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Polymetal International plc

Q1 2023 production results

Polymetal reports production results for the first quarter ended March 31, 2023.

“Q1 saw continued metal inventory release and positive revenue dynamics. Management is optimistic that the unwinding of saleable inventory will be substantially completed by the end of Q2 2023. Quarterly production was in line with our plan and we confirm our full-year guidance of 1.7 Moz of GE”, said Vitaly Nesis, Group CEO of Polymetal.

HIGHLIGHTS

- No fatal accidents occurred among the Group’s workforce and contractors in Q1 2023 (consistent with Q1 2022). Lost time injury frequency rate (LTIFR) among the Group’s employees decreased by 10% year-on-year (y-o-y) to 0.09. During Q1 2023, one medium-severity incident and two minor incidents were recorded.
- Q1 gold equivalent (“GE”) production decreased by 5% y-o-y to 345 Koz. Increases at Nezhda and Albazino (Kutyn) were offset by grade-driven production slump at Dukat as well as the build-up of concentrate inventory at Kyzyl and Varvara.
- Revenue for the quarter was up by 19% y-o-y to US\$ 733 million as sales channels stabilized, with reduction in stockpiles taking full advantage of higher gold prices.
- Net Debt was broadly flat during the quarter as the release of inventory was offset by traditional seasonal payments for winter road deliveries, fuel supplies, and annual bonuses.
- The Company now expects POX-2 start-up in H2 2024 (previously Q2 2024). Urals flotation and Prognoz (ore mining) are on track to launch in Q2 2023.
- Polymetal reiterates its 2023 production guidance of 1.7 Moz of GE, and also maintains the full-year cost guidance of US\$ 950-1,000/GE oz for TCC and US\$ 1,300-1,400/GE oz for AISC. The cost guidance remains contingent on the Russian rouble and Kazakh tenge exchange rate dynamics.

OPERATING HIGHLIGHTS

	3 months ended Mar 31,		% change ¹
	2023	2022	
Waste mined, Mt	44.1	55.0	-20%
Underground development, km	23.8	23.9	-0%
Ore mined, Mt	3.4	4.3	-21%
Open-pit	2.4	3.3	-28%
Underground	1.0	1.0	+1%
Ore processed, Mt	4.5	4.1	+11%
Average GE grade processed, g/t	3.2	3.5	-7%
Production			
Gold, Koz*	296	306	-3%
Silver, Moz	3.9	4.5	-13%
Gold equivalent, Koz ²	345	362	-5%
Sales			
Gold, Koz	318	268	+19%
Silver, Moz	6.4	4.4	+48%
Revenue, US\$m ³	733	616	+19%
Net debt, US\$m ⁴	2,428	2,393	+1%
Safety			
LTIFR (Employees) ⁵	0.09	0.10	-10%
Fatalities	0	0	NA

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 80:1 Au/Ag conversion ratio and excluding base metals. Discrepancies in calculations are due to rounding.

(3) Calculated based on the unaudited consolidated management accounts.

(4) Non-IFRS measure based on unaudited consolidated management accounts. Comparative information is presented for 31 December 2022.

(5) LTIFR = lost time injury frequency rate per 200,000 hours worked. Company employees only are taken into account.

(6) DIS – days lost due to work-related injuries. Company employees only are taken into account.

PRODUCTION BY MINE

	3 months ended Mar 31,		% change
	2023	2022	
<u>GOLD EQ. (KOZ)</u>¹			
Kazakhstan	115	139	-17%
Kyzyl	71	82	-13%
Varvara	44	57	-23%
Russia	229	223	+3%
Albazino	65	56	+16%
Dukat	50	66	-25%
Omolon	46	40	+17%
Nezhda	36	20	+79%
Svetloye	18	19	-3%
Voro	13	20	-23%
Mayskoye	1	3	-69%
TOTAL	345	362	-5%

Notes: (1) Based on 80:1 Au/Ag conversion ratio and excluding base metals. Discrepancies in calculations are due to rounding.

CONFERENCE CALL AND WEBCAST

The Group's management will discuss the Q1 2023 production results and the proposed re-domiciliation during the Analyst and Investor Briefing on Wednesday, 10 May, 2023, at 10:00 BST (12:00 Moscow time, 15:00 Astana time) at the etc.venues, 8 Fenchurch PI, London EC3M 4PB. To join the webcast please follow the link:

<https://event.on24.com/wcc/r/4215044/57F84C60B29C3706B85933B505CAF446>.

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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.

KYZYL

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	20.0	20.7	-3%
Ore mined (open-pit), Kt	518	584	-11%
<u>PROCESSING</u>			
Ore processed, Kt	560	551	+2%
Gold grade, g/t	5.2	4.8	+9%
Gold recovery	88.5%	87.7%	+1%
Concentrate produced, Kt	30.0	24.8	+21%
Concentrate gold grade, g/t	86.7	91.6	-5%
Gold in concentrate, Koz ¹	84	73	+14%
Concentrate shipped, Kt	8.8	10.8	-19%
Payable gold shipped, Koz	16	20	-19%
<u>Amursk POX</u>			
Concentrate processed, Kt	14	14	+7%
Gold grade, g/t	125.4	132.6	-5%
Gold recovery	93.6%	94.6%	-1%
Gold produced, Koz	55	62	-11%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	71	82	-13%

Note:

(1) For information only; not considered as gold produced and therefore not reflected in the table representing total production. It will be included in total production upon shipment to off-taker or dore production at Amursk POX.

At Kyzyl, reported gold production for the quarter was down by 13% y-o-y to 71 Koz due to persistent railway congestion in eastward direction. As a result, concentrate shipments to both Amursk POX and China have been delayed. The management is evaluating alternative shipment routes and approaches, including trucking, to resolve the backlog.

Meanwhile, gold in concentrate increased by 14% on the back of improvements in grade, throughput, and recovery. The Company expects the annual throughput of the concentrator to reach 2.4 Mtpa this year.

VARVARA

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	10.6	11.0	-3%
Ore mined, Kt	782	957	-18%
<u>PROCESSING</u>			
Leaching			
Ore processed, Kt	768	769	-0%
Gold grade, g/t	1.4	1.7	-14%
Gold recovery ¹	89.1%	89.6%	-1%
Gold production (in dore), Koz	34	45	-24%
Flotation			
Ore processed, Kt	189	179	+6%
Gold grade, g/t	2.2	2.8	-23%
Recovery ¹	85.1%	88.5%	-4%
Gold in concentrate, Koz	10	11	-17%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	44	57	-23%

Note:

(1) Technological recovery, includes gold and copper within work-in-progress inventory. Does not include toll-treated ore.

At Varvara, Q1 gold production contracted by 23% y-o-y to 44 Koz on the back of the planned decline in Komar ore grade as well as substantial work-in-progress release in Q1 2022. At the flotation circuit, the output was also down driven by a lower share of high-grade third-party feed.

ALBAZINO

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	7.3	7.2	+1%
Underground development, km	4.3	4.6	-7%
Ore mined, Kt	634	772	-18%
Open-pit	437	569	-23%
Underground	197	203	-3%
<u>PROCESSING</u>			
Albazino concentrator			
Ore processed, Kt	441	453	-3%
Gold grade, g/t	3.1	3.2	-5%
Gold recovery ¹	83.5%	86.7%	-4%
Concentrate produced, Kt	33.0	32.3	+2%
Concentrate gold grade, g/t	34.8	39.0	-11%
Gold in concentrate, Koz ²	38	41	-7%
Kutyn Heap Leach			
Ore stacked, Kt	380	-	NA
Gold grade, g/t	2.5	-	NA
Gold production, Koz	24	-	NA
Amursk POX			
Concentrate processed, Kt	36.9	43.2	-15%
Gold grade, g/t	33.3	44.3	-25%
Gold recovery	96.5%	96.5%	+0%
Gold produced, Koz	41	56	-27%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	65	56	+16%

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 after Dore production at the Amursk POX.

At Albazino, gold production increased by 16% y-o-y to 65 Koz driven by the contribution from Kutyn Heap Leach launched in the late Q3 2022. Gold production from Albazino concentrate at Amursk POX alone fell by 27% y-o-y as the high-grade Anfisa open pit was fully depleted in H2 2022 resulting in the scheduled grade decline.

Open-pit ore mined decreased as planned due to the completion of mining at Anfisa and Ekaterina-2.

DUKAT OPERATIONS

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	0.5	0.9	-45%
Underground development, km	11.0	11.6	-5%
Ore mined, Kt	598	633	-6%
Open-pit	68	107	-36%
Underground	530	527	+1%
<u>PROCESSING</u>			
Omsukchan concentrator			
Ore processed, Kt	491	515	-5%
Grade			
Gold, g/t	0.3	0.7	-50%
Silver, g/t	201	249	-19%
Recovery ¹			
Gold	82.6%	83.7%	-1%
Silver	85.9%	84.9%	+1%
Production			
Gold, Koz	4	9	-53%
Silver, Moz	2.6	3.4	-23%
Lunnoye plant			
Ore processed, Kt	119	115	+4%
Grade			
Gold, g/t	1.5	1.9	-23%
Silver, g/t	170	185	-8%
Recovery ¹			
Gold	91.5%	91.5%	+0%
Silver	92.9%	92.7%	+0%
Production			
Gold, Koz	5	6	-20%
Silver, Moz	0.6	0.7	-6%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	9	15	-39%
Silver, Moz	3.2	4.0	-20%

Notes:

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

Silver and gold production at Dukat decreased driven by declining grades after the high-grade open pit was fully depleted. There was no reported production from Primorskoye in the quarter, ore shipment will recommence following the start of sea navigation in June.

OMOLON

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	1.7	1.8	-5%
Underground development, Km	2.8	3.0	-7%
Ore mined, Kt	218	104	+110%
Open-pit	86	-	NA
Underground	133	104	+27%
<u>PROCESSING</u>			
<u>Kubaka Mill</u>			
Ore processed, Kt	213	212	+1%
Grade			
Gold, g/t	6.7	5.8	+16%
Silver, g/t	19	24	-21%
Recovery ¹			
Gold	93.7%	92.9%	+1%
Silver	77.6%	75.8%	+2%
Gold production, Koz	43	37	+17%
Silver production, Moz	0.1	0.1	-15%
<u>Birkachan Heap Leach</u>			
Ore stacked, Kt	55	-	NA
Gold grade, g/t	1.1	-	NA
Gold production, Koz	2	1	+37%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	45	38	+18%
Silver, Moz	0.1	0.1	-14%

Note:

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

In Q1, gold production at Omolon grew by 18% y-o-y to 45 Koz on the back of the increased share of higher-grade ore from the Burgali open pit in the Kubaka mill's feed.

First ore from the Burgali underground is expected in Q2. Underground mining at Tsokol was completed. Underground workings will be flooded in line with a pre-approved reclamation plan.

NEZHDA

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	0.6	4.9	-87%
Ore mined, Kt	137	604	-77%
<u>PROCESSING</u>			
Ore processed, Kt	511	484	+5%
Grade			
Gold, g/t	3.1	3.7	-17%
Silver, g/t	33.8	30.5	+11%
Recovery ¹			
Gold	70.6%	73.2%	-4%
Silver	79.9%	74.7%	+7%
Gold in concentrate, Koz	36	42	-14%
Silver in concentrate, Moz	0.5	0.4	+27%
Concentrate shipped, Kt	23	1	NM
Payable gold in concentrate, Koz	24	16	+51%
Payable silver in concentrate, Moz	0.5	0.2	+93%
Gold produced in dore, Koz	6	1	NM
<u>TOTAL PRODUCTION</u>			
Gold, Koz	31	17	+77%
Silver, Moz	0.5	0.2	+93%

Notes:

(1) Includes concentrate produced and stockpiled for future sale, and excludes low-grade material. Expected 90% gold payable ratio is applied.

At Nezhda, gold grade and recovery declined as processing focused on previously stockpiled oxidised ore and mining was halted for almost entire quarter to reduce costs.

However, total production of gold grew by 77% y-o-y to 31 Koz due to larger volumes of concentrate shipped to off-takers and processed at POX. Dore from gravity and low-carbon flotation concentrates was produced in-house at Dukat, Voro, and Amursk POX.

SVETLOYE

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	1.7	1.6	+4%
Ore mined (open pit), Kt	199	369	-46%
<u>PROCESSING</u>			
Ore stacked, Kt	312	312	-0%
Gold grade, g/t	2.6	1.9	+38%
Gold production, Koz	18	19	-3%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	18	19	-3%

At Svetloye, gold production marginally decreased y-o-y and stood at 18 Koz. Average grade at the heap leach was substantially higher relative to the low base of Q1 2022, when stacking of stockpiled low-grade ore from the depleted Lyudmila main pit took place.

VORO

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	1.7	3.4	-50%
Ore mined, Kt	151	76	+99%
<u>PROCESSING</u>			
CIP			
Ore processed, Kt	262	246	+6%
Gold grade, g/t	1.9	2.1	-9%
Gold recovery ¹	78.5%	85.7%	-8%
Gold production, Koz	11.9	18	-34%
Heap Leach			
Gold production, Koz	1	1	+11%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	13	19	-35%

Note:

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

Voro recorded a 35% y-o-y decline in production on the back of decreasing volumes of the higher-grade Pesherny ore in the CIP feed, while its lower recovery also depressed the average recovery at the CIP plant.

Ore mining at Pesherny accelerated in anticipation of the launch of the Voro flotation plant which is scheduled for June 2023. Wet commissioning at Voro flotation has already commenced.

MAYSKOYE

	3 months ended Mar 31,		% change
	2023	2022	
<u>MINING</u>			
Waste mined, Mt	-	1.0	-100%
Underground development, km	5.7	4.7	+21%
Ore mined, Kt	162	195	-17%
Open-pit	-	13	-100%
Underground	162	183	-11%
<u>PROCESSING</u>			
Ore processed, Kt	226	230	-1%
Gold grade, g/t	5.2	5.6	-8%
Gold recovery ¹	92.0%	90.8%	+1%
Gold in concentrate, Koz ²	35	38	-8%
<u>Amursk POX</u>			
Gold produced in dore from concentrate, Koz	-	2	-100%
Gold produced in dore from carbon, Koz ³	1	1	-28%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	1	3	-69%

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 dore production at Amursk POX.

(3) Gold produced from carbon at Amursk POX.

At Mayskoye, gold in concentrate produced in Q1 recorded a y-o-y decrease due to processing of larger volumes of lower grade stockpiles. The Company expects production to normalise over the course of 2023.

The expansion of the scope of sanctions to include additional materials and equipment under the tenth EU/UK sanctions package is expected to have an adverse impact on the Mayskoye backfill project. The estimated start-up will likely be delayed for up to 9 months from the initial plan of Q3 2024, as some critical items will need to be re-sourced from Asia.

AMURSK POX

	3 months ended Mar 31,		% change
	2023	2022	
Concentrate processed, Kt	54	58	-7%
Albazino	37	43	-15%
Kyzyl	14	14	+7%
Nezhda	3	-	NA
Gold recovery	94.6%	95.5%	-1%
Average gold grade, g/t	58.7	64.9	-10%
Average sulphur grade	15.5%	13.5%	+15%
Total gold produced ¹ , Koz	99	120	-18%
Kyzyl	55	62	-11%
Albazino	41	56	-27%
Nezhda	3	1	+127%
Mayskoye	-	2	NM

Notes:

(1) For information only. Already accounted for in production at operating mines.

The decrease in POX production was attributable to the grade decline in feedstock sourced from Kyzyl and Albazino. The Company increased the volume of Nezhda concentrate processed, which resulted in a minor decrease in recovery rate.

At POX-2, construction and installation works at the intensive cyanidation section and other parts of the downstream circuit were completed. Section commissioning is underway; start-up is expected in Q2 2023. The construction of metal frameworks for technological equipment in the High Bay steam conditioning section is nearing completion. The installation of piping and equipment in the CIL section continues.

All construction and installation works at the oxygen station are expected to be completed by the end of May together with the start the complex commissioning.

The Company now expects POX-2 start-up in H2 2024 (previously Q2 2024) as more time is required to find replacements for sanctioned equipment in China.

SUSTAINABILITY, HEALTH AND SAFETY

No fatal accidents occurred among the Group's workforce and contractors in Q1 2023. Lost time injury frequency rate (LTIFR) among the Group's employees stood at 0.09 (0.10 in Q1 2022), representing a 10% y-o-y decline, with three incidents recorded (three in Q1 2022) related to hit by an object, falling rock, slipping and tripping while walking resulting in minor lost-time injuries. Additionally, one lost-time injury (person hit by an object) took place among contractors working on site, classified as minor (three in Q1 2022).