



Polymetal

From deposit to bullion

Vitaly N. Nesis, Polymetal CEO

Moscow

2005

Company Profile



- Polymetal is a vertically integrated company engaged in precious metals mining.
 - management company
 - operating subsidiaries
 - engineering company
 - holding company
- holds 15 licenses for prospecting operations and development of precious metals deposits;
- 4 producing mines;
- 7 exploration regions (1100 km.²);
- 4 200 employees in Russia



Headquarters in Saint-Petersburg

Company with the best development dynamics in the industry



▲ Expansion of resource base

- growth of mineral resource base, geological exploration program;
- increase of productive capacity of mining projects, increase of precious metals mining;

▲ Increase in productive efficiency

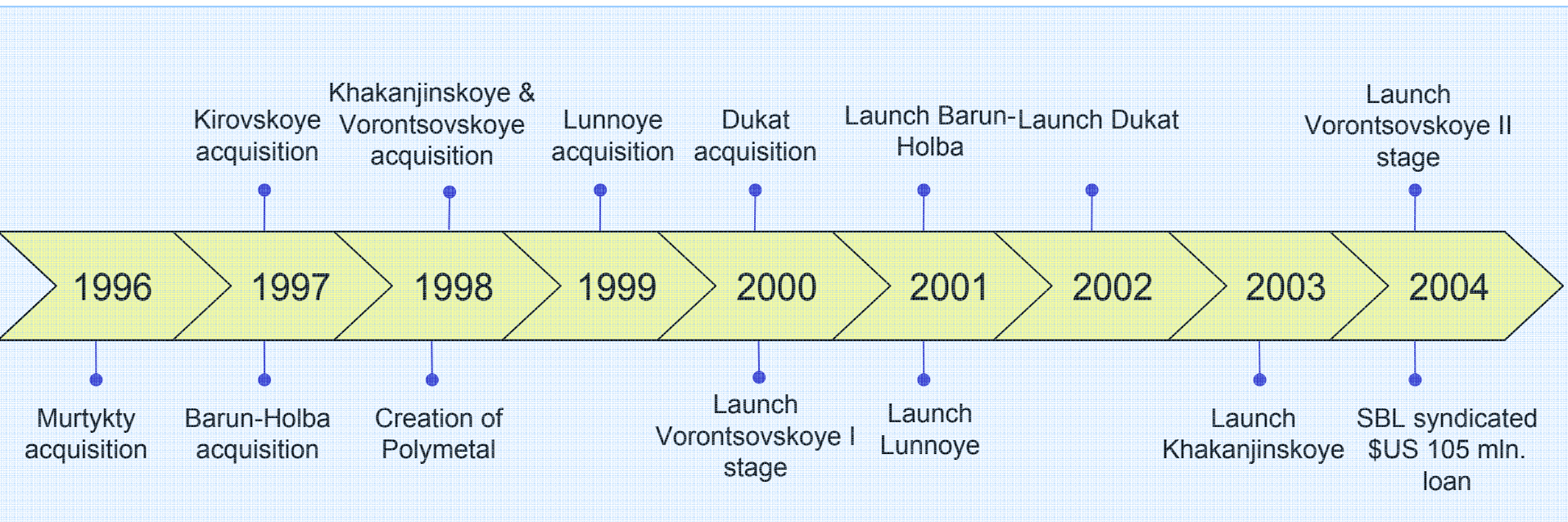
- complete cycle of the deposits development from geology studies to production including engineering, construction and operation;
- reduction of operating costs;
- Increase in company capitalization

▲ Improvement of corporate governance

- integration into a single management and information system;
- up-to-date management and technological solutions;
- international financial, legal and technical audit;
- HR potential increase at every level of the company;
- responsible interaction with environment, health & safety program

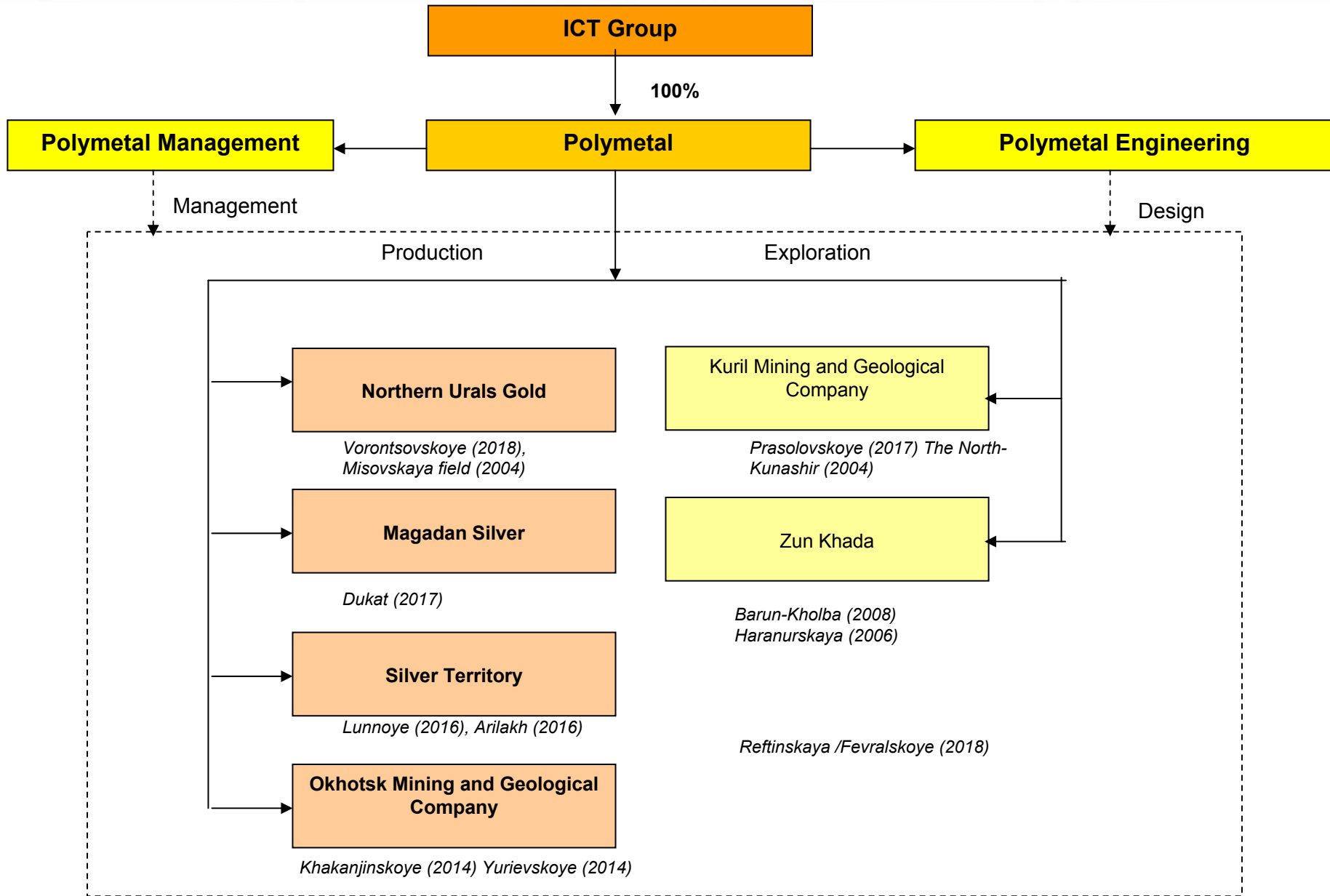
Creation of the leading mining company in Russia with the best corporate governance and effective production

Growth History



8 operations from “green field” stage

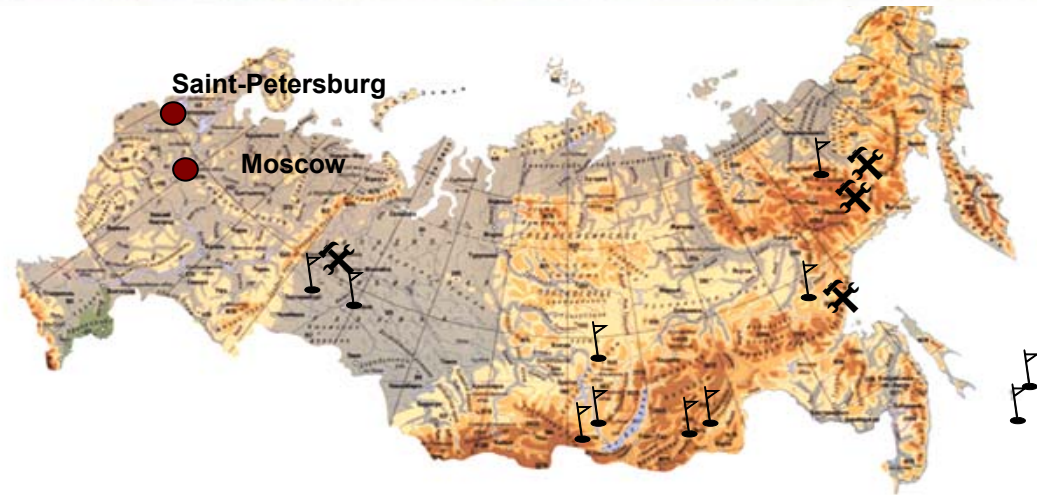
Corporate Structure



Assets - Geographical Distribution



- offices
- ✂ operations
- ⌋ exploration



	Deposit	Region	License
✂	Dukat	Magadan Region	2017
✂	Lunnoye	Magadan Region	2016
✂	Vorontsovskoye	Sverdlovsk region	2018
✂	Khakanjinskoye	Khabarovsk territory	2014
⌋	Mysovskaya field	Sverdlovsk region	2004
⌋	Reftinskaya zone	Sverdlovsk region	2018
⌋	Arylakh	Magadan Region	2016
⌋	Yurievskoye	Khabarovsk territory	2014
⌋	Barun-Holba	Republic of Buryatya	2008
⌋	Haranurskaya field	Republic of Buryatya	2006
⌋	Prasolovkoye	Sahalin region	2017
⌋	Northern-Kunashir field	Sahalin region	2004

Working in traditional gold & silver mining regions

Reserves Profile

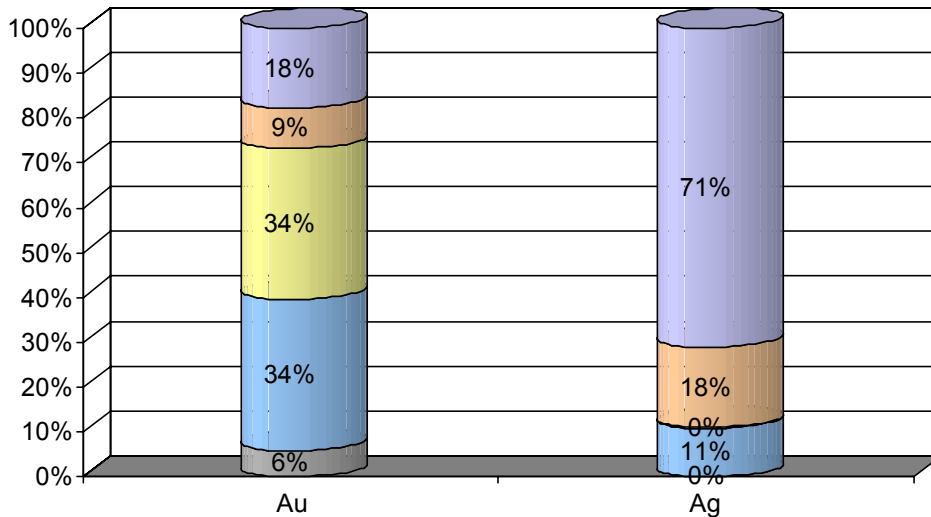
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Deposit	Category	Ore (mln. oz.)	Gold (th.oz.)	Silver (M.oz)
Vorontsovskoye	C1+C2	255	1 752	2
Dukat	C1+C2	990	954	464
Khakanjinskoye *	C1+C2	249	1 765	70
Lunnoye **	C1+C2	280	480	121
Other projects in development	C1+C2	16	300	0,5
Polymetal total	C1+C2	1 790	5 251	657,5

* including Yurievskoye deposit ** including Arylakh deposit

Au & Ag Reserves



- company with the largest Ag reserves in Russia
- annual growth of reserves
- high quality and safety of mineral resource base
- enough reserves for the next 25 years of production

■ others ■ Khakanjinskoye ■ Vorontsovskoye ■ Lunnoye ■ Dukat

Mineral Resource Base for over 25 years of operating

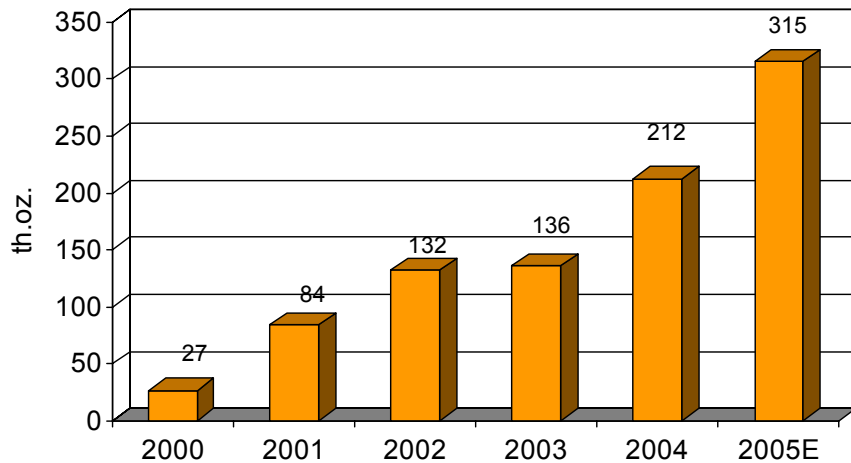
Production profile



	2003	2004	2005E
Ore mined (th. tons)	1 764	2 673	2 726
Ore milled (th.tons)	1 677	2 141	2 800
Au production (th.oz.)	136	212	315
Ag production Ag (M.oz.)	11,8	17,3	19,2

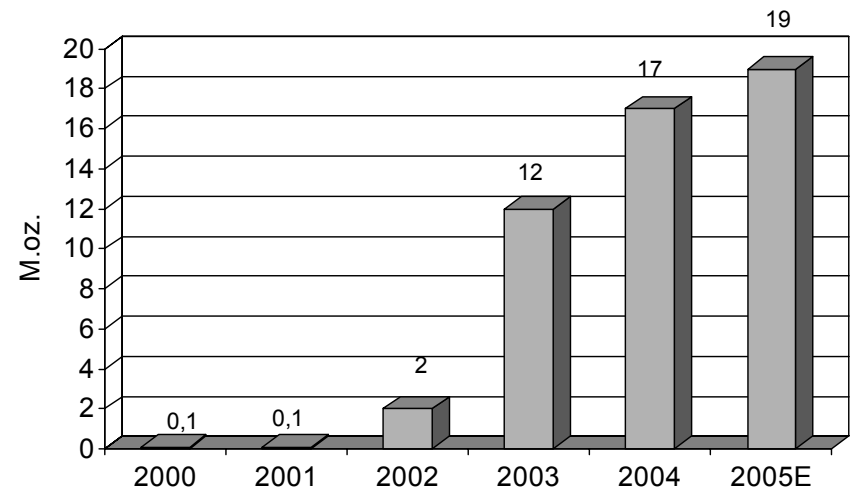
- forecasted growth of mining volumes in 2005 - 25%
- ratio of mined Au and Ag makes 50/50 in monetary equivalent

Au production



e- company estimations

Ag production

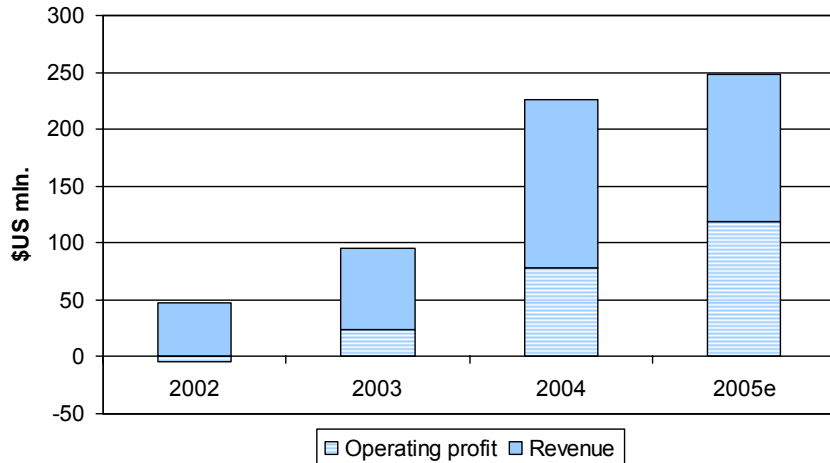


4 major operations at project capacity in 2005

* All figures for 2004



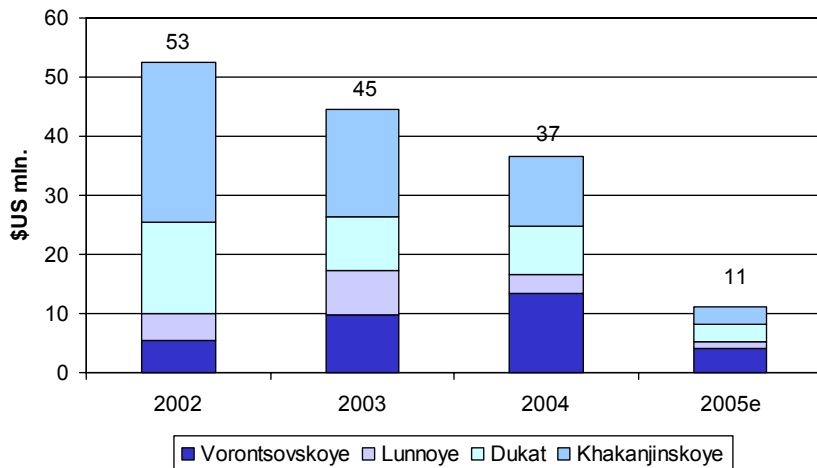
Revenue & Operating Profit



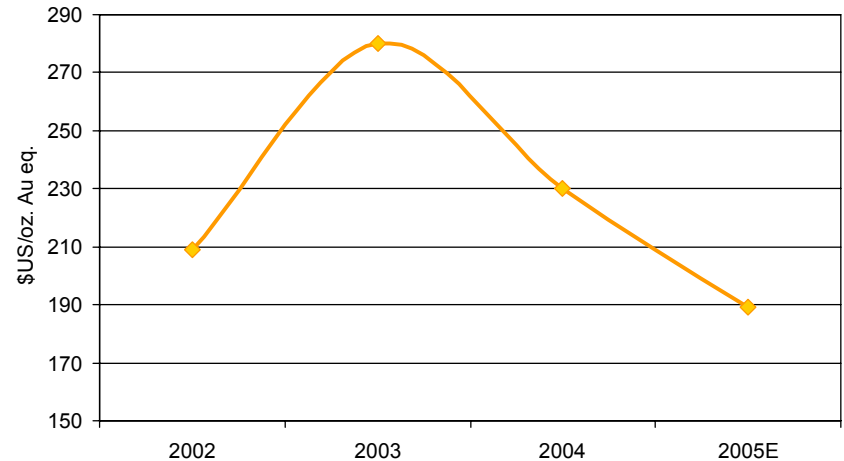
2004 Key Financials

- Capital expenditures - 37 mln. \$US
- Cash operating costs - 229 \$US/oz.
- Total production costs - 270 \$US/oz.
- Licenses for direct export of Au и Ag
- Long-term (5 years) 105 mln. \$US syndicated loan (arrangers - SBL & HVB)
- Expected Credit Link Notes (CLN) 70 \$US mln. issue.

Capital Expenditures



Cash Operating Costs (Au eq.)

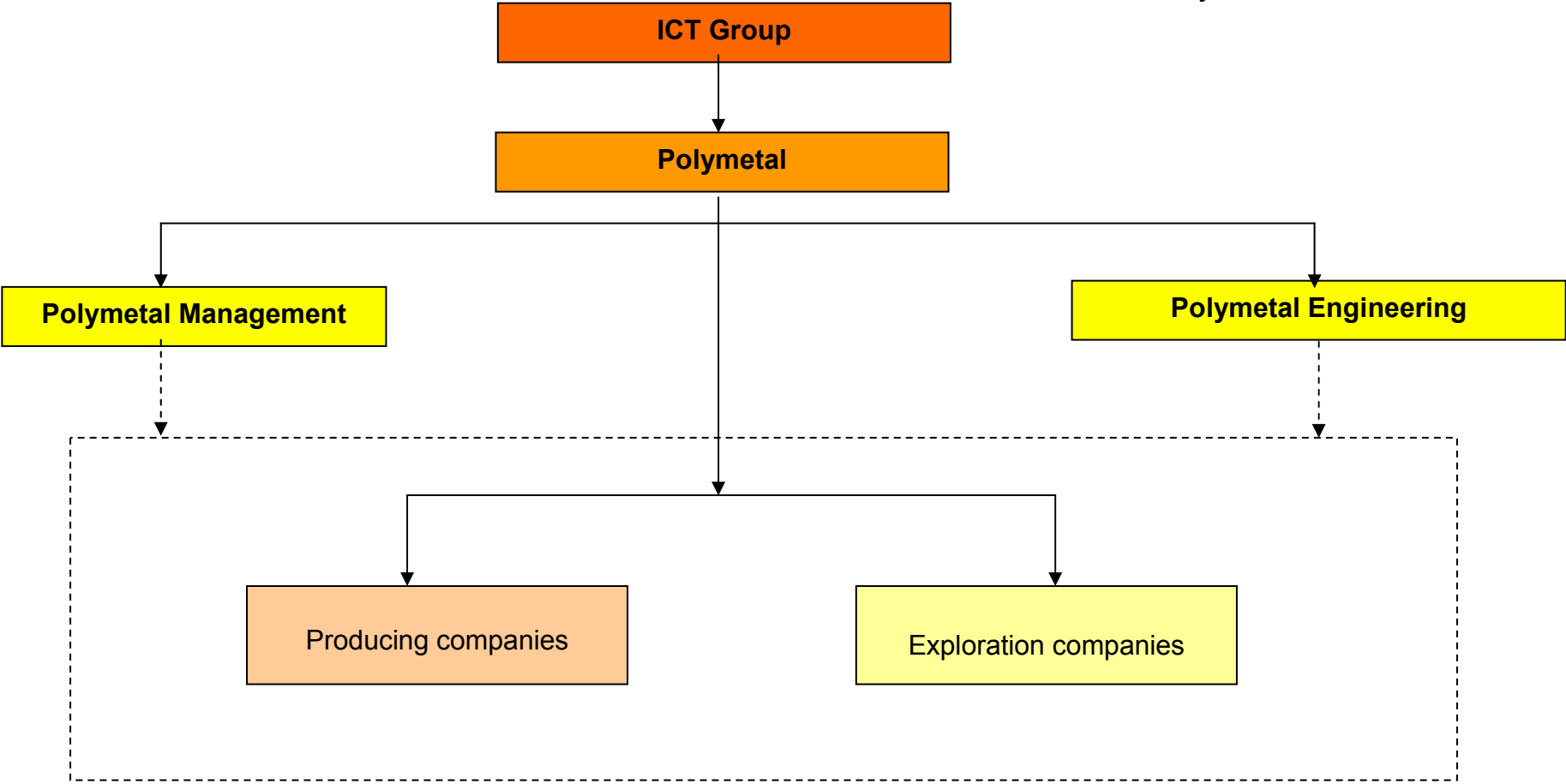


Cash costs less then world average

Key principles – vertical integration

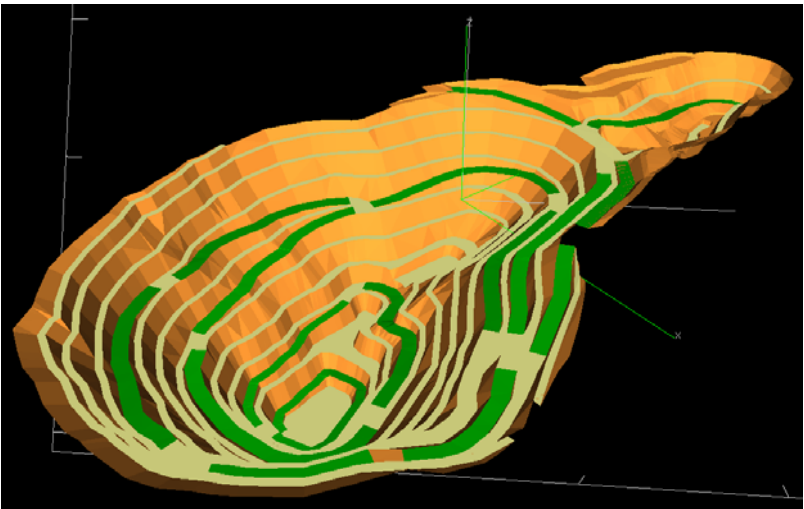
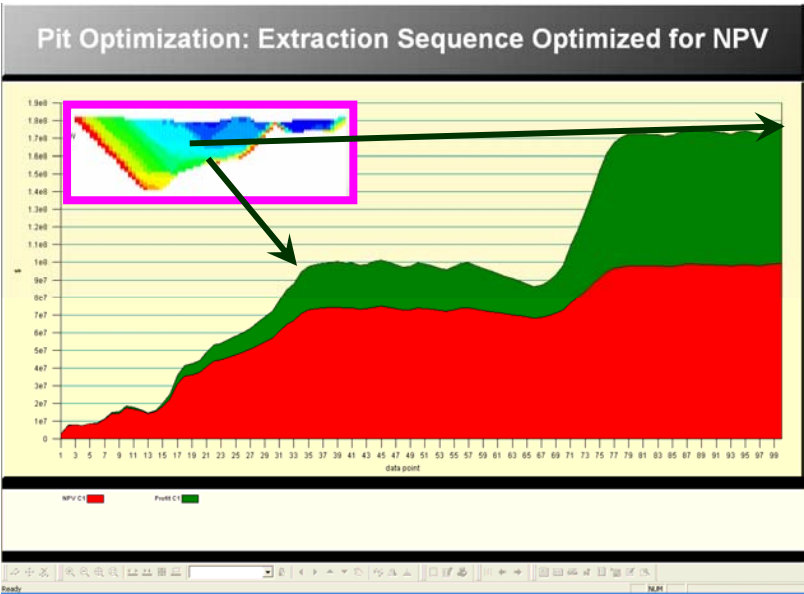


- integration of all subsidiaries into a single management system
- integration into a single information and financial system

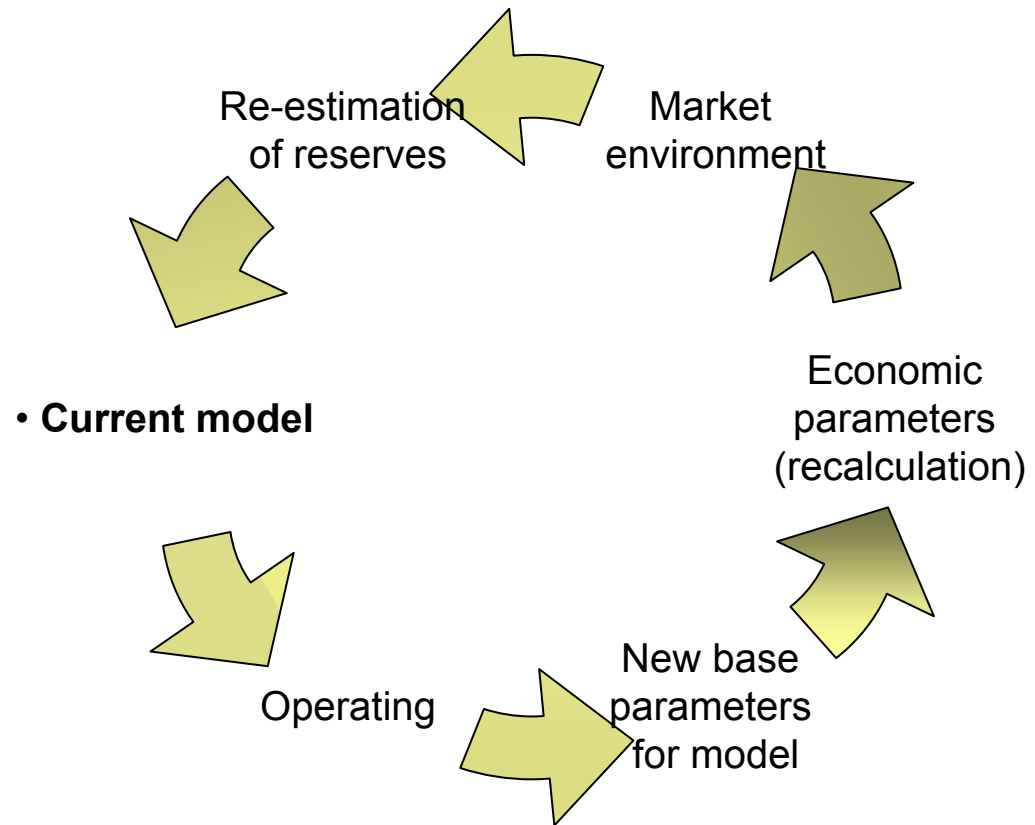


Highly efficient and transparent management system

Key principles - dynamism

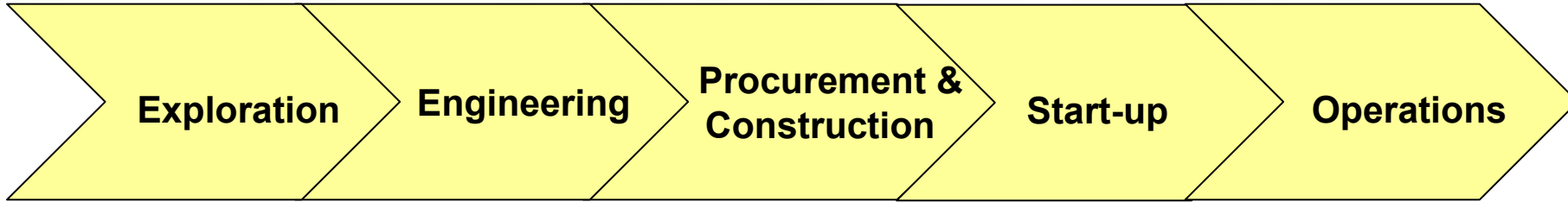


- thorough use of geological data to solve any issue at any levels of the company activities: from design to operation;
- multi-path calculations of mining operations development and obtaining optimal strategic solutions of the highest economic effect;
- ore quality automatic control and management system



Dynamic approach to the reserves in terms of economic efficiency

Key competences



Key competences	<ul style="list-style-type: none"> • Strong geologist team with relevant experience • Database • Presence in key gold-producing regions 	<ul style="list-style-type: none"> • Full- in-house • Engineering capacity with 130 engineers 	<ul style="list-style-type: none"> • Deep knowledge of Russian specifics • Extensive experience in remote locations with different logistics 	<ul style="list-style-type: none"> • Dedicated start-up team • Knowledge sharing among operations 	<ul style="list-style-type: none"> • Vertical integration • Effective budgeting system • Strong management team
Challenges	<ul style="list-style-type: none"> • Bureaucracy • Remote regions 	<ul style="list-style-type: none"> • Use of original in-house technologies 	<ul style="list-style-type: none"> • Lack transport and business infrastructure • harsh climate conditions 	<ul style="list-style-type: none"> • Diversified technologies, qualified staff on sites 	<ul style="list-style-type: none"> • Inflation & Rouble appreciation • Lack of qualified personnel
Achievements	<ul style="list-style-type: none"> • Yearly growth of reserves • Models verification in actual operating 	<ul style="list-style-type: none"> • 8 processing plants designed and successfully operating with different technological patterns 	<ul style="list-style-type: none"> • Low CapEx (Vorontsovskoye, Dukat) • Quick commissioning (Vorontsovskoye) 	<ul style="list-style-type: none"> • 7 green field & brown field successfully launches • Quick commissioning (Vorontsovskoye) 	<ul style="list-style-type: none"> • Low cash cost • Meeting production targets

Excellent experience in all project development stages

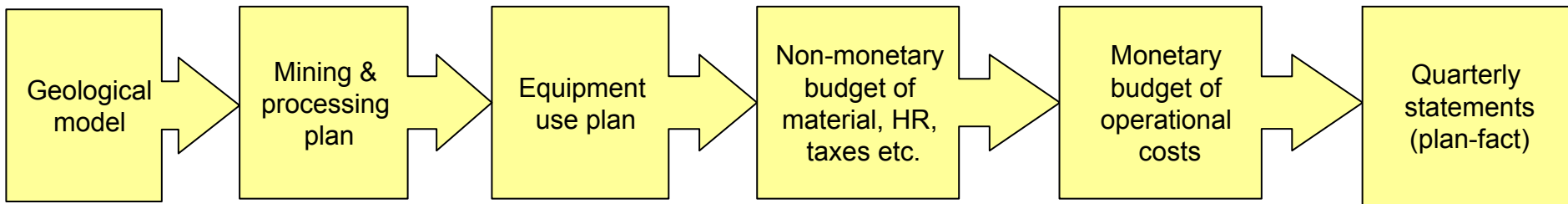


Key principles - analytical control



- budget planning (economical model based on production).
- planning of KPI and KFI for all technological stages: from rock-mass mining to bullion production.
- prompt budget adjustments according to market conditions

Zero-based budgeting (bottom-up approach)



For all technological stages

Company with effective budgeting system

Key principles - technological innovation



- complete deposit development cycle : from prospecting to operation
- highly-qualified staff
- in-house engineering company – a leader on the market of fundamental and operational design of ore deposits
- use of original in-house technological solutions

Original In-House Technological Solutions

- ✓ combined processing of floatation concentrate (Dukat deposit) and ore (Lunnoye deposit) at the gold-recovery plant of the Lunnoye deposit to increase recovery rate
- ✓ half-dry storage of tailings – dehydrated cake (Vorontsovskoye deposit)
- ✓ 2-layered piling of leaching heaps (Vorontsovskoye deposit)
- ✓ roll-table mills (Khakanjinskoye deposit) sharp drop in specific metal amount in equipment under logistics and engineering-geological conditions of the building sites
- ✓ cooling of concentrate to enable loading and transportation in soft containers (Dukat deposit)



- International Geological Audit SRK Consulting
- Legal Dew Diligence Clifford Chance
- Financial audit PriceWaterhouseCoopers
- Risk-Management
- Ecological Audit according to the World Bank Standards
- Environment protection Programm
- Health and Safety Programm

Improvement of corporate governance

Dukat



- **Deposit** Dukat
- **License** 2017
- **Geology** vein zones, veins of quartz-sulphid, quartz-chlorite-adular and quartz-rhodonite composition
- **Mining** open-pit and underground operations (sublevel open stopping)
- **Processing** floatation flow-sheet
- **Mill capacity** 750 000 - 1 000 000 t.p.a.

- **Personnel** 1030
- **Mine life** > 25 years mine life
- **Region** traditional gold & silver mining region
- **Community** key support for regional community

	Au, th.oz.	Ag, M.oz.
Reserves (C1+C2)	954	464

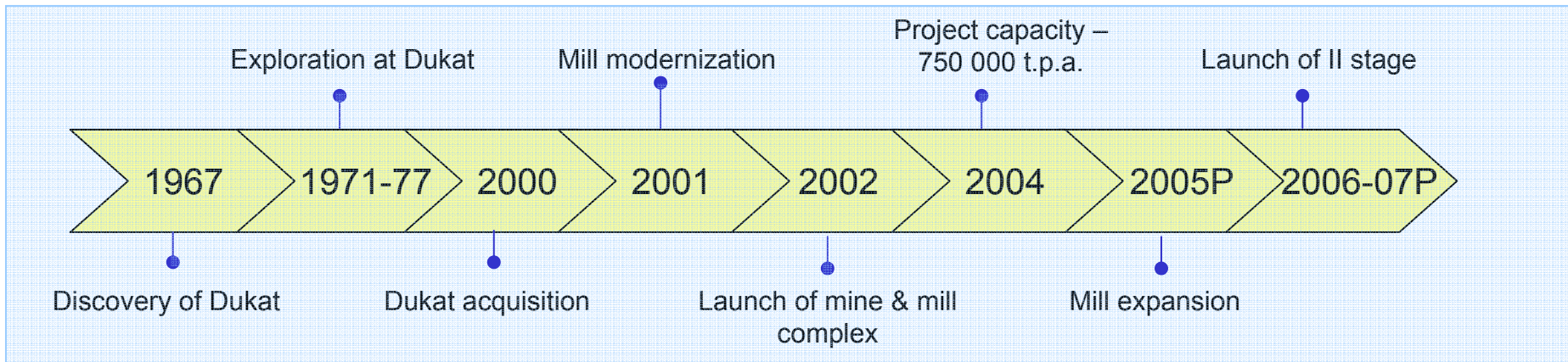
3rd largest world silver deposit by reserves

* All figures for 2004

Dukat



	2003	2004	2005E
Ore Mined (th.t.)	603	840	850
Ore Milled (th.t.)	548	765	850
Ag av. head grade (g./t.)	782	606	585
Recovery rate, Ag	66%	79%	82%
Recovered Au (th.oz.)	22	24	25
Recovered Ag (mln.oz.)	9	12	13
Cash costs (\$US/oz Au eq.)	330	177	186
CapEx (\$US mln.)	9,0	8,2	2,9



4th world largest deposit by Ag production in the world

* All figures for 2004

Lunnoye



- **Deposit** Lunnoye
- **License** 2016
- **Geology** vein zones and veins of quartz-carbonate and rhodonite composition
- **Mining** open-pit; underground operations since 2007
- **Processing** cyanide leaching
- **Mill capacity** 300 t.p.a.
- **Personal** 740
- **Mine life** > 15 years mine life
- **Region** traditional gold & silver mining region
- **Community** key support for regional community

	Au, th.oz.	Ag, mln.oz..
Reserves (C1+C2)	480	121
Resources (P1+P2)	47	16

* Includes Arrilakh deposit

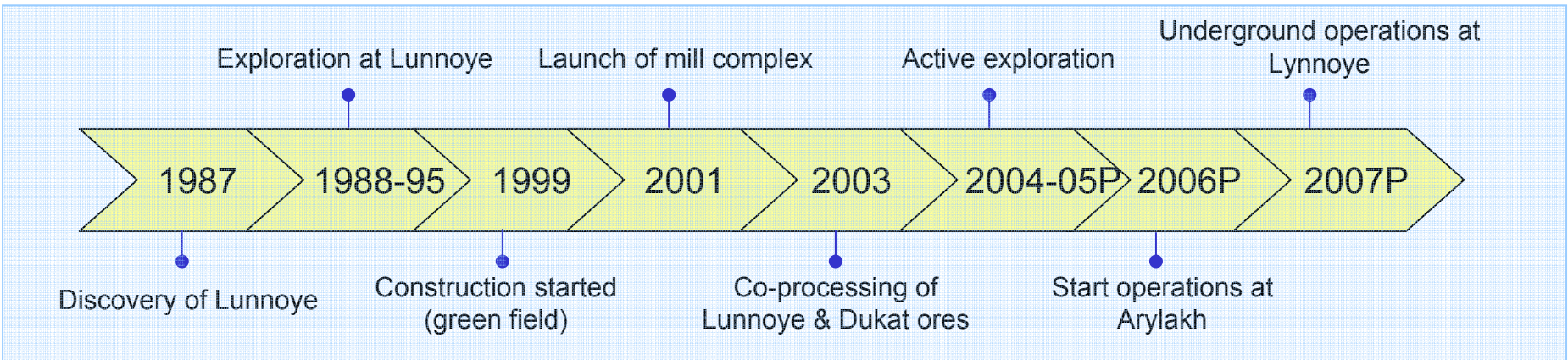
Huge further exploration potential

* All figures for 2004

Lunnoye



	2003	2004	2005E
Ore Mined (th.t.)	322	304	277
Ore Milled (th.t.)	246	257	300
Au av. head grade (g./t.)	3,2	3,7	3,1
Ag av. head grade (g./t.)	453	484	431
Recovery rate, Au	83%	92%	93%
Recovery rate, Ag	82%	92%	92%
Recovered Au (th.oz.)	17	31	28
Recovered Ag (mln.oz.)	3	4	4
Cash costs (\$US/oz Au eq.)	448	332	245
CapEx (\$US mln.)	3,1	7,5	1,2



Top-10 largest world silver deposits by Ag production

* All figures for 2004



- **Deposit** Vorontsovskoye
- **License** 2018
- **Geology** oxidized (loose) ores; primary gold sulphide vein impregnated ores
- **Mining** open-pit operations
- **Processing** heap leaching, carbon in the pulp
- **Mill capacity** oxidized ore - 900 000 t.p.a.,
primary ore - 600 000 t.p.a.

- **Personnel** 980
- **Mine life** > 12 years mine life
- **Region** largest deposit in Sverdlovsk region

	Au, th.oz	Ag, mln. oz
Reserves (C1+C2)	1 752	2

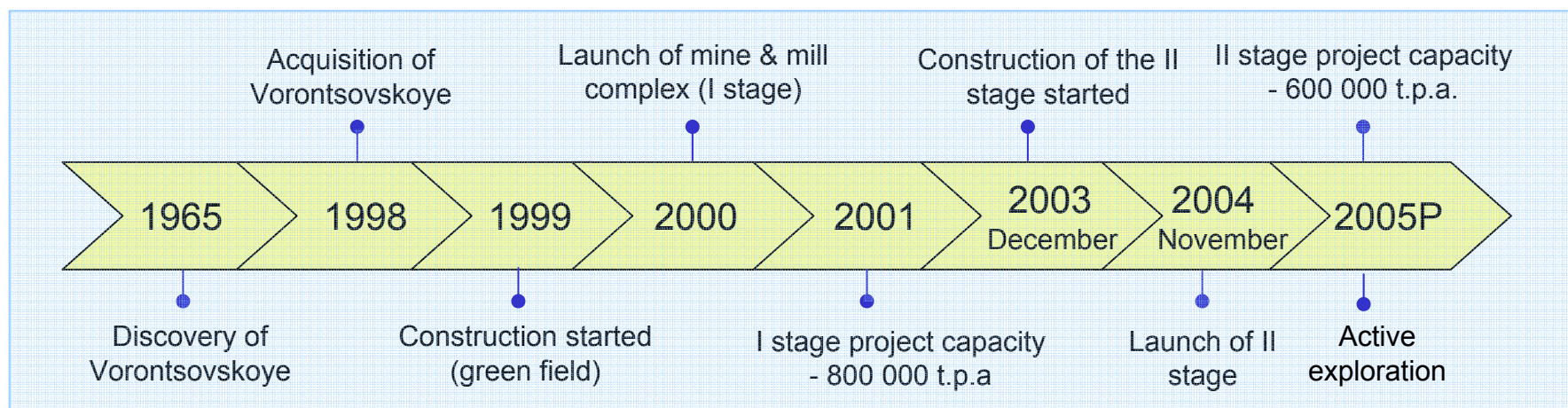
Operation with two types of ore-processing technologies

* All figures for 2004

Vorontsovskoye



	2003	2004	2005E
Ore Mined (th.t.)	753	912	978
Ore Milled heap-leaching (th.t.)	827	906	800
Ore Milled carbon-in-pulp (th.t.)	-	-	450
Au av. head grade oxidized ore (g./t.)	3,9	3,6	3,7
Au av. head grade primary (g./t.)	-	-	5,6
Recovery rate, Au oxidized ore	80%	80%	80%
Recovery rate, Au primary ore	-	-	81%
Recovered Au (th.oz.)	92	77	122
Recovered Ag (th.oz.)	63	57	100
Cash costs (\$US/oz Au eq.)	135	232	181
CapEx (\$US mln.)	9,8	13,4	4,1



Launch of the II stage in 2004 - 12 years mine life

* All figures for 2004



- **Deposit** Yurievskoye
- **License** 2014
- **Geology** quartz gold and silver ores with manganese
- **Mining** open pit, underground operations since 2009
- **Processing** cyanide leaching
- **Mill capacity** 500 000 t.p.a.
- **Personnel** 980
- **Region** traditional gold mining region
- **Community** key support fro the local community



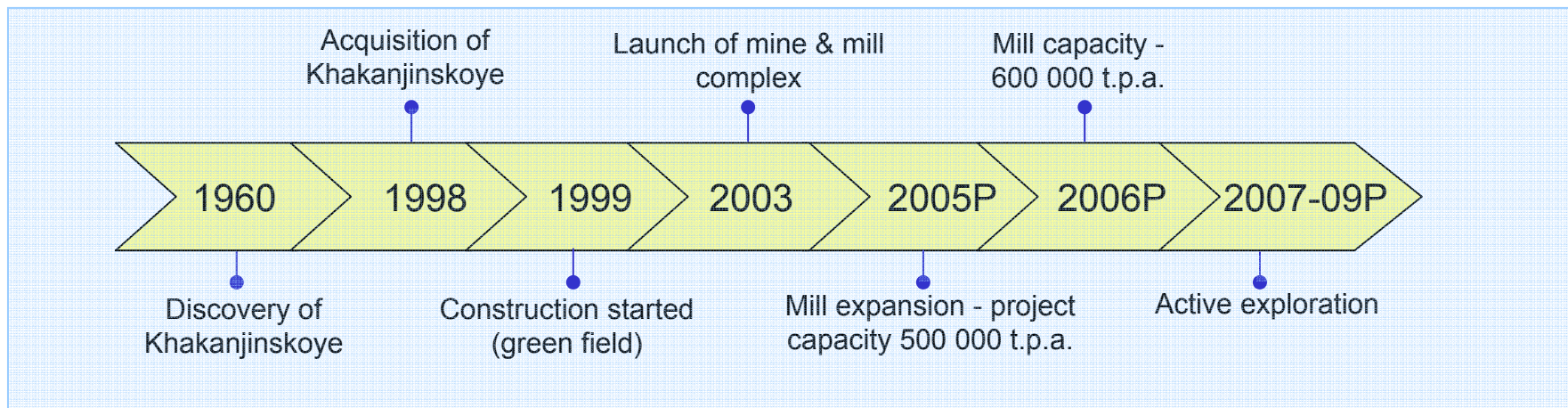
	Au, th.oz.	Ag, mln.oz.
Reserves (C1+C2)	1 765	70
Resources (P1 + P2)	373	18

** Including Yurievskoye deposit*

Khakanjinskoye



	2003	2004	2005E
Ore Mined (th.t.)	63	617	622
Ore Milled (th.t.)	32	213	400
Au av. head grade (g./t.)	11	13	12
Ag av. head grade (g./t.)	367	424	434
Recovery rate, Au	69%	93	93%
Recovery rate, Ag	87%	49	50%
Recovered Au (th.oz.)	-	79	140
Recovered Ag (mln.oz.)	-	1,5	2,8
Cash costs (\$US/oz Au eq.)	-	272	166
CapEx (\$US mln.)	18,2	12,0	3,0



Operation with huge growth potential

* All figures for 2004



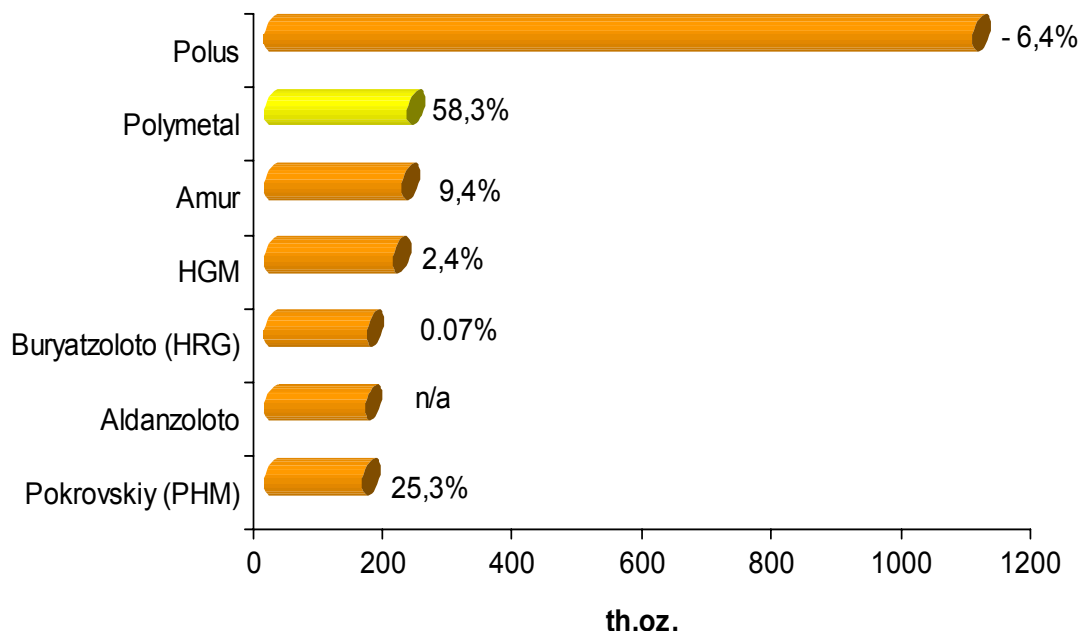
Exploration and prospecting

- **Dukat** extensive geological exploration at flanks and local area
- **Lunnoye** under-explored ore zones; deep layers
- **Khakanjinskoye** deep layers, deposit flanks
- **Vorontsovskoye** deposit flanks, local area
- **Other** geological exploration at protective areas in various regions of Russia

Company with high yearly growth of reserves



Top Russian gold producers in 2004



* (%) y-o-y 2004/2003

Source: Association of the Russian gold producers

Top-10 world silver producers in 2004E (mln. oz.)

Company	Ag (mln.oz.)
BHP Billiton	44,9
Industrias Peñoles	44,4
KGHM Polska Miedz	42,8
Kazakhmys	21,0
Barrick Gold	18,7
Grupo Mexico	17,7
Polymetal	17,3
Rio Tinto	17,2
Coeur d'Alene Mines	13,3
Noranda	13,2

Source: GFMS, WSI

2nd largest Russian gold producing company, 7th largest world silver producing company - best dynamics



Vitaly N. Nesis, Polymetal CEO

In 1997 graduated from Yale University (USA). Till 1999 was the analyst in Merrill Lynch (USA), in 1999-2000 – worked at McKinsey&Company office in Moscow. In 2000-2001 handled strategic development of UAZ JSC, being a Director for Strategic Development, then was the CEO of Vostsibugol. In 2003 became Polymetal CEO.



Igor V. Venatovsky, first Deputy CEO

Since 1971 Mr.Venatovsky has been working in Krasnokholmskgeology association as an engineer and was promoted to the position of CEO later; in 1995 joined Polymetal, being one of its founders. Since 2000 he has been working as the first Deputy CEO.



Sergey A. Cherkashin, Chief Financial Officer

In 1994-1995 Mr. Cherkashin held a position of a consultant for AT Kearney consulting company, in 1995-99 he worked as a deputy CFO at Timashevsk dairy factory. In 1999-2000 Mr.Cherkashin held the position of a sales director at Ulianovsk car-factory (UAZ). In 2001-2003 he worked as a deputy CEO for development at Volgograd dairy factory. Before his appointment in Polymetal Mr.Cherkashin held a position of the head of the agricultural machine-building department at Interpipe corporation (Ukraine).



Vladimir T. Ryabukhin, Deputy CEO for Mineral Resources

Mr. Ryabukhin graduated from the Tomsk Polytechnical Institute with a certification in prospecting and exploration at radioactive ore deposits. He was the chief geologist at the Krasnokholmsky production and geological corporation and Nevskgeologiya geological enterprise. He was also the first to discover the Koschek and Djantuar uranium deposits in the Kyzylkum province of Uzbekistan. Ph.D. in geology.



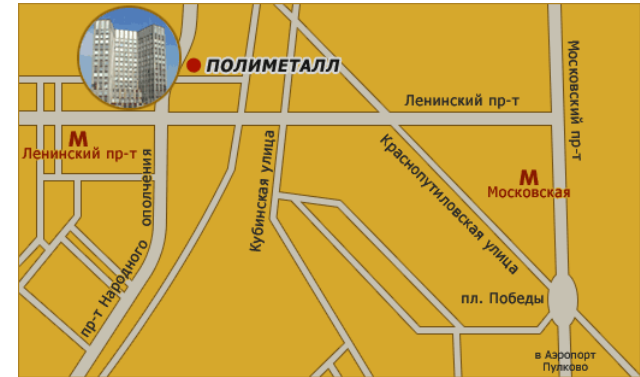
Alexander A. Zarya, Deputy CEO for General Issues

In 1991-1994 was the CEO of Quartz JSC (St-Petersburg), Since 1995 was involved into organization Polymetal first gold mining projects. Has worked in Polymetal since its foundation.



Saint-Petersburg

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