

Release time IMMEDIATE
Date 31 January 2019

Polymetal International plc

Q4 and full year 2018 production results

Polymetal International plc reports record production for the fourth quarter and twelve months ended December 31, 2018.

“The Company had a very strong Q4. Full-year production of 1.56 Moz of gold equivalent (GE) exceeded the original guidance for the seventh year in a row”, said Vitaly Nesis, Group CEO of Polymetal. “Successful execution at Kyzyl and the POX debottleneck have already translated into significant production and free cash flow generation”.

HIGHLIGHTS

- The Company's Q4 production jumped 23% year-on-year to a record 497 Koz of GE on the back of the full ramp-up at Kyzyl. FY2018 GE production of 1,562 Koz was up 9% year-on-year exceeding our original production guidance of 1,550 Koz.
- Following a very smooth ramp-up, Kyzyl delivered a total of 96 Koz of gold following its launch in June, well above the original 80 Koz guidance. 2019 will be the mine's first full-year of operation at full capacity, with targeted production of more than 300 Koz.
- In Q4 net debt fell by US \$301 million to US\$ 1,518 million. Strong cash flow from seasonal de-stockpiling at Mayskoye supported first revenues from Kyzyl as well as proceeds from the disposal of non-core assets.
- Following Board approval and the receipt of all necessary government approvals, open-pit mining and construction have commenced at Nezhda. First production is expected in Q4 2021.
- Polymetal had no fatalities or major accidents in Q4. Full year safety statistics also demonstrate a meaningful improvement year-on-year.
- Based on the actual 2018 average Rouble and Tenge exchange rates against the US dollar, the Company expects full year costs to come in close to the bottom of the range of its initial cost guidance of US\$ 650-700/GE oz for Total Cash Costs (“TCC”) and US\$ 875-925/GE oz for All-in Sustaining Cash Costs (“AISC”).
- The Board has decided that there will be no special dividend for 2018 as free cash flow will be fully distributed to shareholders through the regular dividend at a payout ratio of 50% of underlying net income. A final dividend for 2018 will be proposed by the Board in March 2019 based on full-year financial results.
- The Company will host a POX workshop on 11 February 2019 in London to provide an update on the Amursk POX-2 project and an overview of the POX technology.

2019 OUTLOOK

- The Company reiterates its current production guidance of 1.55 Moz and 1.6 Moz of GE for 2019 and 2020, respectively. The first full-year of production at Kyzyl and an increase in grades at Omolon are expected to offset planned grade declines at Albazino, Voro and Dukat. Traditionally, production in both years will be weighted towards 2H due to seasonality.
- TCC in 2019 is expected to be in the range of US\$ 600-650/ GE oz while AISC is expected to average US\$ 800-850/ GE oz. The anticipated decrease in costs will primarily be driven by the increasing share of low-cost production from Kyzyl, as well as the disposal of high-cost Kapan and Okhotsk. The cost guidance is contingent on the Rouble/Dollar exchange rate and Brent oil price.
- Capital expenditures in 2019 are expected to be approximately US\$ 380 million, in line with the previous guidance. Nezhda and POX-2 (subject to Board approval) will consume roughly half of the capex budget with the second half assigned to maintenance capital, capitalised stripping and exploration.

	3 months ended Dec 31,		% change ¹	12 months ended Dec 31,		% change ¹
	2018	2017		2018	2017	
Waste mined, Mt	32.2	29.3	+10%	126.7	114.0	+11%
Underground development, km	33.2	31.5	+5%	130.0	115.4	+13%
Ore mined, Mt	3.8	2.9	+29%	14.0	12.6	+11%
Open-pit	2.6	1.9	+42%	9.3	8.2	+13%
Underground	1.1	1.1	+6%	4.7	4.3	+7%
Ore processed, Mt	3.7	3.0	+24%	15.2	13.0	+16%
Production						
Gold, Koz	414	317	+31%	1,216	1,075	+13%
Silver, Moz	5.9	6.6	-11%	25.3	26.8	-6%
Copper, Kt	1.3	0.8	+65%	3.9	2.7	+43%
Zinc, Kt	1.0	1.2	-12%	5.4	4.8	+12%
Gold equivalent, Koz ²	497	405	+23%	1,562	1,433	+9%
Sales						
Gold, Koz	432	356	+21%	1,198	1,099	+9%
Silver, Moz	8.3	8.3	+0%	25.7	26.5	-3%
Copper, Kt	1.4	1.3	+11%	3.3	2.6	+30%
Zinc, Kt	1.2	1.2	-3%	5.6	4.7	+20%
Revenue, US\$m ³	652	586	+11%	1,882	1,815	+4%
Net debt, US\$m ⁴	1,518	1,819	-17%	1,518	1,421	+7%
Safety ⁵						
LTIFR	0	0.18	-100%	0.09	0.15	-40%
Fatalities	0	1	-100%	1	2	-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.

(4) Non-IFRS measure based on unaudited consolidated management accounts. Comparative information is presented for 30 September 2018 (for the three months period) and 31 December 2017 (for the nine months period).

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

PRODUCTION BY MINE

	3 months ended Dec 31,		% change ¹	12 months ended Dec 31,		% change ¹
	2018	2017		2018	2017	
<u>GOLD EQ. (KOZ)</u>¹						
Kyzyl	86	-	NA	96	-	NA
Dukat	75	81	-7%	306	322	-5%
Albazino-Amursk	67	71	-5%	308	269	+15%
Omolon	58	64	-8%	195	202	-4%
Mayskoye	70	35	+102%	117	124	-6%
Varvara	39	42	-8%	142	130	+9%
Voro	29	31	-6%	107	120	-10%
Svetloye	23	22	+7%	136	106	+28%
Okhotsk	35	48	-25%	104	111	-7%
Kapan	13	13	+6%	51	50	+3%
TOTAL	497	405	+23%	1,562	1,433	+9%

Notes: (1) 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 Thursday, 31 January 2019 at 9:00 London time (12:00 Moscow time).

To participate in the call, please dial:

8 800 500 98 63 access code 58246440# (free from Russia), or

+ 44 203 009 24 83 (free from the UK), or

+ 1 646 502 51 26 (free from the US), or

follow the link: <http://polymetal310119-live.audio-webcast.com>. 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://polymetal310119-live.audio-webcast.com>. A recording of the call will be available immediately after the call at +44 20 3364 51 47 (from within the UK), +1 646 722 49 69 (USA Toll Free) and +7 495 249 16 71 (from within Russia), access code 418825014#, from 12:30 Moscow time Thursday, 31 January, till 12:30 Moscow time Thursday, 7 February, 2019.

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KYZYL

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
<u>MINING</u>						
Waste mined, Mt	16.1	12.6	+28%	60.9	48.5	+25%
Ore mined (open-pit), Kt	416	-	NA	1,249	-	NA
Gold grade, g/t				5.5	-	NA
<u>PROCESSING</u>						
Ore processed, Kt	478	-	NA	914	-	NA
Gold grade, g/t	6.6	-	NA	5.7	-	NA
Gold recovery	85.5%	-	NA	81.5%	-	NA
Concentrate produced, Kt	34	-	NA	56	-	NA
Concentrate gold grade, g/t	79	-	NA	75	-	NA
Gold in concentrate, Koz ¹	86.4	-	NA	133.6	-	NA
Concentrate shipped, Kt	40	-	NA	45	-	NA
Payable gold shipped, Koz	79.3	-	NA	89.3	-	NA
<u>Amursk POX</u>						
Concentrate processed, Kt	2	-	NA	2	-	NA
Gold grade, g/t	127	-	NA	127	-	NA
Gold recovery	95.5%	-	NA	95.5%	-	NA
Gold produced, Koz	7.0	-	NA	7.0	-	NA
<u>TOTAL PRODUCTION</u>						
Gold, Koz	86.3	-	NA	96.3	-	NA

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.

Kyzyl delivered a robust performance in Q4, exceeding the initial plan on grade, throughput and production. Full-year gold production came in at 96 Koz of gold while gold in concentrate amounted to 134 Koz. The outperformance is mainly attributable to the softer nature of the rock, as well as the presence of small high-grade ore pods.

The new railway spur was successfully commissioned on October 19th, with the pace of railway shipments now running at full capacity.

Offtake agreements for all concentrate production for 2019 successfully secured despite noticeable tightening of markets in China.

DUKAT OPERATIONS

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
MINING						
Dukat						
Waste mined, Mt	-	-	NA	-	0.3	-100%
Underground development, km	8.9	8.9	+1%	35.6	33.8	+5%
Ore mined, Kt	404	393	+3%	1,660	1,652	+0%
Open-pit	-	-	NA	-	48	-100%
Underground	404	393	+3%	1,660	1,605	+3%
Grade						
Gold, g/t				0.5	0.4	+23%
Silver, g/t				274	306	-10%
Goltsovoye						
Underground development, km	1.5	1.8	-18%	6.8	6.9	-2%
Ore mined (underground), Kt	49	47	+5%	193	190	+1%
Silver grade, g/t				321	366	-12%
Lunnoye						
Underground development, km	3.7	3.3	+11%	13.5	10.3	+31%
Ore mined (underground), Kt	141	143	-1%	568	573	-1%
Grade						
Gold, g/t				1.6	1.4	+18%
Silver, g/t				284	334	-15%
Perevalnoye						
Underground development, km	0.9	1.0	-6%	3.6	3.2	+11%
Ore mined (underground), Kt	1	-	NA	5	-	NA
Silver grade, g/t				152	-	NA
TOTAL HUB						
Waste mined, Mt	-	-	NA	-	0.3	-100%
Underground development, km	15.0	15.0	+0%	59.6	54.3	+10%
Ore mined, Kt	595	583	+2%	2,426	2,416	+0%
Open-pit	-	-	NA	-	48	-100%
Underground	595	583	+2%	2,426	2,368	+2%
PROCESSING						
Dukat						
Ore processed, Kt	500	517	-3%	1,995	1,979	+1%
Grade						
Gold, g/t	0.5	0.5	+8%	0.5	0.4	+24%
Silver, g/t	288	316	-9%	297	321	-7%
Recovery ¹						
Gold	86.7%	86.6%	+0%	86.7%	86.3%	+0%
Silver	88.0%	88.4%	-0%	88.2%	88.6%	-0%
Production						
Gold, Koz	7.0	6.5	+7%	29.5	24.2	+22%
Silver, Moz	4.0	4.5	-11%	16.4	17.7	-7%

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
Lunnoye						
Ore processed, Kt	116	114	+1%	463	460	+1%
Grade						
Gold, g/t	1.5	1.2	+22%	1.3	1.2	+7%
Silver, g/t	318	320	-1%	327	352	-7%
Recovery ¹						
Gold	84.2%	87.5%	-4%	85.1%	90.3%	-6%
Silver	91.7%	93.3%	-2%	91.3%	92.8%	-2%
Production						
Gold, Koz	4.6	4.0	+13%	16.7	16.8	-0%
Silver, Moz	1.1	1.1	-6%	4.4	4.8	-9%
TOTAL PRODUCTION						
Gold, Koz	11.5	10.5	+10%	46.2	41.0	+13%
Silver, Moz	5.1	5.6	-10%	20.8	22.5	-8%

Underground mines at Dukat, Goltsovoye and Lunnoye continued to operate at full capacity during the quarter, which translated into a slight increase in ore mined volumes year-on-year.

Q4 gold production at the Dukat hub was up 10% over the prior year period, while full-year production was up 13% as the Omsukchan concentrator continued to process ore from gold-rich veins at the deeper levels of Dukat and from Lunnoye. Quarterly silver production fell 10% year-on-year, while full-year production was down 8% on the back of planned grade declines at the underground mine.

At Lunnoye, quarterly processing volumes remained flat, while gold production increased by 13% year-on-year as higher grade material from Zone 5 was processed through the mill, making up for the decline in recovery levels. Silver production on the other hand, was down 6% to 1.1 Moz, which is mostly attributable to depletion of high-grade areas of Zone 7.

Goltsovoye mine is approaching the end of its economic life with underground development expected to cease in Q3 2019 and ore mining to end in early 2020.

At Perevalnoye, positive exploration results led to a significant increase in average ore body widths and reserve tonnage. This prompted a re-consideration of the previously proposed underground mining method. As a result, the start of stoping has been delayed and will commence in Q4 2019.

ALBAZINO-AMURSK

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
MINING						
Waste mined, Mt	5.4	5.0	+8%	21.3	19.6	+9%
Underground development, Km	2.3	2.2	+8%	9.2	7.8	+19%
Ore mined, Kt	412	365	+13%	1,784	1,832	-3%
Open-pit	317	295	+7%	1,379	1,512	-9%
Underground	95	70	+36%	405	320	+27%
Gold grade, g/t				5.2	4.7	+10%
Open-pit				5.2	4.7	+12%
Underground				5.0	4.9	+0%
PROCESSING						
Albazino concentrator						
Ore processed, Kt	432	434	NA	1,724	1,725	-0%
Gold grade, g/t	5.6	5.1	+8%	5.3	4.9	+8%
Gold recovery ¹	86.2%	87.5%	-1%	85.7%	87.5%	-2%

Concentrate produced, Kt	37.4	35.2	+6%	143.1	140.9	+2%
Concentrate gold grade, g/t	55.2	54.8	+1%	54.5	52.3	+4%
Gold in concentrate, Koz ²	66.4	62.0	+7%	250.7	237.2	+6%

Amursk POX

Concentrate processed, Kt	39	40	-3%	170	154	+11%
Gold grade, g/t	55.2	58.6	-6%	56.9	58.3	-2%
Gold recovery	96.2%	97.2%	-1%	96.7%	96.4%	+0%
Gold produced, Koz	67.5	71.2	-5%	307.9	268.5	+15%

TOTAL PRODUCTION

Gold, Koz	67.5	71.2	-5%	307.9	268.5	+15%
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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, waste stripping started at the new Ekaterina-2 open pit. Underground mine productivity continued to improve following the full transition to partially cemented waste backfill. The new mining method had a positive impact on grades that offset slightly lower recovery levels impacted by near-surface partially oxidized ore from Ekaterina-1. As a result, both quarterly and yearly gold in concentrate volumes were up 7% and 6%, respectively.

Full-year production was up 15% to a record 308 Koz of gold on the back of higher processing volumes. The downtick in quarterly gold production is due to the 20-day debottlenecking and maintenance shutdown that was successfully completed early in Q4.

Underground development started at the new Ekaterina-2 underground mine. Ore mining is expected to commence in Q4 2019.

AMURSK POX

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
Concentrate processed, Kt	45	40	+12%	176	160	+10%
Albazino	31	36	-12%	147	137	+7%
Purchased feedstock ¹	8	5	+68%	23	16	+43%
Mayskoye	4	-	NA	5	6	-26%
Kyzyl	2	-	NA	2	-	NA
Total gold produced ² , Koz	81.2	71.2	+14%	322.3	279.6	+15%

Notes: (1) Included in reportable production at Albazino

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

At Amursk POX, the debottlenecking project was successfully completed with all new sections now operating at full capacity. Low-carbon Kyzyl concentrate was introduced to the feed during the quarter, achieving recovery of 96%, in line with design parameters.

OMOLON OPERATIONS

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
MINING						
Sopka						
Waste mined, Mt	1.5	2.2	-28%	6.1	6.4	-5%
Ore mined (open pit), Kt	227	37	+511%	627	261	+140%
Grade						
Gold, g/t				2.7	3.7	-26%
Silver, g/t				104	117	-12%
Tsokol						
Underground development, Km	1.0	0.9	+6%	3.5	3.8	-7%
Ore mined (underground), Kt	43	47	-7%	152	153	-0%
Gold grade, g/t				7.3	10.4	-29%
Birkachan						
Underground development, Km	1.3	1.1	+18%	5.0	4.5	+11%
Ore mined (underground), Kt	49	31	+60%	143	114	+25%
Gold grade, g/t				9.7	7.6	+28%
Oroch						
Waste mined, Mt	-	-	NA	-	0.1	-100%
Ore mined (open pit), Kt	-	-	NA	-	81	-100%
Grade						
Gold, g/t				-	2.3	-100%
Silver, g/t				-	164	-100%
Olcha						
Waste mined, Mt	-	-	NA	-	0.2	-100%
Underground development, Km	0.9	0.9	+4%	4.3	3.2	+36%
Ore mined, Kt	36	10	+264%	92	83	+11%
Open pit	-	-	NA	-	73	-100%
Underground	36	10	+264%	92	10	+818%
Gold grade, g/t				9.7	5.6	+74%
TOTAL HUB						
Waste mined, Mt	1.5	2.2	-28%	6.1	6.7	-9%
Underground development, Km	3.2	2.9	+10%	12.9	11.5	+12%
Ore mined, Kt	356	125	+186%	1,014	692	+47%
Open-pit	227	37	+511%	627	415	+51%
Underground	129	88	+47%	387	277	+40%
PROCESSING						
Birkachan Heap Leach						
Ore stacked, Kt	39	96	-60%	997	459	+117%
Gold grade, g/t	1.1	1.3	-17%	1.1	1.3	-13%
Gold recovery				84.8%	90.1%	-6%
Gold production, Koz	3.0	1.0	+193%	12.9	4.4	+190%
Kubaka Mill						
Ore processed, Kt	220	212	+4%	862	858	+1%
Grade						
Gold, g/t	8.2	9.2	-11%	5.7	6.7	-15%
Silver, g/t	37	46	-21%	98	90	+9%

	3 months ended Dec 31,		%	12 months ended Dec 31,		%
	2018	2017		2018	2017	
Recovery ¹						
Gold	95.7%	94.4%	+1%	95.5%	94.2%	+1%
Silver	75.4%	79.1%	-5%	86.4%	83.9%	+3%
Gold production, Koz	52.9	58.6	-10%	152.7	172.0	-11%
Silver production, Moz	0.2	0.3	-33%	2.3	2.1	+14%
TOTAL PRODUCTION						
Gold, Koz	55.8	59.6	-6%	165.5	176.4	-6%
Silver, Moz	0.2	0.3	-33%	2.3	2.1	+14%

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

Full-year gold production at Omolon was 166 Koz, down 6% over 2017 on the back of grade declines at the Kubaka mill which were partially offset by ramp-up to full capacity at the Birkachan heap leach. The grade dynamics is largely driven by the increased share of lower grade ore from the Sopka open pit as the Tsokol underground mine is winding down ahead of the expected pillar removal operations in 2019-2020.

Mining activities at the Birkachan underground mine ramped up with ore mined volumes up year-on-year. A trial run of an underground digital fleet management system commenced at Birkachan. The system enables the analysis of operating data from trucks, loaders, and drill rigs in real time.

At the Yolochka satellite deposit (80 km from the Kubaka mill) mining from the open pit is expected to start in Q2.

MAYSKOYE

	3 months ended Dec 31,		%	12 months ended Dec 31,		%
	2018	2017		2018	2017	
MINING						
Waste mined, Mt	1.4	0.4	+291%	5.0	4.4	+13%
Underground development, km	6.4	5.3	+20%	23.9	19.7	+21%
Ore mined, Kt	239	178	+34%	1,005	944	+7%
Open-pit	91	17	+436%	372	225	+65%
Underground	148	161	-8%	633	719	-12%
Grade, g/t				6.4	6.3	+1%
Open-pit				8.0	9.6	-17%
Underground				5.5	5.3	+4%
PROCESSING						
Ore processed, Kt	221	62	+254%	861	711	+21%
Sulphide ore	221	62	+254%	491	632	-22%
Oxide ore	-	-	NA	370	79	+367%
Gold grade, g/t	5.9	5.3	+11%	7.1	5.9	+21%
Sulphide ore	5.9	5.3	+11%	5.5	5.4	+3%
Oxide ore	-	-	NA	9.2	9.9	-7%
Gold recovery	85.2%	90.0%	-5%	76.8%	87.0%	-12%
Sulphide ore	85.2%	90.0%	-5%	86.6%	87.7%	-1%
Oxide ore	-	-	NA	69.0%	46.9%	+49%
Gold in concentrate, Koz ²	35.6	9.6	+270%	119.8	96.4	+24%
Concentrate shipped, Kt	25.4	23.6	+8%	55.2	62.9	-12%
Amursk POX						
Concentrate processed, Kt	4.0	-	NA	4.6	6.1	-26%
Gold grade, g/t	53.0	-	NA	52.7	49.6	+6%
Gold recovery	96.1%	-	NA	96.1%	96.2%	-0%

Gold produced in dore from concentrate (POX), Koz	6.7	-	NA	7.4	11.1	-33%
Gold produced in dore from carbon, Koz ³	23.5	-	NA	24.6	-	NA
Payable gold in concentrate shipped, Koz	39.6	34.6	+14%	84.9	101.7	-17%
<u>TOTAL PRODUCTION</u>						
Gold, Koz	69.8	34.6	+102%	116.9	124.1	-6%

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 Voro and Amursk POX

Underground development at Mayskoye continued to increase as the new mine level (400 m below surface) is prepared for the start of stoping in Q1 2019.

Oxide ore processing through the combined float-leach circuit delivered solid full-year results with a significant improvement over the previous year. Recoveries were in line with the metallurgical test work. Oxide ore treatment will re-commence in Q2 2019.

VARVARA

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
MINING						
Varvara						
Waste mined, Mt	1.9	1.5	+27%	7.2	9.6	-25%
Ore mined, Kt	303	191	+58%	870	1,261	-31%
Grade						
Gold, float ore, g/t				1.2	1.0	+26%
Copper, float ore, %				0.59%	0.52%	+15%
Gold, leach ore, g/t				1.2	1.0	+27%
Komarovskoye						
Waste mined, Mt	5.0	5.1	-3%	21.5	14.2	+51%
Ore mined, Kt	561	619	-9%	2,268	1,982	+14%
Gold grade, g/t				1.4	1.5	-9%
PROCESSING						
Flotation						
Ore processed, Kt	159	96	+65%	456	288	+58%
Grade						
Gold, g/t	2.6	1.3	+96%	3.3	1.9	+70%
Copper	0.59%	0.52%	+14%	0.48%	0.61%	-22%
Recovery ¹						
Gold	78.5%	52.2%	+50%	72.5%	64.3%	+13%
Copper	92.5%	84.0%	+10%	92.2%	83.1%	+11%
Production						
Gold (in concentrate), Koz	4.3	2.0	+119%	11.7	9.2	+28%
Copper (in concentrate), Kt	0.9	0.4	+121%	2.4	1.4	+68%
Veduga ore toll processed, Kt ²	22	11	+100%	108	102	+6%
Leaching						
Ore processed, Kt	755	749	+1%	3,079	2,890	+7%
Gold grade, g/t	1.4	1.9	-28%	1.4	1.4	-3%
Gold recovery ¹	89.1%	85.8%	+4%	88.1%	83.4%	+6%
Gold production (in dore), Koz	29.7	38.1	-22%	118.2	113.9	+4%
Total ore processed, Kt	936	856	+9%	3,642	3,279	+11%
TOTAL PRODUCTION						
Gold, Koz	34.0	40.1	-15%	129.9	123.1	+6%
Copper, Kt	0.9	0.4	+121%	2.4	1.4	+68%

Note: (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.

Full-year production at Varvara totalled 130 Koz of gold, an increase of 6% year-on-year. This was primarily driven by growing processing volumes as Komar rilling capacity continues to improve.

Waste stripping started at the new Riverside pit at Varvara with first ore expected in Q2 2019.

Gold recoveries in the leaching circuit continued to improve thanks to the detailed geo-metallurgical mapping of Komar ore followed by the introduction of flexible reagent additions earlier in the year. Copper float recoveries jumped dramatically as less oxidized ore from lower levels of the Central pit substituted for material from North-Eastern pit.

VORO

	3 months ended Dec 31,		%	12 months ended Dec 31,		%
	2018	2017		2018	2017	
MINING						
Voro						
Waste mined, Mt	0.6	2.6	-78%	3.4	10.3	-67%
Ore mined, Kt	371	394	-6%	1,150	1,553	-26%
Gold grade						
Primary, g/t				3.5	3.4	+5%
Oxidised, g/t				3.2	1.4	+121%
PROCESSING						
Voro Heap Leach						
Ore stacked, Kt	-	55	-100%	62	358	-83%
Gold grade, g/t	-	1.1	-100%	1.4	1.2	+19%
Gold recovery				73.2%	73.0%	+0%
Gold production, Koz	1.8	5.2	-65%	7.6	16.8	-55%
Voro CIP						
Ore processed, Kt	251	250	+0%	1,003	1,002	+0%
Gold grade, g/t	3.7	3.5	+6%	3.9	4.0	-4%
Gold recovery ¹	81.8%	77.9%	+5%	81.0%	80.1%	+1%
Gold production, Koz	26.6	25.1	+6%	98.8	101.6	-3%
TOTAL PRODUCTION						
Gold, Koz	28.4	30.3	-6%	106.4	118.4	-10%

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

Gold production at Voro in Q4 decreased 6% year-on-year due to lower ore grades and smaller contributions from the heap leach operation that shifted to residual leaching.

Mining volumes continued to decline as the open pit nears depletion, which is expected in Q3 2019. Exploration drilling identified substantial mineralization below the open pit with technical studies currently underway to determine the feasibility of underground mining.

SVETLOYE

	3 months ended Dec 31,		%	12 months ended Dec 31,		%
	2018	2017		2018	2017	
MINING						
Waste mined, Mt	0.2	0.1	+104%	0.7	0.4	+59%
Ore mined (open pit), Kt	339	311	+9%	1,317	1,246	+6%
Gold grade, g/t				3.8	3.7	+2%
PROCESSING						
Ore stacked, Kt	234	132	+77%	1,378	1,054	+31%
Gold grade, g/t	3.5	2.8	+24%	3.7	4.4	-15%
Gold recovery				80.7%	80.7%	+0%
Gold production, Koz	23.3	21.9	+7%	135.3	105.6	+28%
TOTAL PRODUCTION						
Gold, Koz	23.3	21.9	+7%	135.3	105.6	+28%

Svetloye delivered a solid set of both quarterly and yearly results on the back of higher stacking volumes that offset minor grade declines. Gold production in Q4 was up 7% at 23.3 Koz, while full-year production jumped 28% to 135 Koz.

Successful step-out drilling at the Emy pit and positive metallurgical test work for the material from the nearby Levoberezhny property indicate potential to extend the life-of-mine of Svetloye by approximately four years to 2028.

OKHOTSK OPERATIONS (sold in December 2018)

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
MINING						
Avlayakan						
Underground development, km	-	1.4	-100%	2.2	5.2	-57%
Ore mined (underground), Kt	-	39	-100%	131	137	-4%
Grade						
Gold, g/t				13.7	15.9	-14%
Silver, g/t				101	147	-31%
Khotorchan						
Waste mined, Mt	0.1	-	NA	0.6	-	NA
Ore mined (open pit), Kt	15	-	NA	86	-	NA
Gold grade, g/t				8.6	-	NA
PROCESSING						
Khakanja						
Ore processed, Kt	156	155	+0%	625	623	+0%
Grade						
Gold, g/t	6.1	7.9	-22%	4.4	4.7	-7%
Silver, g/t	111	124	-10%	101	111	-9%
Recovery ¹						
Gold	96.8%	97.2%	-0%	97.1%	97.0%	+0%
Silver	84.4%	84.1%	+0%	80.3%	78.6%	+2%
Gold production, Koz	29.8	41.7	-28%	83.4	90.4	-8%
Silver production, Moz	0.5	0.5	-7%	1.6	1.7	-1%
TOTAL PRODUCTION						
Gold, Koz	29.8	41.7	-28%	83.4	90.4	-8%
Silver, Moz	0.5	0.5	-7%	1.6	1.7	-1%

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

At Okhotsk, Q4 gold production levels were down 28% year-on-year, with full-year production down 8%. The decrease is primarily due to declining grades as the Khakanja mill processed remaining material.

In December, Okhotsk was sold for a total consideration of US\$ 30 million. For more details, please refer to the transaction announcement dated 17 December 2018.

KAPAN (sold in January 2019)

	3 months ended Dec 31,		% change	12 months ended Dec 31,		% change
	2018	2017		2018	2017	
MINING						
Kapan						
Underground development, km	5.7	4.7	+22%	19.9	16.9	+17%
Ore mined (underground), Kt	168	140	+19%	637	527	+21%
Grade						
Gold, g/t				1.8	2.2	-19%
Silver, g/t				30	39	-22%
Copper, %				0.30%	0.30%	-0%
Zinc, %				1.32%	1.31%	+0%
Lichkvaz						
Underground development, km	0.6	-	NA	2.3	-	NA
Ore mined (underground), Kt	12	-	NA	40	-	NA

Grade						
Gold, g/t				2.9	-	NA
Silver, g/t				23.1	-	NA
Copper, %				0.42%	-	NA
PROCESSING						
Ore processed, Kt	166	141	+18%	636	530	+20%
Grade						
Gold, g/t	2.0	2.2	-9%	1.9	2.2	-13%
Silver, g/t	25	33	-23%	30	39	-23%
Copper, %	0.31%	0.34%	-10%	0.30%	0.30%	-1%
Zinc, %	1.07%	2.41%	-56%	1.29%	1.30%	-1%
Recovery						
Gold	67.1%	79.8%	-16%	78.2%	83.6%	-6%
Silver	76.7%	82.1%	-6%	81.7%	83.0%	-2%
Copper	87.5%	93.6%	-7%	93.0%	92.3%	+1%
Zinc	81.5%	85.5%	-5%	85.3%	89.1%	-4%
TOTAL PRODUCTION						
Gold, Koz	7.8	6.9	+13%	27.8	28.0	-1%
Silver, Moz	0.1	0.1	+0%	0.4	0.5	-7%
Copper, Kt	0.4	0.4	+6%	1.5	1.3	+15%
Zinc, Kt	1.0	1.2	-12%	5.4	4.8	+12%

Q4 gold production at Kapan increased 13% year-on-year to 7.8 Koz due to higher processing volumes that largely offset lower recoveries and grade declines as the plant was treating third-party purchased ore and trialled the processing of feed from Lichkvaz. Full-year production remained relatively flat at 28 Koz, while gold equivalent production was up 3% year-on-year at 51 Koz.

The previously announced sale of Kapan has been completed on 30 January 2019.

NEZHDA

At Nezhda, construction activities have commenced and are currently focused on auxiliary infrastructure, including the fuel depot, explosives depot, process and potable water boreholes, as well as the warm warehouse. Earthworks for the processing plant have also started while the Company has completed the construction of two new dormitories and an administrative building.

Mining activities in the wintertime are limited to pit access road construction which requires significant amount of overburden removal.

SUSTAINABILITY, HEALTH AND SAFETY

Our LTIFR in Q4 stood at 0 (versus 0.18 in Q4 2017), which is an important achievement for the Company. At the same time, our full-year LTIFR decreased by 40% over 2017 with a total of 11 incidents recorded across the Group (16 incidents in 2017).

The Company has also advanced in transiting its environmental management system to the new ISO 14001:2015 standard, which has gone through an external audit in 2018. There were zero material environmental incidents in 2018.

Safety remains a top priority for Polymetal and the Company reaffirms its commitment to further improvements across health and safety metrics to achieve our zero harm target in relation to our employees, as well as our suppliers and contractors. Polymetal continues to invest in digital technologies and innovative practices to achieve greater levels of safety, efficiency, and productivity. Details of the implemented safety and employee welfare initiatives are set out in the Sustainability Report, which can be found on our website.

PERSONNEL

Vasilina Tarabarova (37) assumed the position of Managing Director at Svetloye after Konstantin Lemanov (41) stepped down for personal reasons. Ms. Tarabarova has been with Polymetal since 2005, most recently as VP-Finance for the combined Okhotsk operations (Svetloye and Khakanja). She is the first female Managing Director of an operating asset in Polymetal's history.

Yury Ovchinnikov (47) was appointed as EVP of Supply Chain Management (SCM) at Polymetal, effective January 2019, Yury has been with the Company from 2006 and worked at our Voro, Amursk and Varvara operations in the SCM roles. He assumed the position of Managing Director at Kyzyl in 2014 and successfully led the on-site development team.

Kenbeyil Isaev (54) succeeded Yuriy Ovchinnikov as Managing Director at Kyzyl. Before joining Polymetal in 2014 as Chief Engineer at Kyzyl, Mr. Isaev held various senior positions at Kazakhmys starting from 1997.

Vladimir Bloskin (60) was appointed Director of Polymetal's Magadan regional office after Gennadiy Kuzmenko (47) stepped down for personal reasons. Mr. Bloskin joined Polymetal in 2007 as an underground mine superintendent at Lunnoye (Dukat operations). In 2012 Vladimir assumed the Managing Director position at Omolon.

Samat Kozhakaev (43) succeeded Vladimir Bloskin as Managing Director at Omolon. Samat joined Polymetal in 2012 as Chief Engineer at Lunnoye and in 2014 was promoted to Site Director at Dukat. Prior to Polymetal, Samat spent many years working in various engineering positions in the mining industry in Kazakhstan.