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The Russian Experience ... 5 Key Lessons Learned

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Lesson 1:

Mutual partnerships based on value-add criteria are the key to successful JVs.

-JVs in the Russian environment should be evaluated using the same framework as anywhere else in the world

-Russian partners <u>not</u> simply to cut through bureaucratic red tape

-Paradigm of Polymetal-AngloGold Ashanti JV

Lesson 2:

The Russian workforce is unique and can be challenging for "outsiders" to understand

-Potential for culture clashes … North American and Russian approach to work do differ!

- However, Russian work force highly educated + technologically savvy

-The work force can be motivated
-Polymetal's recent experience with productivity-based incentive pay
-Not textbook solutions … textbook solutions with a "twist"

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Lesson 3:

Profitability ultimately driven by innovation & asset quality

-Inflation and appreciation are important determinants on the cost-side of the equation
  -Stable macroeconomic indicators
  -Innovative ways to minimize the impact of macro factors on cost

-"Grade is king"
  -Asset quality key cost driver

Lesson 4:

Russia is a mining friendly country with a stable regulatory and licensing regime.

-Russia is one of the most mining friendly countries in the world (along with Kazakhstan and Mexico)
-Significant government support + community backing

-Strong and stable licensing, regulatory and taxation regimes
-Unfortunate negative PR
-Burdensome paperwork

Lesson 5:

Corporate governance increasingly important for Russian companies.

-Increased emphasis on best practice standards
  -Combined Code of Corporate Governance
  -Fall back position "We're Russian" no longer acceptable — investors expect global standards to be met

-Independent members of the Board who are not simply place holders
  -Real knowledge transfer
  -INEDs increase credibility and add real value

-Independent audits … not just financials, but also resources/reserves and HSE

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