

**Release time** IMMEDIATE  
**Date** 2 March 2016

## **Polymetal International plc**

### **Acquisition of the Kapan Gold Mine in Armenia**

**Polymetal International plc (LSE, MOEX: POLY; ADR: AUCOY) (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) is pleased to announce that it has entered into binding agreements with Dundee Precious Metals Inc. (TSX:DPM) (together with its subsidiaries - “Dundee”) for the acquisition of CJSC Dundee Precious Metals Kapan (“DPMK”), the holding company for the Kapan Gold Mine (“Kapan”) in the Republic of Armenia (the “Acquisition”).**

#### **INFORMATION ON THE PROPERTY**

The Kapan property is located in the south-eastern Armenia, 320 kilometres from the capital city of Yerevan. The area surrounding the operation hosts a number of other prospective deposits, including the Lichkvaz gold deposit recently acquired by Polymetal and located approximately 70km from Kapan.

As of 31 December 2014, NI 43-101 compliant Indicated and Inferred resource was estimated at 15.9Mt containing approximately 1.4 Moz of gold, 24 Moz of silver, 80 Kt of copper and 270 Kt of zinc (2.6 Moz gold equivalent at 5.1 g/t GE)<sup>1</sup>.

The asset comprises a fully mechanised underground mine with a current capacity of approximately 400 ktpa, a conventional 750 ktpa flotation concentrator and various infrastructure facilities. The mine produces gold-copper-silver and zinc concentrates sold to international markets. More than US\$ 75 million has been invested in Kapan over the last five years.

In 2015, Kapan mined 410 Kt and processed 411 Kt of ore. 21 Koz of gold, 1 Kt of copper, 5 Kt of zinc and 0.4 Moz of silver were sold during 2015. Over the same period, Kapan recorded net revenue of US\$35 million with EBITDA of US\$5 million and cash costs, net-of-product, of US\$709 per ounce of gold sold.

#### **STRATEGIC RATIONALE**

Polymetal believes that the acquisition of Kapan is attractive as it provides the opportunity to

- Enable synergies with its 100%-owned high-grade Lichkvaz deposit
- De-bottleneck underground mine and improve concentrator utilization
- Streamline the cost structure leveraging Polymetal's experience in mechanised narrow-vein underground mining in the FSU
- Establish a strong operating platform to pursue further opportunities in Armenia

“We believe Polymetal can transform Kapan from a low-margin asset into a capital-light profitable regional processing hub with sizable production” said Vitaly Nesis, Group CEO of Polymetal. “We believe that opportunistic acquisitions in jurisdictions we know well is the right way to create shareholder value at the current point in the cycle”.

#### **TRANSACTION DETAILS**

The total consideration payable for the shares in DPMK at completion is US\$25 million, subject to certain working capital adjustments. The consideration will consist of US\$10 million payable in cash, which will be satisfied from existing cash balances, and US\$15 million payable in Polymetal shares. In addition, Dundee will receive a 2% NSR<sup>2</sup> (Net Smelter Return) royalty on the future production from the Kapan Gold Mine capped at US\$25 million. Completion of the Transaction is conditional on certain regulatory approvals, including anti-monopoly approval in Republic of Armenia.

Upon completion, which is expected to occur in Q2 2016, Polymetal will provide further guidance on its near and long-term plans for Kapan.

The value of gross assets of the company subject to the transaction (on a 100% share basis) are US\$49.8 million and a reported pre-tax loss attributable to these assets is US\$47.0 million based FY2015 financial accounts.

Scotiabank Europe plc acted as financial advisor to Polymetal.

## Notes:

<sup>1</sup> Source: NI 43-101 Technical Report – Shahumyan Project, Kapan, Republic of Armenia and is dated 23 March 2015 which was prepared by Galen White, Competent Person, Director and Principal Consultant of CSA Global (UK) Ltd.

<sup>2</sup> Net Smelter Return will be determined by subtracting allowable deductions in connection with the smelting, refining, treatment, beneficiation and/or sale of product from the Gross Revenue.

## Enquiries

Media		Investor Relations	
<b>FTI Consulting</b>	+44 20 3727 1000	<b>Polymetal</b>	<a href="mailto:ir@polymetalinternational.com">ir@polymetalinternational.com</a>
Leonid Fink		Maxim Nazimok	
Jenny Payne		Evgenia Onuschenko	+7 812 313 5964 (Russia)
		Elena Revenko	+44 20 7016 9503 (UK)
Joint Corporate Brokers			
<b>Morgan Stanley</b>	+44 20 7425 8000	<b>RBC Europe Limited</b>	+44 20 7653 4000
Sam McLennan		Tristan Lovegrove	
		Jonny Hardy	

### 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.