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Polymetal International plc

Polymetal sells Khakanja operations

Polymetal International plc has sold its 100% interest in Khakanja (Okhotsk Mining and Exploration Company LLC) to a group of unrelated private Russian buyers¹ for a total consideration of US\$ 30 million in cash and assumed debt.

“The disposal of Khakanja advances our strategy of selling smaller short-lived assets”, said Vitaly Nesis, Group CEO of Polymetal. “I wish Khakanja employees and its new owners success in bringing down costs and finding new reserve ounces, both needed to extend the life of the operation”.

TRANSACTION DETAILS

The assets sold comprise the 600 Ktpa processing plant, other related infrastructure at Khakanja, and old stockpiles at Khakanja, Avlayakan and Ozernoye deposits with current ore reserves of approximately 0.1 Moz of GE. The transaction also includes advanced exploration properties of Kundumi with estimated mineral resources of 140 Koz of GE as of 1 January 2018, and Mevachan. The assets are located in the Okhotsk and Ayan-May municipal districts of the Khabarovsk Territory in the Far East of the Russian Federation.

Polymetal developed Khakanja as a greenfield operation and commissioned the plant in 2003. The facility produced approximately 2 Moz of GE in 15 years of operation mostly from 4 deposits (Khakanja proper, Yurievskoye, Ozernoye, and Avlayakan). The asset currently employs 480 people.

The gross assets of Khakanja are currently US\$ 60 million following the payment of a pre-completion dividend to Polymetal. Pre-tax profit of US\$ 43 million has been attributable to these assets in FY2017. The total consideration for Khakanja will comprise of US\$ 30 million of which US\$ 5 million will be payable in cash and US\$ 25 million in the form of assumed net debt with no further recourse to Polymetal.

The loss on the disposal will amount to approximately US\$ 15 million based on the carrying value of the Khakanja operations as at 30 November 2018.

The completion of the transaction will take place upon the statutory registration procedure, which is expected to occur before year-end. For avoidance of doubt, following the disposal, the Company will retain full control of its Svetloye operation.

STRATEGIC RATIONALE

- Shrinking production profile with 2020E base-case production amounting to approximately 2% of the Group's total
- High costs with 2019E AISC of more than US\$ 1,000 per oz. of GE
- Depleted reserve base with 2 years of mine life based on the current reserve estimate
- Limited near-mine exploration upside
- Significant demand on Polymetal's management would have been required if Polymetal had followed the aggressive cost-cutting campaign needed to maintain the asset in operation or full proper decommissioning

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.

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