%	-	893	-100%
Underground	31	42	-26%	114	68	+67%
Gold grade, g/t				7.6	2.0	+275%
Open-pit				-	1.6	NA
Underground				7.6	7.8	-3%

Silver grade, g/t				48	8	+519%
Open-pit				-	4	NA
Underground				48	50	-5%
Oroch						
Waste mined, Kt	-	467	-100%	109	4,552	-98%
Ore mined (open pit), Kt	-	245	-100%	81	936	-91%
Grade						
Gold, g/t				164	134	+22%
Silver, g/t				2.3	2.9	-18%
Olcha						
Waste mined, Kt	-	800	-100%	184	1,088	-83%
Underground development, m	870	125	+596%	3,164	125	+2431%
Ore mined, Kt	10	192	-95%	83	232	-64%
Open-pit	-	192	-100%	73	232	-69%
Underground	10	-	NA	10	-	NA
Gold grade, g/t				5.6	6.0	-7%
TOTAL HUB						
Waste mined, Kt	2,152	1,641	+31%	6,735	8,188	-18%
Underground development, m	2,915	1,817	+60%	11,476	6,345	+81%
Ore mined, Kt	125	815	-85%	692	2,233	-69%
Open-pit	37	741	-95%	415	2,061	-80%
Underground	88	75	+17%	277	172	+61%
PROCESSING						
Birkachan Heap Leach						
Ore stacked, Kt	96	-	NA	459	-	NA
Gold grade, g/t	1.3	-	NA	1.3	-	NA
Gold recovery	-	-	NA	90.1%	-	NA
Gold production, Koz	1.0	-	NA	4.4	-	NA
Kubaka Mill						
Ore processed, Kt	212	211	+0%	858	840	+2%
Grade						
Gold, g/t	9.2	9.7	-5%	6.7	5.9	+13%
Silver, g/t	46	32	+44%	90	90	-1%
Recovery ¹						
Gold	94.4%	94.3%	+0%	94.2%	92.2%	+2%
Silver	79.1%	78.4%	+1%	83.9%	85.5%	-2%
Gold production, Koz	59	58	+1%	172	144	+20%
Silver production, Moz	0.3	0.3	+21%	2.1	2.1	-1%
TOTAL PRODUCTION						
Gold, Koz	59.6	58.2	+2%	176.4	143.9	+23%
Silver, Moz	0.3	0.3	+21%	2.1	2.1	-1%

Note: (1) Technological recovery, includes gold and silver within work-in-progress inventory

Omolon delivered a strong set of production results for the year, with gold production up 23% year-on-year at 176 Koz. The increase comes on the back of significantly improved gold grades and recovery levels at the Kubaka processing plant as the share of higher-grade ore from the Tsokol and Birkachan underground mines continued to increase.

At Sopka, open-pit mining is proceeding as planned, with mined ore to be transported to the Kubaka mill for processing in Q1 2018. Open pit mining at Sopka is expected to wind down in Q2 2018.

First ore stopes were extracted at the Olcha underground mine, where development is in full swing. The resumption of the heap leach project at Birkachan is planned to start in Q2 2018.

MAYSKOYE

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016		2017	2016	
MINING						
Waste mined, Kt	366	336 ⁵	+9%	4,415	336	NM
Underground development, m	5,317	4,691	+13%	19,713	19,523	+1%
Ore mined, Kt	178	227	-22%	944	730	+29%
Open-pit	17	-	NA	225	-	NA
Underground	161	227	-29%	719	730	-1%
Gold grade, g/t				6.3	5.3	+20%
Open-pit				9.6	-	NA
Underground				5.3	5.3	+1%
PROCESSING						
Flotation						
Ore processed, Kt	62	220	-72%	644	761	-15%
Gold grade, g/t	5.3	5.1	+4%	5.4	5.3	+3%
Gold recovery ¹	90.0%	88.0%	+2%	87.7%	87.7%	-0%
Concentrate produced, Kt	5.6	19.1	-71%	53.2	70.8	-25%
Gold in concentrate, Koz ²	9.6	31.7	-70%	96.4	114.3	-16%
Concentrate sold, Kt	23.6	30.1	-22%	62.9	59.8	+5%
Payable gold in con sold, Koz	34.6	43.5	-21%	101.7	86.7	+17%
Leaching						
Ore processed, Kt	-	-	NA	67	-	NA
Gold grade, g/t	-	-	NA	9.9	-	NA
Gold recovery	-	-	NA	51.6%	-	NA
Gold in carbon, Koz ³	-	-	NA	12.1	-	NA
Gold produced, Koz	-	-	NA	11.3	-	NA
Amursk POX						
Concentrate processed, Kt	-	2.9	NA	6.1	16.6	-63%
Gold grade, g/t	-	56.9	NA	49.6	55.2	-10%
Gold recovery	-	95.5%	NA	96.2%	94.4%	+2%
Gold produced, Koz ⁴	-	3.9	NA	11.1	28.9	-62%
TOTAL PRODUCTION						
Gold, Koz	34.6	47.4	-27%	124.1	115.6	+7%

Notes: (1) To concentrate

(2) For information only; not considered as gold produced and therefore not reflected in the table representing total production. Included in total production upon sale to off-taker or internal downstream processing to saleable metal product

(3) Work in progress. For information only; not considered as gold produced and therefore not reflected in the table representing total production

(4) 2016 now excludes gold produced from the third-party concentrate, which is accounted in Albazino/Amursk production

(5) Restated

Full year gold production at Mayskoye increased 7% year-on-year to 124 Koz, but was down 27% quarter-on-quarter. The concentrator was temporarily idled while enough sulphide ore is accumulated for efficient blending. Production came fully from off-take sales to China as the capacity at Amursk POX was taken up by higher-grade and higher-margin third-party material.

After low CIL recoveries earlier in the year at the crown pillar project, additional extensive metallurgical testing was performed. As a result, future oxide ore processing will be through a combined float-leach circuit with flotation removing the bulk of preg-robbing organic carbon. This circuit will commence operation in May 2018, while open pit mining will resume in Q1 2018.

VARVARA

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016		2017	2016	
MINING						
Varvara						
Waste mined, Kt	1,458	4,326	-66%	9,588	18,646	-49%
Ore mined, Kt	191	882	-78%	1,261	2,820	-55%
Grade						
Gold, float ore, g/t				1.0	1.1	-15%
Copper, float ore, %				0.52%	0.41%	+26%
Gold, leach ore, g/t				1.0	0.8	+16%
Komarovskoye						
Waste mined, Kt	5,119	1,889	+171%	14,201	2,939	+383%
Ore mined, Kt	619	318	+94%	1,982	383	+417%
Gold grade, g/t				1.5	1.5	+3%
PROCESSING						
Flotation						
Ore processed, Kt	107	16	+555%	389	372	+5%
Grade						
Gold, g/t	1.3	NM	NA	1.9	1.8	+9%
Copper	0.52%	NM	NA	0.61%	0.32%	+91%
Recovery ¹						
Gold	52.2%	-	NA	64.3%	-	NA
Copper	84.0%	-	NA	83.1%	-	NA
Production						
Gold (in concentrate), Koz	2.0	3.2	-39%	9.2	10.2	-10%
Copper (in concentrate), Kt	0.4	-	NM	1.4	0.8	+68%
Toll-treated ore processed, Kt ²	11	-	NA	102	-	NA
Leaching						
Ore processed, Kt	749	793	-6%	2,890	2,748	+5%
Gold grade, g/t	1.9	1.1	+68%	1.4	1.0	+48%
Gold recovery ¹	85.8%	82.8%	+4%	83.4%	79.7%	+5%
Gold production (in dore), Koz	38.1	24.4	+56%	113.9	70.2	+62%
Total ore processed, Kt	856	810	+6%	3,279	3,119	+5%
TOTAL PRODUCTION						
Gold, Koz	40.1	27.6	+45%	123.1	80.4	+53%
Copper, Kt	0.4	0.0	NM	1.4	0.8	+68%

Notes: (1) Technological recovery, includes gold and copper within work-in-progress inventory. Does not include toll-treated ore
(2) To be further processed at Amursk POX.

In the fourth quarter, Varvara delivered 40 Koz of gold, a 45% increase over the previous year. For the full year Varvara produced a record 123 Koz, up 53% year-on-year. Growth was driven by increased processing volumes and substantially improved grades at both flotation and leaching circuits as more high-grade ore came by rail from Komar.

In 2018, Polymetal plans to rail more than 2Mt of Komar ore to Varvara, the key element in plans to further increase production levels at the operation. The additional Komar ore will displace the lower-grade material from the Varvara deposit and consequently, increase production and result in lower costs at the Varvara processing hub.

In an effort to further streamline Komar ore logistics, a new railway spur at Komar has been commissioned. It is located immediately adjacent to the open pit and will enable further reductions in ore haulage costs.

An updated reserve estimate was prepared by Polymetal under JORC standards in Q3, adding 535 Koz of gold with stable grades of 1.8 g/t. The upgraded estimate represents a significant increase over the previous estimate with a 60% increase in tonnage and a 57% increase in gold content, further extending the Varvara hub mine life by 3 years, until 2032.

VORO

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016		2017	2016	
MINING						
Voro						
Waste mined, Kt	2,550	2,497	+2%	10,250	10,490	-2%
Ore mined, Kt	394	321	+23%	1,553	1,308	+19%
Gold grade						
Primary, g/t				3.4	4.0	-16%
Oxidised, g/t				1.4	1.9	-24%
PROCESSING						
Voro Heap Leach						
Ore stacked, Kt	55	24	+130%	358	319	+12%
Gold grade, g/t	1.1	1.2	-6%	1.2	1.6	-25%
Gold production, Koz	5.2	5.1	+2%	16.8	17.3	-3%
Voro CIP						
Ore processed, Kt	250	251	-0%	1,002	1,001	+0%
Gold grade, g/t	3.5	4.0	-11%	4.0	4.2	-5%
Gold recovery ¹	77.9%	77.9%	+0%	80.1%	78.3%	+2%
Gold production, Koz	25.1	29.9	-16%	101.6	110.2	-8%
TOTAL PRODUCTION						
Gold, Koz	30.3	35.0	-13%	118.4	127.5	-7%

Note: (1) Technological recovery, includes gold within work-in-progress inventory

In Q4, gold production at Voro dropped 13% year-on-year to 30.3 Koz, primarily driven by lower head grades at both the HL and CIP operations. Voro continues to deliver a stable performance in line with the mine plan.

Processing volumes and recovery levels at the CIP plant during the quarter remained relatively unchanged over the previous year. 2018 is expected to be the last year of heap leaching at Voro operations.

OKHOTSK OPERATIONS

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016		2017	2016	
MINING						
Avlayakan						
Underground development, m	1,441	1,199	+20%	5,179	4,637	+12%
Ore mined (underground), Kt	39	46	-16%	137	141	-3%
Grade						
Gold, g/t				15.9	15.9	-0%
Silver, g/t				147	141	+4%
Svetloye						
Waste mined, Kt	100	208	-52%	421	972	-57%
Ore mined (open pit), Kt	311	360	-14%	1,246	1,336	-7%
Gold grade, g/t				3.7	2.6	+42%
TOTAL HUB						
Waste mined, Kt	100	208	-52%	421	972	-57%
Underground development, m	1,441	1,199	+20%	5,179	4,637	+12%
Ore mined, Kt	350	406	-14%	1,383	1,476	-6%
Open-pit	311	360	-14%	1,246	1,336	-7%
Underground	39	46	-16%	137	141	-3%
PROCESSING						
Khakanja						
Ore processed, Kt	155	161	-4%	623	627	-1%
Grade						
Gold, g/t	7.9	7.7	+3%	4.7	4.8	-2%
Silver, g/t	124	113	+9%	111	85	+30%
Recovery ¹						
Gold	97.2%	96.1%	+1%	97.0%	95.7%	+1%
Silver	84.1%	82.2%	+2%	78.6%	78.9%	-0%
Gold production, Koz	41.7	38.4	+9%	90.4	91.6	-1%
Silver production, Moz	0.5	0.5	+4%	1.7	1.3	+25%
Svetloye Heap Leach						
Ore stacked, Kt	132	27	+399%	1,054	428	+146%
Gold grade, g/t	2.8	1.8	+58%	4.4	3.6	+21%
Gold production, Koz	21.9	8.3	+163%	105.6	23.0	+359%
TOTAL PRODUCTION						
Gold, Koz	63.5	46.7	+36%	196.0	114.6	+71%
Silver, Moz	0.5	0.5	+4%	1.7	1.3	+25%

Notes: (1) Technological recovery, includes gold and silver within work-in-progress inventory (precipitate)

At Okhotsk, gold production in Q4 increased 36% year-on-year, while yearly production jumped 71% to 196 Koz. Growth was largely driven by significant contribution from the fully ramped up Svetloye heap leach operation.

Life-of-mine at Avlayakan was extended to H2 2018 on the back of positive down-dip exploration results.

Silver production for the year grew 25% to 1.7 Moz as more 3rd party ore with better metallurgical properties was introduced to the feed at the Khakanja plant in 2017.

KAPAN

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016 ¹		2017	2016 ¹	
MINING						
Kapan						
Underground development, m	4,667	3,555	+31%	16,937	9,493	+78%
Ore mined (underground), Kt	140	106	+33%	527	287	+84%
Grade						
Gold, g/t				2.2	2.0	+10%
Silver, g/t				39	41	-5%
Copper, %				0.30%	0.28%	+10%
Zinc, %				1.31%	1.42%	-8%
PROCESSING						
Ore processed, Kt	141	113	+24%	530	293	+81%
Grade						
Gold, g/t	2.2	1.6	+38%	2.2	2.0	+10%
Silver, g/t	33	31	+6%	39	40	-5%
Copper, %	0.34%	0.22%	+57%	0.30%	0.26%	+14%
Zinc, %	2.41%	1.10%	+119%	1.30%	1.38%	-6%
Recovery						
Gold	79.8%	75.9%	+5%	83.6%	82.4%	+1%
Silver	82.1%	75.9%	+8%	83.0%	81.5%	+2%
Copper	93.6%	87.9%	+7%	92.3%	90.6%	+2%
Zinc	85.5%	85.2%	+0%	89.1%	89.4%	-0%
TOTAL PRODUCTION						
Gold, Koz	6.9	3.8	+84%	28.0	13.7	+105%
Silver, Moz	0.1	0.1	+46%	0.5	0.3	+82%
Copper, Kt	0.4	0.2	+115%	1.3	0.6	+112%
Zinc, Kt	1.2	0.9	+39%	4.8	2.9	+66%

Notes: (1) Since the acquisition date (28 April 2016)
(2) Restated

In Q4, Kapan produced 7 Koz of gold, a 3% increase over Q3, which brings full year gold production to a record 28 Koz and 50 Koz of GE. A strong operational performance at Kapan was driven by increased processing volumes and improved head grades on the back of ongoing enhancement measures to debottleneck the underground mine and improve recovery levels.

At Lichkvaz, preparatory activities for underground mining are currently underway and are aimed at widening the underground tunnels for consecutive underground and stope development later this year.

KYZYL

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2017	2016		2017	2016	
MINING						
Waste mined, Kt	12,577	8,869	+42%	48,539	22,486	+116%

Q4 mining volumes were up 42% over the previous year, while yearly volumes jumped two-fold. An additional electric shovel was commissioned during the quarter.

All construction activities are on track. The tailings storage facility has been fully completed, moving to the installation of the slurry pipeline. At the ore preparation complex, the crusher, conveyor gallery and apron feeder are in place. At the processing facility, construction activities are now focused on the installation of smaller technological equipment. Work

has started on electrical wiring, ventilation ducting, and installation of process control equipment. Kyzyl remains on track to produce first concentrate in Q3 2018. First ore has already been mined from the open pit ahead of schedule in January 2018.

HEALTH AND SAFETY

We regrettably report a fatal accident that occurred as a result of a rock mass fall at the Birkachan underground mine (Omolon hub) on the 20th of October, 2017. This was the second fatal accident during the year.

Employee safety is critical for Polymetal. We continue to work on decreasing safety risks while ensuring safe environment and promoting safe behaviour at all our operations.

Sadly, the Company did not manage to reach its zero fatalities target in 2017, with 2 lives lost at the Group's operations during the year. Nevertheless, Polymetal notes a visible improvement in its health and safety performance, with a 21% reduction in LTIFR compared to 2016, and a decrease in the number of fatalities from 4 to 2. The Company believes these improvements are attributable to our efforts such as the implementation of the Critical Risks Management System and our commitment to the ultimate goal of zero fatalities at our operations.

In 2018, we plan to continue implementing geomechanical management system that will help eliminate accidents related to mining processes.