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Polymetal International plc

Q3 2018 production results

Polymetal International plc reports its production results for the third quarter and nine months ended September 30, 2018.

“We quickly and efficiently ramped up Kyzyl to full capacity”, said Vitaly Nesis, Group CEO of Polymetal, commenting on the results. “The other assets in our portfolio demonstrated a steady performance which leaves us well placed to outperform our original production guidance”.

HIGHLIGHTS

- Polymetal produced 447 Koz of gold equivalent (GE) in the third quarter of 2018, down 5% year-on-year as large volumes of concentrate produced at Kyzyl (36 Koz of gold) and Mayskoye (34 Koz of gold) are to be shipped and booked as production in the fourth quarter. Gold production for the quarter was 356 Koz, down 4% year-on-year, while silver production decreased by 10% to 6.7 Moz as a result of planned grade declines at Dukat. GE production for the first nine months of 2018 was 1,066 Koz, a 4% increase year-on-year and in line with production guidance.
- Kyzyl successfully ramped up to full throughput capacity of 150 Kt per month with a recovery rate of 86%. Concentrate shipments to Amursk POX and to off-takers in China commenced and are expected to match production once the new railway spur is commissioned in October. Since the start-up Kyzyl delivered 47 Koz of gold in concentrate of which 10 Koz was booked in production, and is likely to exceed its production guidance of 80 Koz of payable gold shipped for 2018. The Company will be hosting a site visit at Kyzyl on October 18-19, 2018.
- Q3 revenue was down 16% year-on-year to US\$ 459 million on the back of lower metal prices and lower sales volumes due to the build-up of working capital in the form of concentrate. Gold sales volumes totalled 321 Koz, while silver sales totalled 5.3 Moz.
- Net debt increased to US\$ 1.8 billion due to the build-up of working capital as the company paid US\$ 78 million in regular dividends for 1H 2018 (US\$ 0.17 per share). The Company expects to generate the bulk of free cash flow in 2018 in the fourth quarter on the back of de-stockpiling at Kyzyl and Mayskoye. Consequently, a meaningful reduction in net debt is expected to be recorded in Q4.
- Polymetal had no fatalities in Q3 and recorded a meaningful improvement in the Group’s LTIFR for the second consecutive quarter and year-on-year.
- Effective from 24 September, Polymetal was the first Russian company to join the Dow Jones Sustainability Index, ranking 8th among other mining companies in the index series. The Company also improved its Sustainalytics rating, coming in 1st among 47 mining companies worldwide, which made it eligible for the highest available discount on the interest rate on its ING US\$ 80 million sustainability performance-linked loan.
- Polymetal is likely to exceed its FY 2018 production guidance of 1.55 Moz of GE by up to 50 koz of GE. The Company reiterates its production guidance of 1.7 Moz for 2019 and 1.8 Moz for 2020 and notes that the guidance will be revised in the event of non-core asset disposals.
- Given the recent weakness of the Rouble and Tenge against the US dollar, it is likely that the Company will outperform its 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 Company will host an Analyst and its inaugural ESG Day on 12 November 2018 in London to provide an update on key development projects and a comprehensive overview of Polymetal’s ESG approach and practices.

	3 months ended Sep 30,		% change ¹	9 months ended Sep 30,		% change ¹
	2018	2017		2018	2017	
Waste mined, Mt	33.6	29.7	+13%	94.5	84.7	+12%
Underground development, km	31.2	30.0	+4%	96.8	83.9	+15%
Ore mined, Mt	3.6	3.1	+19%	10.2	9.6	+6%
Open-pit	2.5	2.0	+26%	6.7	6.4	+5%
Underground	1.2	1.1	+7%	3.5	3.3	+8%
Ore processed, Mt	4.4	3.7	+19%	11.4	10.0	+14%
Production						
Gold, Koz	356	370	-4%	801	759	+6%
Silver, Moz	6.7	7.4	-10%	19.4	20.2	-4%
Copper, Kt	0.9	0.9	-2%	2.5	1.9	+33%
Zinc, Kt	1.4	1.3	+3%	4.3	3.6	+20%
Gold equivalent, Koz ²	447	470	-5%	1,066	1,028	+4%
Sales						
Gold, Koz	321	363	-12%	766	742	+3%
Silver, Moz	5.3	5.8	-8%	17.4	18.2	-4%
Copper, Kt	0.5	0.8	-37%	1.9	1.3	+49%
Zinc, Kt	2.1	1.2	+76%	4.4	3.5	+29%
Revenue, US\$m ³	459	546	-16%	1,248	1,229	+2%
Net debt, US\$m ⁴	1,819	1,653	+10%	1,819	1,421	+28%
Safety ⁵						
LTIFR	0.07	0.11	-36%	0.13	0.14	-7%
Fatalities	0	0	0%	1	1	0%

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 June 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 Sep 30,		% change ¹	9 months ended Sep 30,		% change ¹
	2018	2017		2018	2017	
<u>GOLD EQ. (KOZ)</u>¹						
Dukat	77	83	-8%	231	241	-4%
Albazino-Amursk	88	89	-2%	241	197	+22%
Omolon	50	45	+12%	136	139	-2%
Mayskoye	47	81	-41%	47	90	-47%
Varvara	37	33	+14%	103	88	+17%
Voro	23	30	-22%	78	89	-12%
Svetloye	59	57	+3%	112	84	+34%
Okhotsk	44	40	+10%	68	63	+8%
Kapan	11	12	-10%	38	37	+2%
Kyzyl	10	-	NA	10	-	NA
TOTAL	447	470	-5%	1,066	1,028	+4%

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 Tuesday, 16 October 2018 at 11:00 London time (13:00 Moscow time).

To participate in the call, please dial:

8 800 500 98 63 access code 92230744# (free from Russia), or

44 203 009 24 75 (free from the UK), or

1 646 722 49 11 (free from the US), or

follow the link: <http://polymetal161018-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://polymetal161018-live.audio-webcast.com>. A recording of the call will be available immediately after the call at +44 20 3364 5147 (from within the UK), 1 646 722 4969 (USA Toll Free) and +7 495 249 16 71 (from within Russia), access code 418793738#, from 13:30 Moscow time Tuesday, 16 October, till 13:30 Moscow time Tuesday, 23 October, 2018.

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DUKAT OPERATIONS

	3 months ended Sep 30,		% change	9 months ended Sep 30,		% change
	2018	2017		2018	2017	
MINING						
Dukat						
Waste mined, Mt	-	0.2	-100%	-	0.3	-100%
Underground development, km	8.7	8.7	-1%	26.7	24.9	+7%
Ore mined (underground), Kt	431	427	+1%	1,256	1,259	-0%
Goltsovoye						
Underground development, km	1.6	1.8	-11%	5.3	5.1	+4%
Ore mined (underground), Kt	50	51	-2%	143	143	+0%
Lunnoye						
Underground development, km	3.7	2.8	+34%	9.9	7.0	+41%
Ore mined (underground), Kt	127	140	-9%	427	430	-1%
Perevalnoye						
Underground development, km	0.9	1.0	-10%	2.7	2.3	+19%
Ore mined (underground), Kt	2	-	NA	4	-	NA
TOTAL HUB						
Waste mined, Mt	-	0.2	-100%	-	0.3	-100%
Underground development, km	14.9	14.3	+4%	44.5	39.3	+13%
Ore mined, Kt	610	618	-1%	1,831	1,833	-0%
Open-pit	-	32	-100%	-	48	-100%
Underground	610	586	+4%	1,831	1,785	+3%
PROCESSING						
Dukat						
Ore processed, Kt	500	496	+1%	1,496	1,463	+2%
Grade						
Gold, g/t	0.6	0.4	+53%	0.6	0.4	+30%
Silver, g/t	296	329	-10%	300	323	-7%
Recovery ¹						
Gold	87.0%	87.9%	-1%	86.8%	86.2%	+1%
Silver	88.6%	89.1%	-1%	88.2%	88.6%	-0%
Production						
Gold, Koz	9.1	5.9	+53%	27.2	17.7	+54%
Silver, Moz	4.1	4.6	-11%	12.5	13.2	-5%
Lunnoye						
Ore processed, Kt	120	118	+2%	347	346	+0%
Grade						
Gold, g/t	1.4	1.2	+12%	1.3	1.3	+2%
Silver, g/t	310	360	-14%	330	363	-9%
Recovery ¹						
Gold	85.7%	91.3%	-6%	85.4%	91.1%	-6%
Silver	91.4%	93.3%	-2%	91.1%	92.6%	-2%
Production						
Gold, Koz	4.6	4.3	+8%	12.2	12.7	-5%
Silver, Moz	1.1	1.3	-16%	3.3	3.7	-10%

	3 months ended Sep 30,		%	9 months ended Sep 30,		%
	2018	2017		2018	2017	
TOTAL PRODUCTION						
Gold, Koz	13.7	10.2	+34%	39.4	30.4	+30%
Silver, Moz	5.1	5.8	-12%	15.8	16.8	-6%

Note: *Nachalny-2 mining is included in Dukat, Terem mining is included in Lunnoye*
(1) Technological recovery, includes gold and silver within work-in-progress inventory (concentrate, precipitate)

Underground mining at Dukat and Goltsovoye continued to operate at full capacity.

Gold production at Dukat increased by 34% year-on-year as the Omsukchan concentrator continued to process ore from gold-rich veins at the deeper levels of Dukat and from Lunnoye. Silver production fell 12% year-on-year on the back of planned grade declines at the underground mine.

A new thickener was commissioned at the Omsukchan concentrator, enabling the production of a separate product (flash flotation concentrate) with low silica and high metal content that will result in improved payability for lead, zinc and copper. This is an important development ahead of Perevalnoye ore being introduced to the feed.

At Lunnoye, processing volumes remained relatively flat, while gold production increased by 8% year-on-year as higher grade material was processed through the mill, making up for the decline in recovery levels. Silver production on the other hand, was down 16% to 1.1 Moz, which is mostly attributable to depletion of high-grade areas of Zone 7.

ALBAZINO-AMURSK

	3 months ended Sep 30,		%	9 months ended Sep 30,		%
	2018	2017		2018	2017	
MINING						
Waste mined, Mt	5.5	5.2	+5%	16	14.6	+9%
Underground development, Km	2.2	2.1	+5%	6.9	5.6	+23%
Ore mined, Kt	442	475	-7%	1,372	1,467	-6%
Open-pit	348	387	-10%	1,062	1,217	-13%
Underground	94	89	+6%	310	250	+24%
PROCESSING						
Albazino concentrator						
Ore processed, Kt	431	436	-1%	1,291	1,291	+0%
Gold grade, g/t	5.4	4.9	+12%	5.2	4.8	+8%
Gold recovery ¹	84.9%	88.3%	-4%	84.5%	87.5%	-3%
Concentrate produced, Kt	36.8	34.3	+7%	105.7	105.8	-0%
Concentrate gold grade, g/t	54.1	54.5	-1%	54.3	51.5	+5%
Gold in concentrate, Koz ²	64.0	60.1	+7%	184.3	175.2	+5%
Amursk POX						
Concentrate processed, Kt	48.6	47.3	+3%	130.9	113.5	+15%
Albazino	44.0	41.5	+6%	115.2	101.7	+13%
Third-party	4.6	5.8	-21%	15.7	11.8	+33%
Gold grade, g/t	56.1	62.1	-10%	57.3	58.2	-2%
Gold recovery	96.6%	96.2%	+0%	96.9%	96.1%	+1%
Gold produced, Koz	87.6	89.2	-2%	240.4	197.3	+22%
TOTAL PRODUCTION						
Gold, Koz	87.6	89.2	-2%	240.4	197.3	+22%

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 completion of downstream processing at the Amursk POX

At Albazino, ore mining at the new Ekaterina open pit is fully operational, while underground mine productivity continued

to improve as a result of the full transition to partially cemented waste backfill. The new mining method had a positive impact on grades that offset lower recovery levels driven by near-surface partially oxidized ore from Ekaterina.

At Amursk POX, gold production decreased slightly as less third party material was processed. The POX plant is currently undergoing a 20-day maintenance shutdown for final circuit modifications and is expected to start up at full expanded capacity by 25 October.

KYZYL

	3 months ended Sep 30,		% change	9 months ended Sep 30,		% change
	2018	2017		2018	2017	
<u>MINING</u>						
Waste mined, Mt	16.1	12.8	+26%	44.8	36	+25%
Ore mined (open-pit), Kt	436	-	NA	833	-	NA
<u>PROCESSING</u>						
Ore processed, Kt	362	-	NA	436	-	NA
Gold grade, g/t	5.1	-	NA	4.7	-	NA
Gold recovery	78.7%	-	NA	75.3%	-	NA
Concentrate produced, Kt	20.4	-	NA	21.7	-	NA
Concentrate gold grade, g/t	69.1	-	NA	67.7	-	NA
Gold in concentrate, Koz ¹	45.2	-	NA	47.2	-	NA
Concentrate shipped, Kt	5.4	-	NA	5.4	-	NA
Payable gold shipped, Koz	10.0	-	NA	10.0	-	NA
<u>TOTAL PRODUCTION</u>						
Gold, Koz	10.0	-	NA	10.0	-	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 sale to off-taker or internal downstream processing to saleable metal product

The 3-month ramp up period has been successfully completed with the operation achieving design throughput and recoveries of 86% in October.

Gold grades and ore tonnage mined demonstrated positive reconciliation to the resource model due to the presence of small high-grade ore pods within mineralization.

Railway shipments of concentrate to end users are under way with the pace of deliveries expected to reach full capacity after the commissioning of the new railway spur in October.

OMOLON OPERATIONS

	3 months ended Sep 30,		% change	9 months ended Sep 30,		% change
	2018	2017		2018	2017	
MINING						
Sopka						
Waste mined, Mt	1.9	2.0	-3%	4.6	4.3	+7%
Ore mined (open pit), Kt	102	160	-36%	400	224	+79%
Tsokol						
Underground development, Km	0.9	1.0	-8%	2.5	2.9	-11%
Ore mined (underground), Kt	33	46	-28%	109	106	+3%
Birkachan						
Underground development, Km	1.3	1.1	+22%	3.7	3.4	+8%
Ore mined (underground), Kt	33	29	+17%	93	83	+12%
Oroch						
Waste mined, Mt	-	-	NA	-	0.1	-100%
Ore mined (open pit), Kt	-	-	NA	-	81	-100%
Olcha						
Waste mined, Mt	-	-	NA	-	0.2	-100%
Underground development, Km	1.1	1.0	+16%	3.4	2.3	+49%
Ore mined, Kt	8	-	NA	56	73	-24%
Open pit	-	-	NA	-	73	-100%
Underground	8	-	NA	56	-	NA
TOTAL HUB						
Waste mined, Mt	1.9	2.0	-3%	4.6	4.6	-0%
Underground development, Km	3.3	3.0	+11%	9.6	8.6	+13%
Ore mined, Kt	176	234	-25%	658	567	+16%
Open-pit	102	160	-36%	400	378	+6%
Underground	74	74	+0%	258	190	+36%
PROCESSING						
Birkachan Heap Leach						
Ore stacked, Kt	487	241	+102%	959	362	+165%
Gold grade, g/t	1.2	1.3	-11%	1.1	1.3	-13%
Gold production, Koz	8.8	3.4	+159%	9.9	3.4	+189%
Kubaka Mill						
Ore processed, Kt	220	217	+2%	642	646	-1%
Grade						
Gold, g/t	4.4	4.8	-10%	4.8	5.8	-18%
Silver, g/t	151	156	-3%	119	104	+14%
Recovery ¹						
Gold	95.4%	92.6%	+3%	95.4%	93.7%	+2%
Silver	89.3%	86.8%	+3%	83.0%	84.5%	-2%
Gold production, Koz	29.8	29.1	+2%	99.8	113.4	-12%
Silver production, Moz	0.9	1.0	-6%	2.1	1.7	+22%
TOTAL PRODUCTION						
Gold, Koz	38.6	32.5	+19%	109.7	116.8	-6%
Silver, Moz	0.9	1.0	-6%	2.1	1.7	+22%

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

In Q3, Omolon delivered a strong set of results with gold production up 19% year-on-year on the back of a significant contribution to production from the Birkachan heap leach operation.

Birkachan underground mine is ramping up while Tsokol is beginning to wind down ahead of the expected pillar removal operations in 2019-2020.

MAYSKOYE

	3 months ended Sep 30,		% change	9 months ended Sep 30,		% change
	2018	2017		2018	2017	
MINING						
Waste mined, Mt	1.6	1.5	+8%	3.6	4.0	-12%
Underground development, km	5.4	4.8	+13%	17.6	14.4	+22%
Ore mined, Kt	304	228	+33%	767	766	+0%
Open-pit	150	65	+130%	282	208	+35%
Underground	154	163	-6%	485	558	-13%
PROCESSING						
Ore processed, Kt	223	220	+1%	639	581	+10%
Sulphide ore	-	218	-100%	269	569	-53%
Oxide ore	223	3	NM	370	12	NM
Gold grade, g/t	9.0	4.7	+90%	7.5	5.6	+35%
Sulphide ore	-	4.7	-100%	5.2	5.5	-5%
Oxide ore	9.0	10.1	-11%	9.2	9.9	-7%
Gold recovery	71.8%	87.0%	-17%	77.5%	86.7%	-11%
Sulphide ore	-	87.0%	-100%	87.9%	87.4%	+1%
Oxide ore	71.8%	NM	NA	69.9%	50.6%	+38%
Concentrate produced, Kt	17.0	17.6	-3%	50.3	47.7	+6%
Concentrate gold grade, g/t	53.6	50.6	+6%	52.1	56.7	-8%
Gold in concentrate, Koz ²	29.3	28.6	+2%	84.3	86.8	-3%
Concentrate sold, Kt	29.8	39.3	-24%	29.8	39.3	-24%
Payable gold in concentrate sold, Koz	45.3	67.1	-33%	45.3	67.1	-33%
Gold in carbon, Koz ³	18.0	4.1	+336%	30.1	12.1	+148%
Amursk POX						
Concentrate processed, Kt	0.5	0.9	-44%	0.5	6.1	-92%
Gold grade, g/t	50.9	46.9	+9%	50.9	49.5	+3%
Gold recovery	96.2%	96.2%	+0%	96.2%	96.2%	+0%
Gold produced, Koz	1.9	2.1	-10%	1.9	11.1	-83%
TOTAL PRODUCTION						
Gold, Koz	47.1	80.5	-41%	47.1	89.5	-47%

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 internal downstream processing to saleable metal product

(3) Work in progress. For information only; not considered as gold produced and therefore not reflected in the table representing total production

Underground development at Mayskoye continued to increase at the new mine level (400 m below surface) where stoping will start in Q1 2019.

Oxide ore processing through the combined float-leach circuit has demonstrated broadly positive results. Recoveries were largely in line with metallurgical test work and, given very high grades of oxide material, gold in carbon has

increased more than three-fold year-on-year. Due to the arrival of cold season, the plant switched over from oxide to sulphide ore treatment in late September.

Shipments of Mayskoye concentrate to Chinese off-takers commenced in August and will continue until November. Accordingly, most of production at Mayskoye will be booked in Q4.

Processing of loaded carbon from Mayskoye at the Amursk POX started in late September and is expected to lead to a significant year-on-year increase in gold production from the asset in Q4.

VARVARA

	3 months ended Sep 30,		% change	9 months ended Sep 30,		% change
	2018	2017		2018	2017	
MINING						
Varvara						
Waste mined, Mt	2.1	1.5	+44%	5.4	8.1	-34%
Ore mined, Kt	219	192	+14%	568	1,070	-47%
Komarovskoye						
Waste mined, Mt	5.1	3.8	+33%	16,516	9,081	+82%
Ore mined, Kt	669	463	+44%	1,707	1,363	+25%
PROCESSING						
Flotation						
Ore processed, Kt	43	103	-58%	296	191	+55%
Grade						
Gold, g/t	1.4	2.1	-32%	1.3	2.2	-40%
Copper	0.59%	0.71%	-17%	0.55%	0.66%	-16%
Recovery ¹						
Gold	75.7%	74.9%	+1%	76.4%	76.8%	-0%
Copper	92.7%	84.3%	+10%	92.0%	82.8%	+11%
Production						
Gold (in concentrate), Koz	3.2	3.9	-18%	7.4	7.2	+2%
Copper (in concentrate), Kt	0.6	0.6	+2%	1.5	1.0	+46%
Toll-treated ore processed, Kt ²	116	28	+313%	86	91	-5%
Leaching						
Ore processed, Kt	826	731	+13%	2,324	2,140	+9%
Gold grade, g/t	1.3	1.2	+7%	1.4	1.3	+11%
Gold recovery ¹	89.4%	84.0%	+6%	87.7%	82.1%	+7%
Gold production (in dore), Koz	31.1	25.8	+20%	88.6	75.8	+17%
Total ore processed, Kt	985	862	+14%	2,706	2,422	+12%
TOTAL PRODUCTION						
Gold, Koz	34.3	29.7	+15%	95.9	83.0	+16%
Copper, Kt	0.6	0.6	+2%	1.5	1.0	+46%

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.

In Q3, Varvara delivered a 15% increase in gold production year-on-year. This was primarily driven by growing processing volumes and improved head grades at the leaching circuit as Komar ore rilling capacity reaches new record levels. Gold recovery rates in the leaching circuit also continued to improve both quarter-on-quarter and year-on-year thanks to the detailed geo-metallurgical mapping of Komar ore followed by the introduction of flexible reagent additions.

Open pit mining volumes continued to shift away from Varvara towards Komar given its higher-margin ore tonnes. In order to further improve productivity and cut haulage costs, Polymetal has decided to acquire a main-line locomotive for railing Komar ore to Varvara and is expected to be commissioned in Q1 2019.

Varvara continued to toll-treat higher volumes of third-party refractory gold ore, resulting in the decrease in ore processed and production at the flotation circuit. The produced gold concentrate will be processed at the Amursk POX facility and production will be booked following dore production.

VORO

	3 months ended Sep 30,		% change	9 months ended Sep 30,		% change
	2018	2017		2018	2017	
MINING						
Voro						
Waste mined, Mt	0.9	2.6	-66%	2.8	7.7	-63%
Ore mined, Kt	204	337	-40%	779	1,159	-33%
PROCESSING						
Voro Heap Leach						
Ore stacked, Kt	60	123	-51%	62	302	-80%
Gold grade, g/t	1.4	1.1	+26%	1.4	1.2	+18%
Gold production, Koz	2.1	5.9	-65%	5.8	11.6	-50%
Voro CIP						
Ore processed, Kt	253	254	-0%	752	752	-0%
Gold grade, g/t	3.6	4.1	-12%	3.9	4.2	-7%
Gold recovery ¹	80.6%	79.2%	+2%	80.7%	80.8%	-0%
Gold production, Koz	21.4	23.8	-10%	72.2	76.5	-6%
TOTAL PRODUCTION						
Gold, Koz	23.5	29.7	-21%	77.9	88.1	-11%

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

Gold production at Voro in Q3 decreased by 21% year-on-year, largely driven by 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 in Q3 2019. However, exploration drilling has identified substantial high-quality mineralization below the open pit with technical studies currently underway to determine the feasibility of underground mining.

The Company's strategy at Voro is increasingly focused on extending the life of mine through nearby exploration targets with the potential addition of a flotation circuit to the existing processing plant. In August 2018, the Company consolidated 100% interest in Saum polymetallic deposit with resources of 435 Koz of gold equivalent at 9.7 g/t which can provide an additional low-cost feed. Saum's oxide ore is free-milling and will be processed through the existing CIP plant at Voro. Sulfide ore is amenable to conventional flotation followed by cyanide leaching of flotation tails. The Company plans to prepare an initial reserve estimate in Q1 2019. Oxide ore mining is expected to start in 2H 2020.

SVETLOYE

	3 months ended Sep 30,		%	9 months ended Sep 30,		%
	2018	2017		2018	2017	
MINING						
Svetloye						
Waste mined, Mt	0.2	0.0	+270%	0.5	0.3	+45%
Ore mined (open pit), Kt	317	339	-7%	978	935	+5%
PROCESSING						
Svetloye Heap Leach						
Ore stacked, Kt	491	455	+8%	1,144	921	+24%
Gold grade, g/t	3.8	4.8	-21%	3.8	4.6	-18%
Gold production, Koz	59.0	57.3	+3%	112.0	83.7	+34%
TOTAL PRODUCTION						
Gold, Koz	59.0	57.3	+3%	112.0	83.7	+34%

Svetloye delivered a 3% year-on-year production increase at 59 Koz of gold on the back of higher stacking volumes that more than offset grade declines from above-reserve levels observed during the last year.

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 4 years to 2028.

OKHOTSK OPERATIONS

	3 months ended Sep 30,		%	9 months ended Sep 30,		%
	2018	2017		2018	2017	
MINING						
Avlayakan						
Underground development, km	0.1	1.3	-90%	2.2	3.7	-40%
Ore mined (underground), Kt	43	30	+44%	131	98	+34%
Khotorchan						
Waste mined, Mt	0.2	-	NA	0.5	-	NA
Ore mined (open pit), Kt	43	-	NA	71	-	NA
PROCESSING						
Khakanja						
Ore processed, Kt	157	161	-2%	469	467	+0%
Grade						
Gold, g/t	7.8	7.7	+2%	3.8	3.6	+5%
Silver, g/t	118	121	-2%	97	107	-9%
Recovery ¹						
Gold	97.3%	97.1%	+0%	97.3%	96.9%	+0%
Silver	88.4%	80.9%	+9%	78.7%	76.5%	+3%
Gold production, Koz	36.1	33.9	+6%	53.5	48.8	+10%
Silver production, Moz	0.5	0.5	+6%	1.2	1.2	+1%
TOTAL PRODUCTION						
Gold, Koz	36.1	33.9	+6%	53.5	48.8	+10%
Silver, Moz	0.5	0.5	+14%	1.2	1.2	+1%

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

At Okhotsk, gold production levels improved by 6% as higher grade ore from Avlayakan was processed through the mill.

Underground mining at Avlayakan is now complete with the residual resources to be sold to a 3rd party. This will be replaced with ore from Khotorchan where mining will be completed in Q4 with ore trucked by winter road to the Khakanja mill in Q1 2019.

KAPAN

	3 months ended Sep 30,		% change	9 months ended Sep 30,		% change
	2018	2017		2018	2017	
MINING						
Kapan						
Underground development, km	4.5	4.5	-1%	14.2	12.3	+16%
Ore mined (underground), Kt	159	136	+17%	470	386	+22%
Lichkvaz						
Underground development, km	0.7	-	NA	1.7	-	NA
Ore mined (underground), Kt	18	-	NA	28	-	NA
PROCESSING						
Ore processed, Kt	158	143	+10%	470	389	+21%
Grade						
Gold, g/t	1.9	2.0	-4%	1.9	2.3	-14%
Silver, g/t	28	35	-20%	31	41	-23%
Copper, %	0.25%	0.27%	-6%	0.29%	0.29%	+3%
Zinc, %	1.30%	1.32%	-2%	1.36%	1.32%	+3%
Recovery						
Gold	80.0%	84.6%	-6%	82.2%	84.9%	-3%
Silver	82.1%	81.6%	+1%	83.1%	83.3%	-0%
Copper	94.4%	92.5%	+2%	95.0%	91.7%	+4%
Zinc	84.6%	91.4%	-7%	86.3%	90.3%	-4%
TOTAL PRODUCTION						
Gold, Koz	5.9	6.7	-13%	20.0	21.1	-5%
Silver, Moz	0.1	0.1	-20%	0.3	0.4	-10%
Copper, Kt	0.3	0.3	-10%	1.1	0.9	+19%
Zinc, Kt	1.4	1.3	+3%	4.3	3.6	+20%

Gold production for Q3 decreased 13% year-on-year due to lower head grades and recoveries. Access to some of high-grade areas continues to be restricted due to safety concerns.

Ore mined volumes continued to grow, reflecting the positive results of ongoing improvement measures to debottleneck the underground mine, especially as mine personnel completed a full transition from manual to mechanized drilling. The processing volumes grew in line with mining.

HEALTH AND SAFETY

Polymetal had no fatalities in the quarter, with a Group Lost Time Injury Frequency Rate ("LTIFR") of 0.07 versus 0.11 in Q3 2017

Furthermore, we fully revised our corporate occupational health and safety system (OHSAS), which is now certified under OHSAS18001 after the successful completion of external audits. As a next step, we are now aiming to receive ISO 45001:2018 accreditation after a series of external audits carried out at our Russian operations in December 2018.

In order to improve the use of our Shift Risk Assessment (SRA) model that was set up to raise employee awareness of workplace dangers, manage risks promptly, and control the accuracy of our risk assessments, we have implemented a new mobile app to make communication between employees more efficient and accessible. The app will also provide distance-learning courses, which we believe will have a positive impact on the safety culture at all operations. As a result, the SRA has been moved online from the traditional paper based method.

Safety remains a top priority for Polymetal and the Company reaffirms its commitment to further improvement across health and safety metrics to achieve our zero-harm target. 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.