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Polymetal International plc

The Board approves construction of the Veduga gold project

The Board of Polymetal has approved a US\$ 447 million investment in the 4.0 Moz asset, based on the results of the Preliminary Feasibility Study (“PFS”). First production is expected in Q2 2025.

“The large high-grade reserve base, robust economics, and clear execution path to significant cash flows underpinned the Board’s decision to approve Veduga”, said Vitaly Nesis, Group CEO of Polymetal. “The management is currently planning a full consolidation of the asset in H1 2022”.

HIGHLIGHTS

- The updated Ore Reserve estimate as at 1 February 2021 comprises 31.9 Mt of ore with an average gold grade of 3.9 g/t containing 4.0 Moz of gold. This is a 50% or 1.3 Moz increase compared to the previous estimate.
- Open-pit reserves increased by 89% to 1.4 Moz and now represent 35% of the total Ore Reserves. Underground reserves extended by 35% to 2.6 Moz.
- Mineral Resources additional to Ore Reserves stand at 8.7 Mt of ore with an average grade of 4.5 g/t containing 1.3 Moz of gold representing an opportunity for significant conversion into reserves.
- The mine plan assumes 10 years of conventional open-pit mining until 2031 (including pre-production stripping in 2022-2024), and 12 years of underground mining using a skip shaft for hauling from 2030 to 2041.
- The PFS is based on a 2.0 Mtpa flotation concentrator with dry-stacking of tailings. Flowsheet development has been supported by extensive external and in-house metallurgical testing.
- Flotation concentrate will be processed at the future POX-2, while volumes in excess of the facility’s capacity will be sold to 3rd parties. Veduga could also potentially become a source of feed for the future Pacific POX project.
- Average LOM annual production is 200 Koz of gold at TCC in the range of US\$ 725-775/oz and AISC in the range of US\$ 800-850/oz.
- First production is planned for Q2 2025 with full ramp-up by the end of Q3 2025.
- The project will materially contribute to Polymetal’s carbon emission reduction targets. The mine will rely on hydro power ensuring relatively low emission intensity level of 405 kg CO₂e/oz GE in 2025-2030 on average (well below the Group’s target of 560 kg CO₂e/oz GE by 2030).
- Total project CAPEX is estimated at US\$ 447 million (including capitalised pre-stripping costs) and includes a post-launch skip shaft and underground infrastructure construction of US\$ 77 million in 2027-2029. The extended open pit allows to shift underground development capital costs beyond the start-up CAPEX.
- The project’s IRR is estimated at 19% with NPV of US\$ 292 million (using a 10% discount rate, US\$ 1,500/oz gold price, RUB/USD exchange rate of 72).
- Veduga has obtained the status of a Regional Investment Project, so should benefit from reduced income tax for the project in 2025-2028 and reduced Mineral Extraction Tax until 2034.
- Polymetal currently owns 59.4% stake in Veduga and holds a call option to increase its stake to 100% at a pre-determined price giving VTB a fixed rate of return on initial investment. Following the final statutory clearance which is expected in Q2 2022, Polymetal plans to fully consolidate the asset.

Ore Reserves reconciliation

Ore Reserves	Category	01.03.2019	01.02.2021	Change, %
Open pit	Tonnage, Mt	6.7	13.3	+99%
	Au grade, g/t	3.5	3.3	-5%
	Au content, Moz	0.8	1.4	+89%
Underground	Tonnage, Mt	11.9	18.6	+55%
	Au grade, g/t	5.1	4.4	-13%
	Au content, Moz	2.0	2.6	+35%
Total	Tonnage, Mt	18.6	31.9	+71%
	Au grade, g/t	4.5	3.9	-12%
	Au content, Moz	2.7	4.0	+50%

Notes: Ore Reserves are reported on a 100% ownership basis in accordance with the JORC Code (2012) and are estimated using a gold price of US\$ 1,500/oz. Cut-off grades for open-pit and underground are 0.7 g/t and 1.8 g/t of gold respectively. Ore Reserve estimate as at 01.03.2019 accounts for depletion in 2019-2020. Open-pit reserves Includes stockpiles. Discrepancies in calculations are due to rounding.

PROJECT TIMELINE

Polymetal envisages the following conceptual development timeline for the Veduga gold project:

- Federal Anti-Monoploy Service approval and increase of Polymetal's share to 100% via call-option execution: Q2 2022
- Start of construction: Q3 2022
- Commissioning: Q1 2025
- First production: Q2 2025
- Full ramp-up: Q3 2025.

CAPITAL EXPENDITURE

Project capital costs in 2022-2029 are estimated at US\$ 447 million, including US\$ 77 million spend on a skip shaft and underground infrastructure construction incurred after the launch of the processing plant in 2027-2029, and US\$ 58 million of capitalized stripping costs. CAPEX will be fully funded out of free cash flow.

Area	Capital Cost, US\$ million
Processing plant construction	98
Processing plant equipment	69
Infrastructure	94
Mining equipment	52
Capitalized stripping	58
Pre-launch Capital Costs	371
Skip shaft	55
Underground infrastructure	22
Total Project Capital Costs	447

During 2018¹-2021, Polymetal has invested approximately US\$ 68 million in Veduga, including exploration, evaluation and engineering activities, capitalized stripping as well as a significant infrastructure upgrade.

GEOLOGY

The Veduga deposit is a gold-sulphide mineralised formation and belongs to the pyrite-arsenopyrite-antimonite mineral type.

Mineralisation is represented by two contiguous sub-vertical ore bodies with an average true width of 20 and 35 m. Thickness of the ore bodies varies from 5 to 70 meters. Down dip, the mineralized bodies have been traced for 150-980 m and are currently open at depth.

¹ Year of consolidation of Veduga in IFRS statements.

MINING

Five open pits will be mined over 10 years starting from 2022 using conventional drill and blast, load and haul mining methods with electrical and diesel excavators, and diesel trucks. LOM stripping ratio is 15 t/t (without pre stripping).

The underground mine will utilise open stope mining followed by cemented paste backfill, with ore hauling by skip shaft. Further studies will be undertaken to evaluate alternative ore transportation options that could reduce the capital spending. Polymetal plans to utilize exclusively battery electric vehicles throughout the underground mine. Ore mining will start in 2030 and continue until 2041. This could be potentially extended by another 10 years following additional exploration to improve the confidence of the remaining Mineral Resources.

METALLURGY AND PROCESSING

Veduga ore is single refractory. Gold is closely associated with sulphides in the form of finely dispersed inclusions which determines the need for fine primary grinding of the ore prior to froth flotation.

The concentrator with a capacity of 2.0 Mtpa incorporates crushing, grinding, primary flotation and secondary flotation followed by carbon-in-pulp cyanidation of secondary (free-milling pyrite) concentrate. Primary (refractory) concentrates will be thickened, filtered, dried and bagged for off-site processing at Amursk POX-2 and off-take facilities. Loaded carbon from pyrite concentrate cyanidation will be transported to Amursk POX-2 for carbon stripping and dore production. Tails will be thickened, filtered, and dry stacked in tailings storage facility. Part of tailings will be used for backfill at the underground mine. Gold recovery to concentrate is expected to average 85%, with a mass pull ratio of 8%. Average concentrate gold grade expected at 43 g/t is expected. An additional 96.5% will be recovered to dore.

SUSTAINABLE DEVELOPMENT

Veduga gold project will further reinforce Polymetal's sustainable development strategy. The environmental footprint of the project is minimised on the back of several important design features.

Energy is expected to be mostly sourced from Boguchanskaya Hydroelectric Power Plant ensuring an increase in the Group's share of renewable electricity. The emission intensity level is expected to stand at an average of 405 kg CO₂e/oz GE in 2025-2030, which is below the Group's target for carbon footprint reduction (560 kg CO₂e/oz GE by 2030).

The processing plant will have a recycled water supply system, with the share of recycled water at 85%. In order to achieve this level and reduce freshwater withdrawal, storm and drainage water will be used, driving the freshwater intensity to 1.22 m³/oz GE, well below the average Group's current level (2.2 m³/oz GE in 2020).

Tailings from the plant will be stored in the form of dry cake, and no impoundments or dam structures will be required. The share of dry stack tailings on the Group level will increase to 18% (2020 – 11%).

Veduga currently employs more than 300 workers, and 627 new jobs will be created by 2027 for specialists in mining and metal processing. Employees will be mainly attracted locally from the Krasnoyarsk region. The Project will boost social development as Polymetal plans to invest approximately US\$ 11.5 million in the social projects until 2028, with the focus on high-quality professional education and urban infrastructural improvements in the Krasnoyarsk region (sports, healthcare, etc.).

Veduga project will not disturb the wildlife and land in the area of its operation. The license area does not interfere with any protected natural areas, cultural heritage sites, or deer pastures. Archaeological material and signs of the presence of cultural heritage objects were not found. Rare or endangered species of animals are absent.

ABOUT VEDUGA

Veduga is a high-grade refractory gold deposit located in a prolific Northern Yenisey gold belt in the Krasnoyarsk Region, the top gold producing region of Russia, 520 km north from regional centre of Krasnoyarsk (population of approximately 1.1 mln) and 160 km south from municipal centre of Severo-Eniseyskiy (population of approximately 6,700). Veduga comprises 4 license plots with the total area of 18 sq.km. The property is accessible by an all-year road and has direct access to the federal power grid.

Veduga was discovered in 1977 and extensively explored between 1988 and 1996. Polymetal has been a partial owner of the property since 2006 with the original 50% stake acquired through the JV with AngloGold Ashanti. The new exploration campaign was carried out thereafter. In 2012, mining of oxide ore started. In 2014, initial NI-compliant Ore Reserves and Mineral Resources estimate was prepared. In 2016, open-pit mining of sulfide ore commenced. In October 2018, the Company increased its ownership in Veduga to 74.3%. In 2019, JORC-compliant reserves grew from 1.3 Moz to 2.8 Moz of gold. In April 2020, VTB Bank invested US\$ 71 million in exchange for a 40.6% stake in Veduga, while Polymetal was granted a call option to acquire the VTB's stake at a fixed implied rate of return, and thus increase its share in the asset to 100%.

ORE RESERVE AND MINERAL RESOURCE STATEMENT²

The Ore Reserve and Mineral Resource estimates are reported on a 100% basis in accordance with the JORC Code (2012) as at 1 February 2021 using a gold price of US\$ 1,500/oz and was prepared by CSA Global Pty Ltd. A cut-off grade of 0.7 g/t of gold has been applied for the open pit and 1.8 g/t for the underground.

Veduga Ore Reserve estimate as at 1 February 2021

Ore Reserves	Tonnage Mt	Gold grade, g/t	Gold content, Koz
Proved			
Stockpiles	1.1	2.5	87
Open-pit	0.8	3.6	91
Total Proved	1.8	3.0	178
Probable			
Open-pit	11.5	3.4	1,242
Underground	18.6	4.4	2,628
Total Probable	30.0	4.0	3,870
Total Proved + Probable	31.9	3.9	4,048

Notes: Discrepancies in calculations are due to rounding.

Veduga additional Mineral Resource estimate as at 1 February 2021

Mineral Resources	Tonnage, Mt	Gold grade, g/t	Gold content, Koz
Measured			
Stockpiles	0.5	0.8	11
Open-pit	0.0	2.1	2
Total Measured	0.5	0.9	13
Indicated			
Open-pit	0.4	1.6	21
Underground	1.1	3.3	112
Total Indicated	1.5	2.8	133
Measured + Indicated			
Stockpiles	0.5	0.8	11
Open-pit	0.5	1.6	24
Underground	1.1	3.3	112
Total Measured + Indicated	2.0	2.3	146
Inferred			
Open-pit	0.1	4.1	15
Underground	6.6	5.2	1,095
Total Inferred	6.7	5.1	1,110
Measured + Indicated + Inferred			
Stockpiles	0.5	0.8	11
Open-pit	0.6	2.1	39
Underground	7.7	4.9	1,206
Total Measured + Indicated + Inferred	8.7	4.5	1,256

Notes: Discrepancies in calculations are due to rounding.

² Please see the compliance letter on our [website](#) for the full MR and OR estimate disclosure (including total Mineral Resources).

COMPETENT PERSONS

The quality assurance/quality control (QAQC) analysis to support the Mineral Resource estimate was completed by Mr Alexander Sobolev, Principal Geologist of GeoConsult Group. Alexander assumes Competent Person status for the data which supports the reported Mineral Resource. Alexander has the necessary qualifications and relevant experience in the style of mineralisation under consideration at Veduga to qualify as a Competent Person under the JORC Code.

The Mineral Resource modelling methodology review was completed by Mr Dmitry Pertel, Principal Resource Geologist of CSA Global. Dmitry has the necessary qualifications and relevant experience in the style of mineralisation under consideration at Veduga to qualify as a Competent Person under the JORC Code. Mr Dmitry Pertel assumes Competent Person status for the reported Mineral Resource.

The Ore Reserve review was completed by Mr Mark Laing, Principal Mining Engineer of CSA Global. Mr Laing has the necessary qualifications and relevant experience in the style of mineralisation under consideration at Veduga to qualify as a Competent Person under the JORC Code. Mr Mark Laing assumes Competent Person status for the reported Ore Reserves.

About Polymetal

Polymetal International plc (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) is a top-10 global gold and silver producer with assets in Russia and Kazakhstan. The Company combines strong growth with a robust dividend yield.

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