



POLYMETAL

Investing in Russian Mining: Risks and Opportunities

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Overview of Polymetal





Polymetal represents an excellent opportunity to invest in a mid-tier company with top quality assets

2006 Production

▲ 17.3Moz of silver and 256Koz of gold

2006 Cash Costs (1)

▲ 4.7 US\$/oz silver and 290 US\$/oz of gold

Ownership Structure

▲ 72% Nafta Moskva
▲ 3% Directors and Employees
▲ 25% Free Float

Market Cap (2)

▲ US\$2.4bn; 315 million shares

Listing

▲ LSE
▲ MICEX
▲ RTS

Net Debt (3)

▲ US\$151mln

Hedge Free

▲ Starting from January 2008

(1) Co-product

(2) At the price of closing on Nov 12, 2007

(3) As of Jun 30, 2007

Polymetal owns a portfolio of long-life and high-grade mines

Voro

Production⁽¹⁾: 102Koz Au
Reserves⁽²⁾: 2Moz Au @ 2.8 g/t
Cash costs⁽³⁾: US\$311/oz of Au

Lunnoye

Production: 2.6Moz Ag and 21Koz Au
Reserves: 57Moz Ag @ 393 g/t
Cash costs: US\$4.8/oz of Ag

Dukat

Production: 12.6Moz Ag and 25Koz Au
Reserves: 321Moz Ag @ 543 g/t
Cash costs: US\$4.8/oz of Ag



-  Headquarters
-  Production
-  Exploration

- (1) Production numbers at all operations are given for 2006
 (2) Reserves numbers at all operations are: JORC compliant, audited by SRK, as of Dec 31, 2006
 (3) Cash costs at all operations: co product, 2006; Dukat and Lunnoye are calculated jointly

Khakanja

Production: 108Koz Au and 2Moz Ag
Reserves: 1Moz Au @ 5.6 g/t
 36Moz Ag @ 212 g/t
Cash costs: US\$216/oz of Au



Polymetal is well positioned to capitalize on Russian gold opportunities

Russia's advantages for gold/silver miner

- ▲ Large and highly underexplored territory
- ▲ Rules of the game are clearly formulated: taxation, licensing, and permitting procedures are predictable
- ▲ Sparsely populated with environmental issues relatively less acute

Our position vis-à-vis Russia-specific risks

- ▲ All reserves/resources are JORC-compliant and audited by reputable independent consultants (SRK, Snowden)
- ▲ Majority of reserves/resources come from operating mines
- ▲ Multiple operations



Adherence to Global Standards in HSE practices and social responsibility is a key priority for Polymetal

▲ **Firm commitment to a sound environmental policy**
— 2006 external audit confirmed company met World Bank environmental management guidelines

▲ **Continued focus on upgrading safety procedures**
— In 2006 SRK Consulting audited and certified the company's health and safety practices

▲ **Active involvement in local communities**
— Cooperating with local and regional authorities to implement long-term social infrastructure investment projects



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Russian Mining Environment: Key Factors



Government Levels in Russian Federation

Federal

- ▲ **Ministry (Ministry of Natural Resources)**
 - ▲ Formulates policies
 - ▲ Submits Proposals to legislature
 - ▲ Deals with strategic (one-off) issues
- ▲ **Agency (Subsoil Agency)**
 - ▲ Executes polices
 - ▲ Enforces regulations
- ▲ **Oversight Body (Rosprirodnadzor – Environment Oversight, Rostekhnadzor – Technical/Safety oversight)**
 - ▲ Ensures all participants' compliance with relevant polices/regulations

Regional

- ▲ **Governor**
 - ▲ Construction permitting
 - ▲ Taxation privileges (profit, property)
 - ▲ Access to federal infrastructure financing
- ▲ **Regional branch of federal agency**
 - ▲ Local tasks
 - ▲ Reports to Moscow
 - ▲ Independent from governor
- ▲ **Regional branch of federal oversight body**
 - ▲ Local tasks
 - ▲ Report to Moscow
 - ▲ Independent from governor

Municipal

- ▲ **Mayor (Head of Municipal Administration)**
 - ▲ Land usage rights
 - ▲ Public approval of new projects (public hearings)
 - ▲ Access to common infrastructure

Taxation system: Very Stable

Federal taxes (no concessions possible)

- ▲ VAT
(18%, 0% for gold/silver)
- ▲ Personal Income Tax
(13% flat)
- ▲ Mineral Royalty
(6.0% gold; 6.5% silver,
8% base metals)
- ▲ Social Contribution Tax
(from 28% to 2%, regressive)

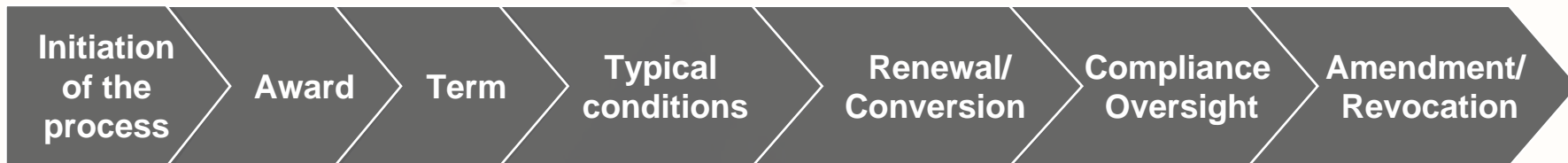
Regional taxes

- ▲ Corporate Income Tax
(24%, up to 5% can be waived)
- ▲ Property Tax
(2.2%, up to 1.1% can be
waived)
- ▲ Payments for waste disposal

Municipal taxes

- ▲ Land tax
- ▲ Vehicle levy

Licensing System: Cumbersome Yet Transparent



	Initiation of the process	Award	Term	Typical conditions	Renewal/Conversion	Compliance Oversight	Amendment/Revocation
Combined Mining and Exploration (Comprehensive)	Company or Subsoil agency	Competitive auction	25 years	Deadlines: statutory reserve; statutory feasibility; production start	Renewed automatically if mine in production	Annually by Rosprirodnadzor	By Subsoil agency after either Rosprirodnadzor recommendation or company request

	Initiation of the process	Award	Term	Typical conditions	Renewal/Conversion	Compliance Oversight	Amendment/Revocation
Exploration	Company	Free grant	5 years	Physical activity benchmarks; Exploration reports	Extended for 2 years automatically if active work ongoing; converted to comprehensive license if statutory resources are defined	Annually by Rosprirodnadzor	By Subsoil agency after either Rosprirodnadzor recommendation or company request

Permitting Process: Bureaucratic, but More Predictable than in Most Countries

	1. Statutory Reserve Confirmation ('TEO Konditsii')	2. Statutory Feasibility Study ('Project')	3. Environmental Impact Assessment ('OVOS')	4. Comprehensive Expertise
Input	<ul style="list-style-type: none"> ▲ Geological model ▲ Preliminary economic calculations 	<ul style="list-style-type: none"> ▲ Reserve calculation ▲ Feasibility study elements (mining, processing, infrastructure) 	<ul style="list-style-type: none"> ▲ Statutory feasibility study ('Project') ▲ Calculations of emissions, effluents and waste disposals ▲ Public hearing protocol 	<ul style="list-style-type: none"> ▲ Statutory FS ▲ 'OVOS' ▲ Supporting materials
Regulatory Body	GKZ (State Reserve Commission), subordinate to Subsoil Agency	Rostekhnadzor (Technical Oversight Body) with auxiliary approvals by 14 various government bodies	Rostekhnadzor	Federal Expertise Agency (reports to Ministry of Regional Development)
Result	State-approved reserve calculation with cut-off grades	Approved study sufficient for detailed engineering	Approved EIS (Environmental Impact Study)	Permission to start construction