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Polymetal International plc

Investment to gain 9.1% stake in Tomtor

Polymetal is pleased to announce that it has entered into a legally binding agreement to invest US\$20 million in exchange for a 9.1% stake in ThreeArc Mining Ltd. (ThreeArc). ThreeArc owns 100% of the world-class Tomtor niobium and rare-earth metals project (Tomtor).

TRANSACTION DETAILS

- Polymetal to acquire a 9.1% stake in ThreeArc, 100% owner of the Tomtor project, through a US\$ 20 million cash investment into newly issued share capital.
- The pre-money enterprise value is estimated at US\$ 259 million.
- The proceeds will be used to complete the Tomtor Pre-Feasibility Study and initial JORC-compliant Ore Reserve and Mineral Resource Estimate.
- Pursuant to FCA Listing Rule 11.1.10R this transaction is classified as a smaller related party transaction as ICT Holding Ltd. (ICT), a substantial shareholder of Polymetal International plc, is also the majority owner of ThreeArc, and this announcement is made in accordance with Listing Rule 11.1.10R (2)(c).
- The completion of the transaction will take place upon the statutory registration procedure, which is expected to occur before the end of March.

“Investment in Tomtor provides us with a high-quality exposure to the EV revolution by establishing strategic beachhead in the Nb and REE markets. Our capital injection and our engineering expertise will be key in driving the project forward. We intend to consider any further potential steps of Polymetal’s engagement with the asset after the completion of JORC-compliant reserve estimate”, said Vitaly Nesis, Group CEO of Polymetal.

ABOUT TOMTOR

Tomtor is located in the north-west of Yakutia. It is one of the largest and highest grade rare earth elements (REE) projects in Russia and considered to be the highest grade development stage niobium (Nb) project globally. The deposit was discovered in 1977 with initial statutory reserves approved in 1999. In 2013, ICT established ThreeArc which acquired the Tomtor license subsequently. In 2018, statutory PFS and updated GKZ reserves were approved totalling 30.5 Mt of ore at 4.0% Nb₂O₅¹+10.6% REO² grade containing 1.2 Mt of Nb₂O₅ and 3.2 Mt of REO.

The project is comprised of the Tomtor open-pit deposit and the Krasnokamensk Hydromet Facility (KHF) which will be built near the town of Krasnokamensk. Krasnokamensk, located in South-Eastern Siberia close to the border with China, is the location of Russia’s largest uranium mine and associated processing and tailings storage infrastructure.

STRATEGIC RATIONALE FOR THE TRANSACTION

The project envisions the following advantages which fits well with the Company’s strategy:

- High-grade
- Large
- Long-lived
- Exposure to green technology with significant potential to contribute to active climate change management

¹ Niobium oxide

² Rare earth oxides. Mainly NdPr Oxides: Pr₆O₁₁ (Praseodymium oxide) and Nd₂O₃ (Neodymium oxide)

- Leveraging Polymetal’s leading technical capabilities in hydrometallurgy and already established regional presence in Yakutia

NIOBIUM AND REE MARKET

Niobium is a soft, rare, transition metal. Nearly 90% of the Nb demand structure is represented by high-strength low-alloy steel (HSLA) which is mostly used in construction as a strengthening sustainable component, automotive industry to strengthen and reduce weight of a car elements and aerospace and defense sector to offer creep strength in super alloys.

Niobium is a relatively scarce resource and there are only three primary niobium mines in the world today, two in Brazil and one in Canada, but growing demand has created a global market value of more than US\$ 2 billion³. World reserves of Nb are estimated at over 9 Mt. Nb prices are far less volatile than most REEs’ which are mostly produced in China and have been exposed to supply constraints during the last 10 years while Nb has been stable.

The global rare earth elements market was valued at US\$ 2.2 billion³ in 2019 with the most of the value coming from NdPr. NdPr are used in high-strength magnets in motors in electric vehicles, wind turbines and electronic devices and autocatalysts.

Tomtor is expected to become an alternative source of FeNb and rare earth elements for the growing markets of high-strength steel, permanent magnets and electronics, all critical for modern green-tech technology. Domestic demand for FeNb is expected to demonstrate robust growth, thanks to Russia’s growing steel production, while since domestic REE demand is limited, Tomtor should become a significant supplier of REEs to the global market.

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 a top-5 global silver producer with assets in Russia and Kazakhstan. The Company combines strong growth with a robust dividend yield.

About Morgan Stanley

Morgan Stanley & Co. International plc acted as sole sponsor and financial advisor to Polymetal and to no one else. In connection with such matters, Morgan Stanley and their respective directors, officers, employees and agents will not regard any other person as its client, nor will it be responsible to anyone other than Polymetal for providing the protections afforded to their clients or for providing advice in connection with the matters described in this announcement or any matter referred to herein.

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³ As per Roskill

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