



POLYMETAL

Gold projects in Russia: Financial Crisis or Crisis of Quality?

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Cautionary statements

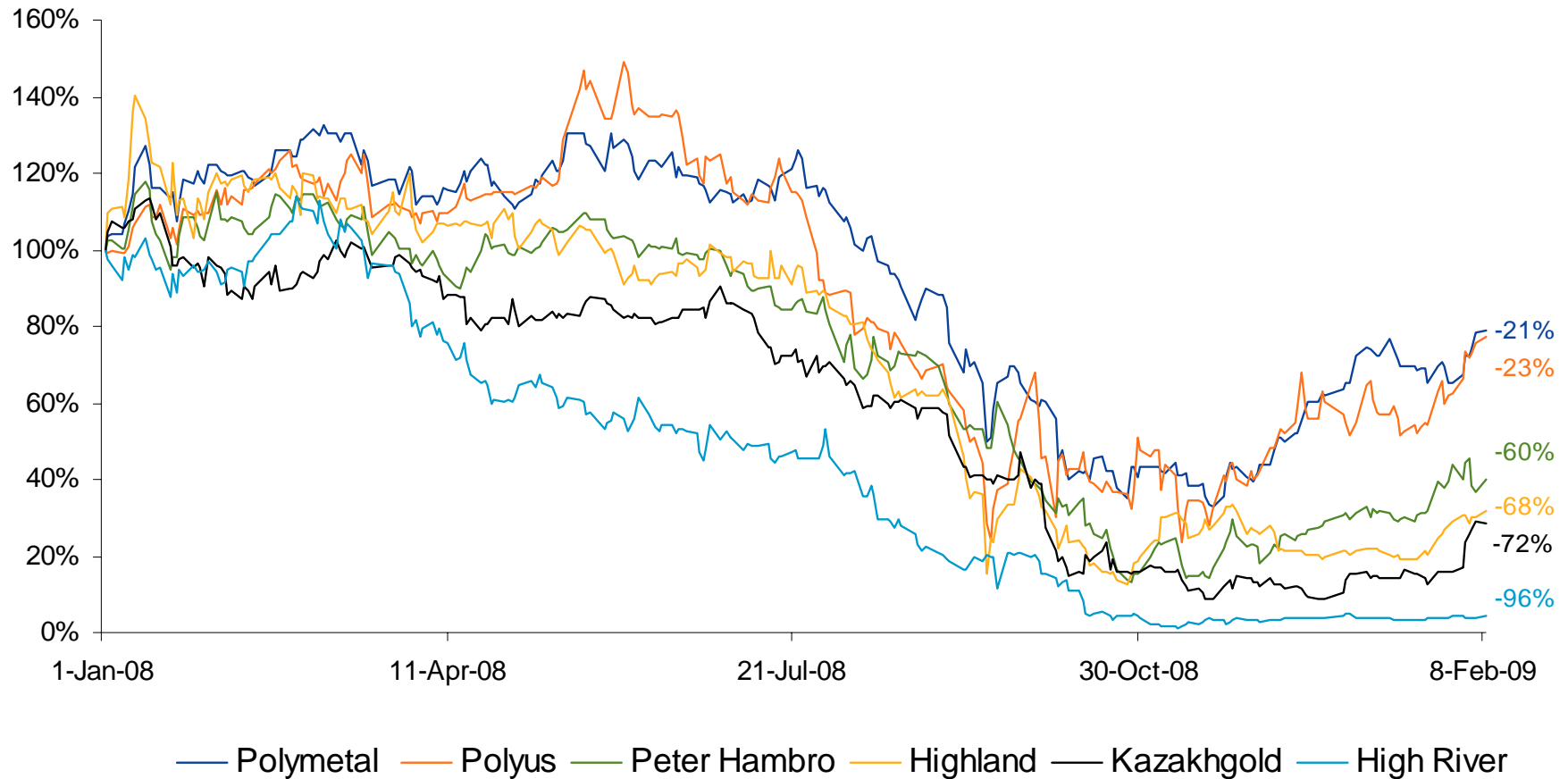
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Market Turmoil Lead to Sharp Differences in Share Price Performance

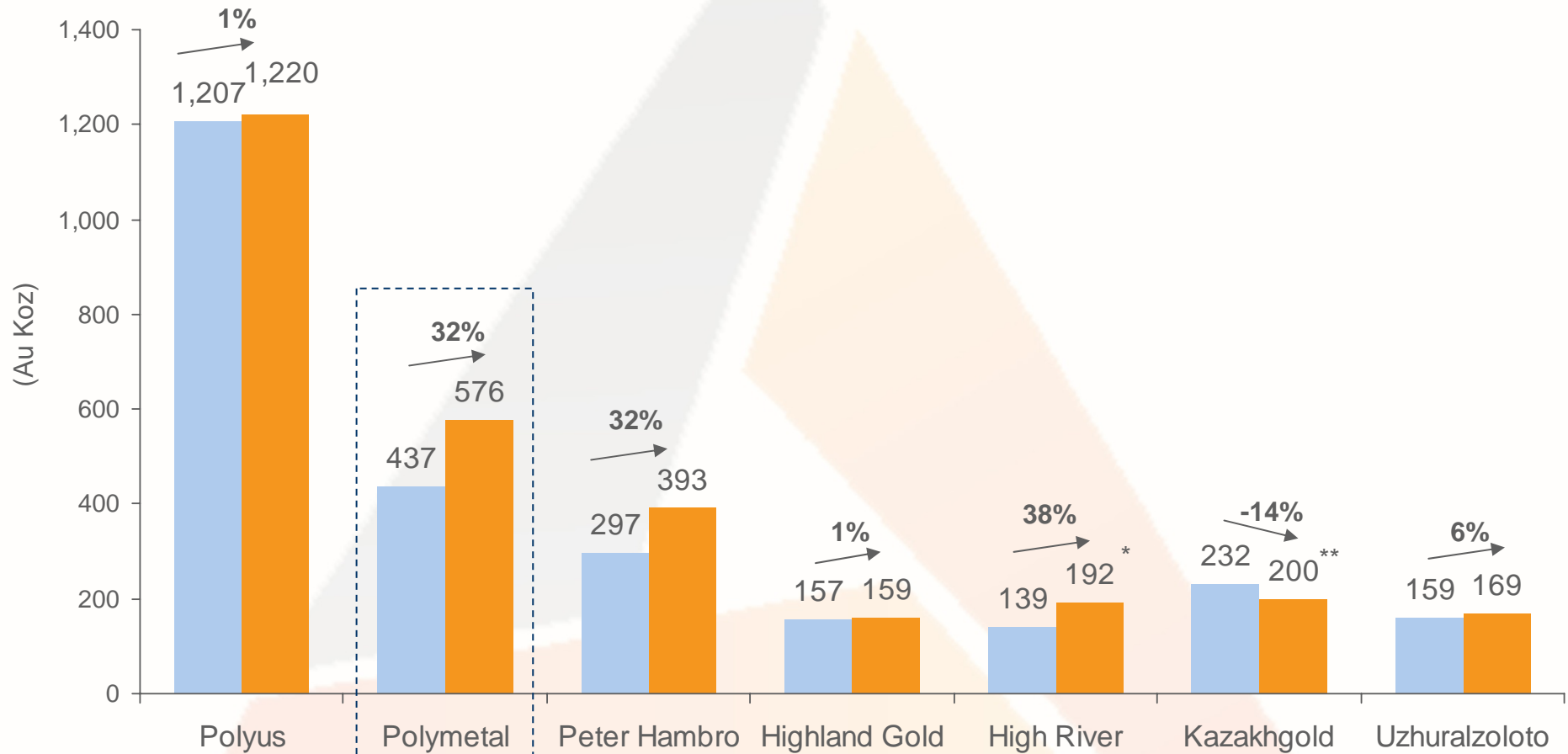
Polymetal vs. Russian gold producers: relative share price performance, Jan-2008-YTD





Difference in performance can only partially be explained by production dynamics

2007- 2008 Russian Gold Producers (Au eq. Koz)



Source: Companies' reports, * Companies' 2008 guidance. ** Estimation based on 1H2008 operating results



What does reserve quality mean?

▲ The most important factor in determining success or failure of a gold mining company is reserve quality, namely

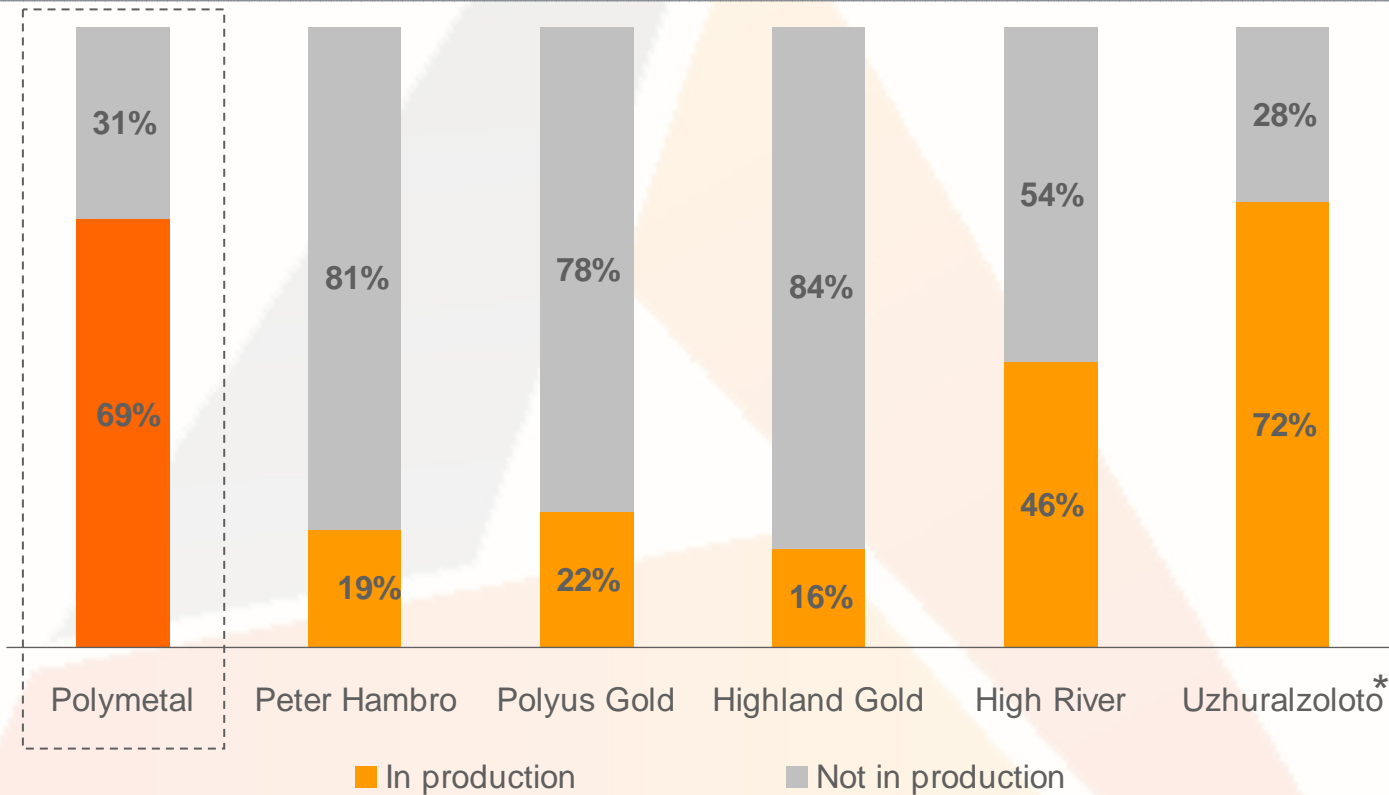
- Existing processing facilities (current production)
- Grade
- Mine life
- Size
- Metallurgy
- Infrastructure



Who's Got Production?

Majority of reserves/resources are tied up with development projects

Split of resources in Russia: producing vs inactive properties





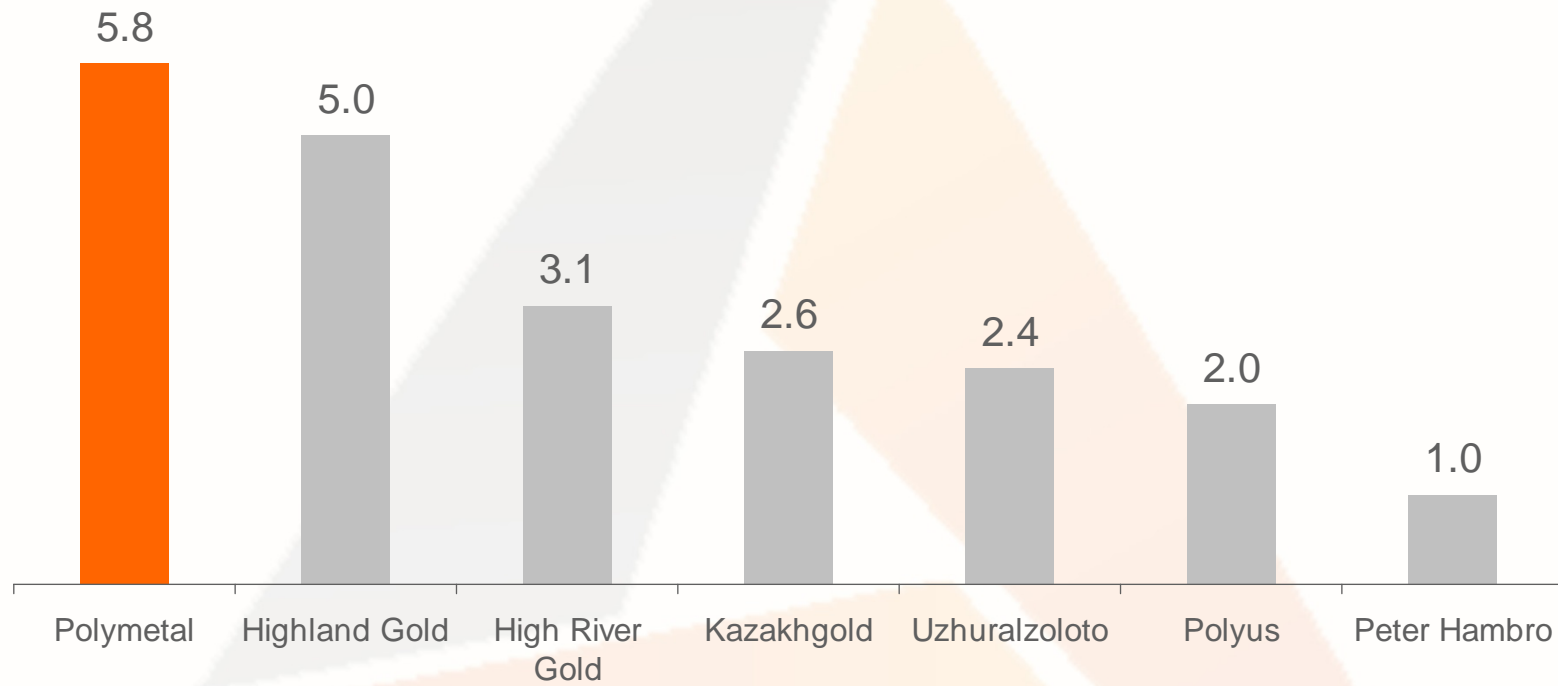
Grade is King

- ▲ High grade is critical
 - The size of the reserve can only partially compensate for low grade (particularly if heap leaching is not possible)
- ▲ Grade profile drives production dynamics and cost per ounce dynamics
- ▲ Current head grade above average reserve grade for a given mine means
 - Production will decline (unless throughput capacity is expanded)
 - Cash costs per ounce will rise in any case



Who's Got Grade?

Gold eq. grade in reserves, g/t*

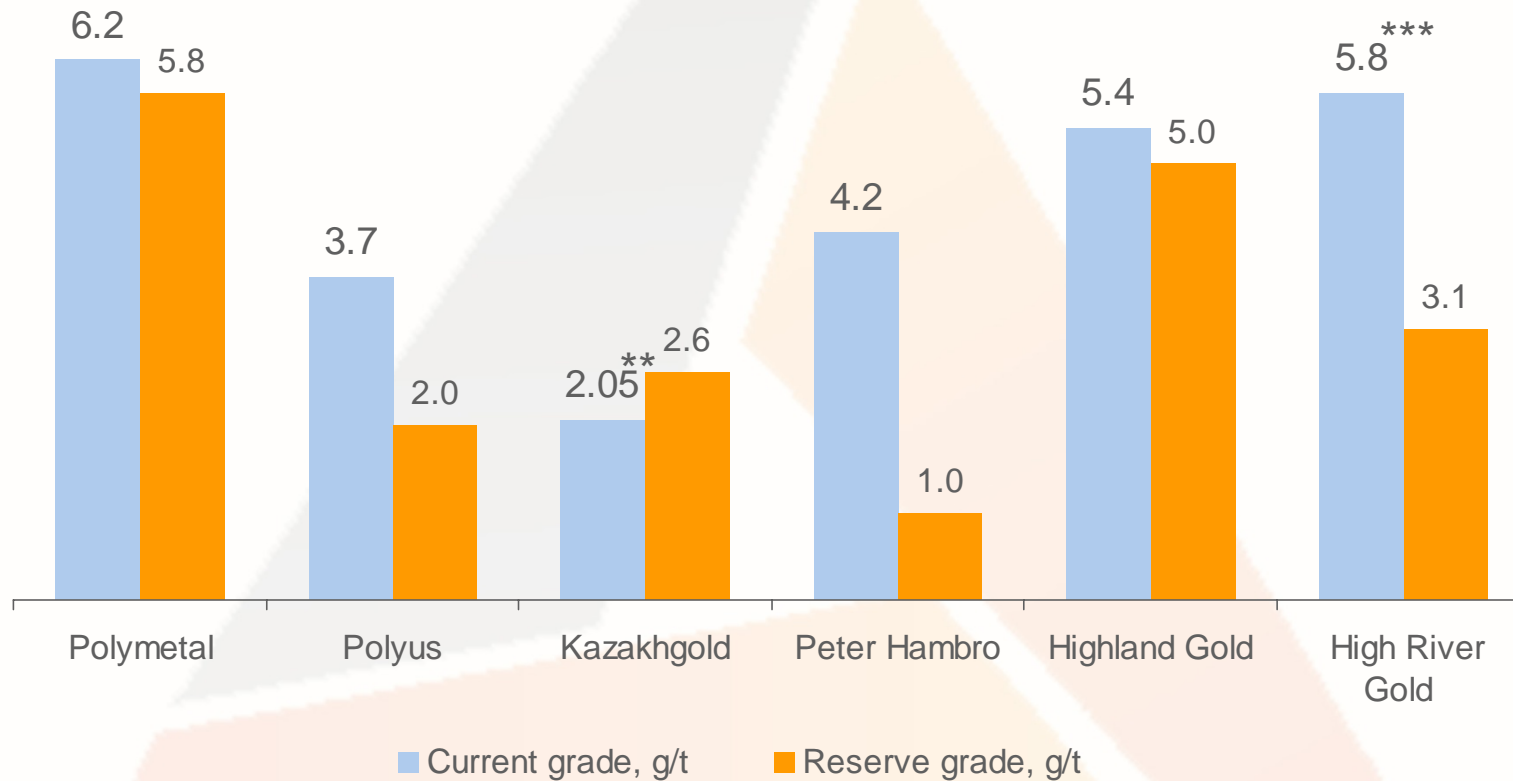


Source: Companies' data, Polymetal estimate.



Is the Future as Good as the Present?

Current* vs Reserve Head Grade

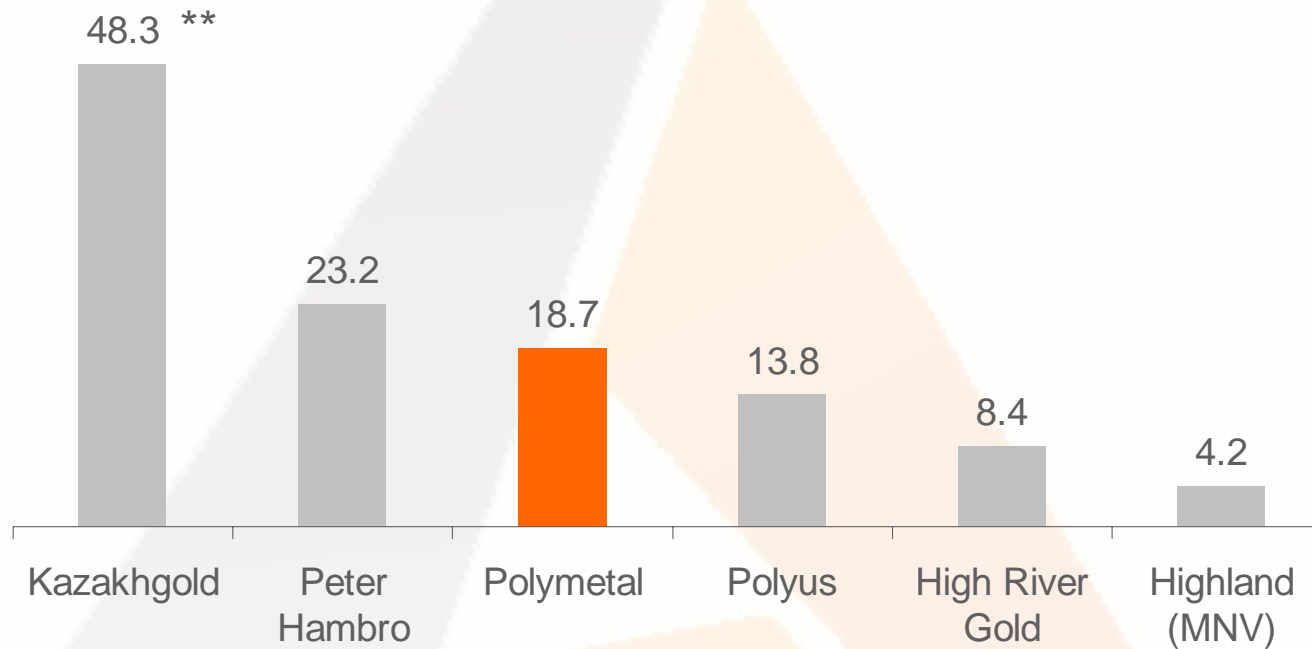


* Weighted average gold eq. head grade in 2008. ** 1H2008 results. *** 9m2008 results



Is the Future Going to Last?

Production-weighted average reserve life for operating mines (years)*



* Calculated as weighted average life of operating assets (ore reserve tonnage/current ore processing volumes)

** Based on 2007 operating results and Russian statutory reserve estimate



Project Delays: Crisis or Reserve Quality

Deposit	Owner	Au grade(g /t)	Au (Moz)	Type/ mining	Refractory ore	Grid power
Commissioned and developing on track						
Blagodatnoe	Polyus	2.4	10.9	o/p	No	No
Albazino	Polymetal	4.2	3.0	o/p	Yes	No
Kubaka	Polymetal	3.0	1.7	o/p	No	No
Titimukhta	Polyus	3.3	3.0	o/p	No	No
Verninskoye	Polyus	2.4	2.7	o/p	No	No

•M&I&I Resources according to the JORC Code 2004



Project Delays: Crisis or Reserve Quality

Deposit	Owner	Au grade(g/t)	Au (Moz)	Type/ mining	Refractory ore	Grid power
Delayed due to poor resource quality (low grade)						
Natalka	Polyus	1.5	39.7	o/p	No	No
Malomir	PHM	1.0	5.1	o/p	Yes	Yes
Chertovo Koryto	Polyus	1.8	3.1	o/p	No	No
Pavlik	Pavlik	1.8	2.5	o/p	No	No



Project Delays: Crisis or Reserve Quality

Deposit	Owner	Au grade* (g/t)	Au* (Moz)	Type/ mining	Refractory ore	Grid power
Delayed due to other reasons						
Veduga	Polymetal/ Anglogold	5.3	2.8	o/p	Yes	No <i>R</i>
Nezhdaninskoe	Polyus	5.5	12.7	u/g	Yes <i>R</i>	No <i>R</i>
Maiskoe	HGM	10.4	7.3	u/g	Yes <i>R</i>	No
Taseevskoe	HGM	~2.5	3.4	o/p	Yes <i>R</i>	Yes
Novoshibro-kinskoye	Polyus	5.5	12.7	u/g <i>R</i>	Yes	Yes
Prognoz	HGM	3.5	3.4	o/p	Yes	No <i>R</i>

* M&I&I Resources according to the JORC Code 2004



How to Discover Value in Gold Mining

- ▲ Size of the resource base is **NOT** the key factor in valuing a gold company (or asset)
- ▲ Current production levels and cash costs are **NOT** a reliable guide for future performance
- ▲ Financial crisis is **NOT** the true reason for gold project delays

- ▲ Reserve quality is the key determinant and source of value
- ▲ Average reserve grade and life of mine are more important for valuation than current performance
- ▲ Poor reserve quality and lack of infrastructure drive gold project delays. Good projects continue while bad ones are stopped