

Polyus Gold

**BMO Capital Markets
Metals and Mining conference
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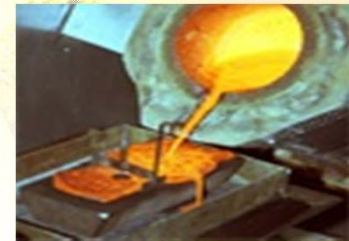
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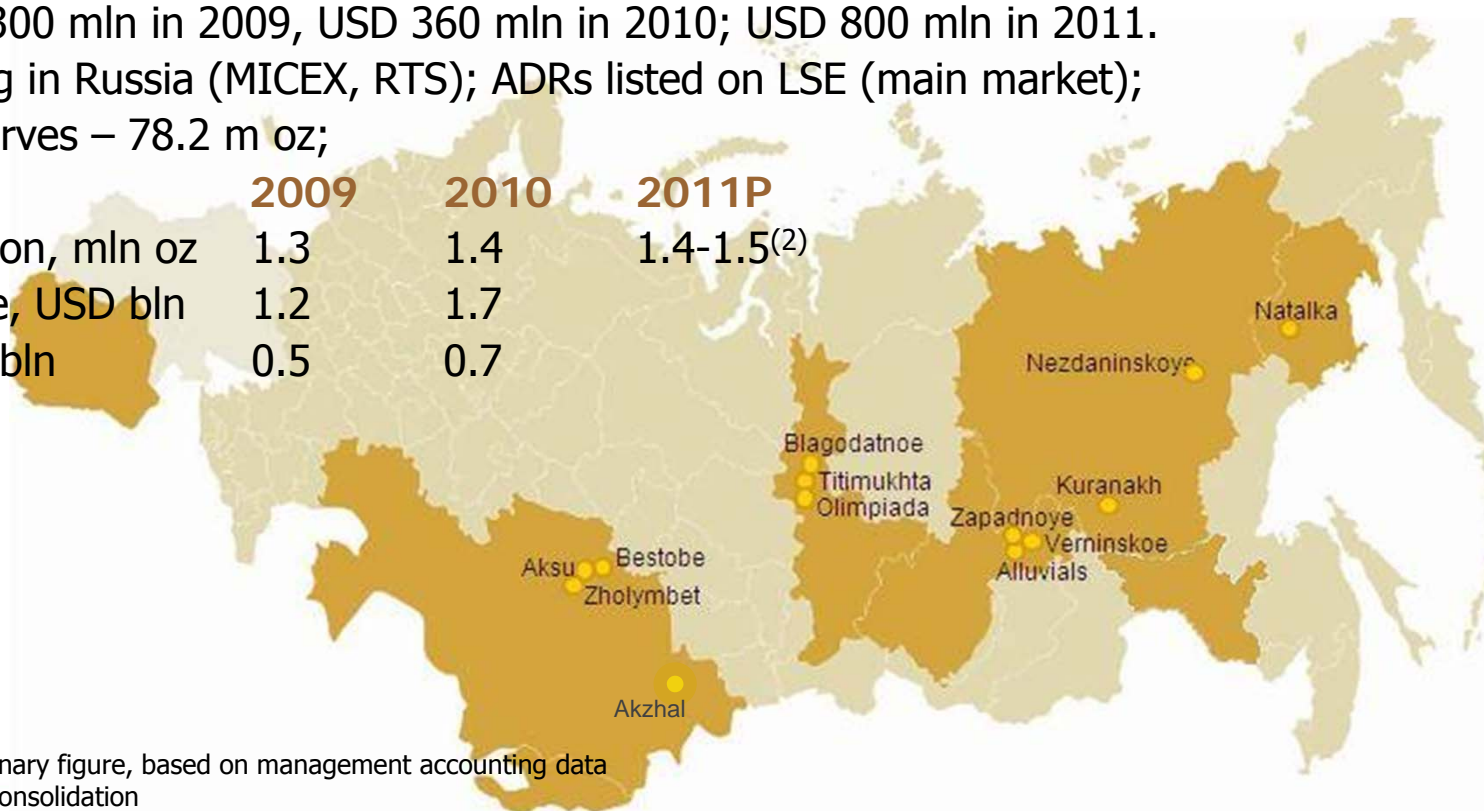
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Polyus Gold key facts and figures:

- 9 producing mines + alluvial operations; 2 mines under construction; over 20 exploration projects;
- Cash, cash equivalents and short-term investments ⁽¹⁾ – USD 482 mln; Hedge free;
- MCap as of end February 2011 – USD 12.6 bln;
- Dividend policy strictly followed (Div/Share: 2007 – USD 0.13; 2008 – USD 0.12; 2009 – USD 0.51);
- Capex: USD 300 mln in 2009, USD 360 mln in 2010; USD 800 mln in 2011.
- Primary listing in Russia (MICEX, RTS); ADRs listed on LSE (main market);
- JORC 2P reserves – 78.2 m oz;

	2009	2010	2011P
Gold production, mln oz	1.3	1.4	1.4-1.5 ⁽²⁾
Sales revenue, USD bln	1.2	1.7	
EBITDA, USD bln	0.5	0.7	



(1) As of 31 Dec 2010; Preliminary figure, based on management accounting data
 (2) Subject to KazakhGold deconsolidation



Olimpiada mine
 2 BIOX plants
 Capacity 8 MTPA
 Krasnoyarsk region
 2010 production: 584 k oz



KazakhGold
 4 producing mines
 CIP and flotation plants +
 heap leaching
 Mill capacity ~1 MTPA
 Kazakhstan
 2010 production: 110 k oz



Kuranakh mine
 RIP cyanide leaching plant +
 heap leaching
 Capacity 3.6 MTPA
 Yakutia region
 2010 production: 120 k oz



Titimukhta mine
 RIP cyanide leaching plant
 Capacity 2.2 MTPA
 Krasnoyarsk region
 2010 production: 100 k oz



Blagodatnoye mine
 CIP cyanide leaching plant
 Capacity 6.0 MTPA
 Krasnoyarsk region
 2010 production: 249 k oz

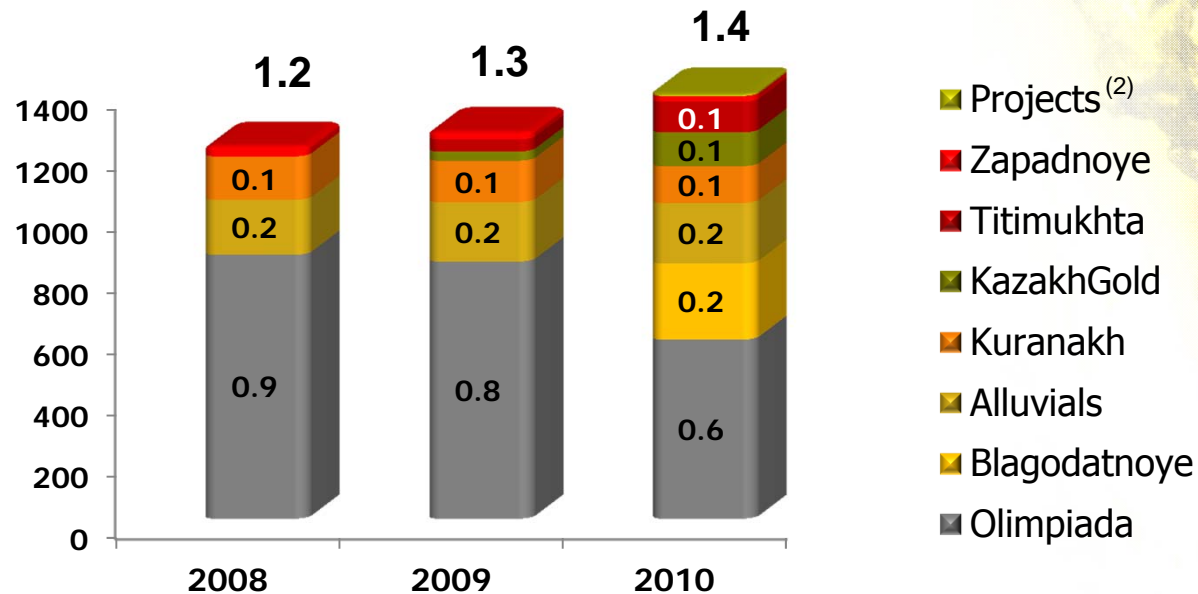


Alluvial operations
 Washing machines and
 draglines + sluice enrichment
 Capacity up to 10 mln m³
 Irkutsk region
 2010 production: 197 k oz



Zapadnoye mine
 Gravity and concentrate
 cyanidation plant
 Capacity 0.8 MTPA
 Irkutsk region
 2010 production: 19 k oz

Gold production volumes, m oz⁽¹⁾



In 2010 the Polyus Group produced 1.4 m oz of gold, showing a **10% YoY increase**.

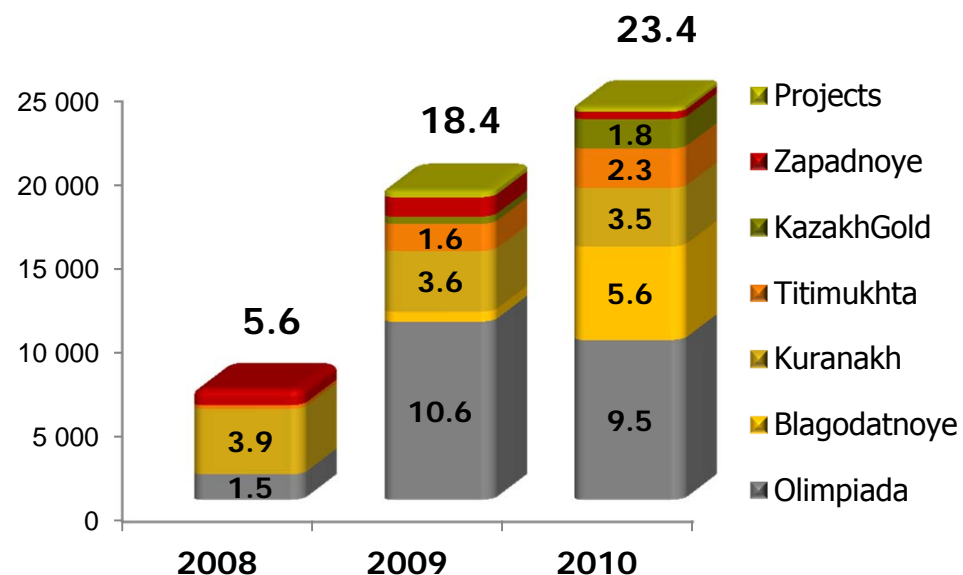
Main growth factors:

- Launch of the Blagodatnoye mine;
- Enhanced capacities of Titimukhta;
- Consolidation of Kazakhstan business unit's results for the full year 2010.

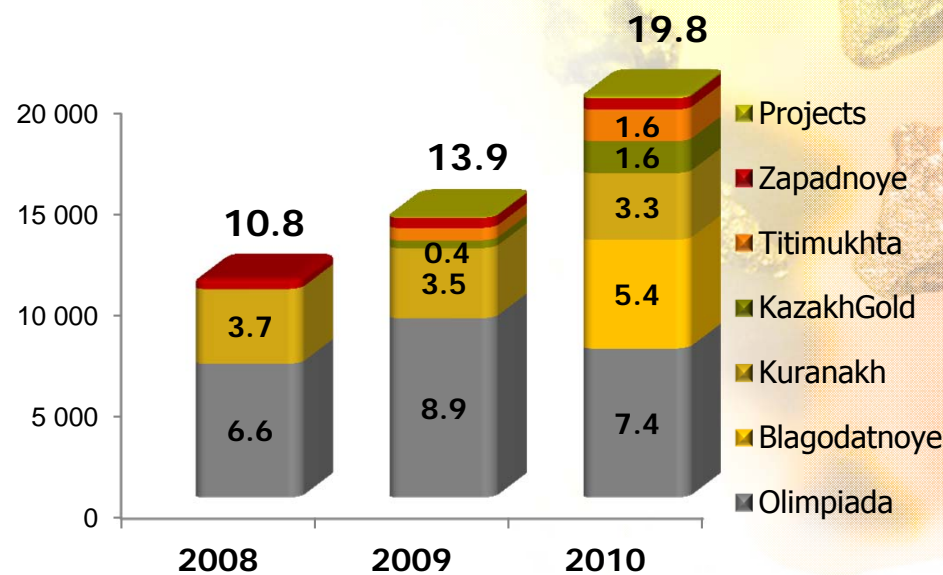
(1) Includes 1276 k oz of refined gold produced by the Group's subsidiaries located in Russia and 110 k oz of gold produced by KazakhGold Group in a form of sludge, flotation and gravitation concentrates and other semi-products

(2) Hereinafter "project" results include operating results of Verninskoye and Natalka.

Ore mined, m tonnes



Ore processed, m tonnes



- Commencement of industrial operations at the Blagodatnoye pit, launch of the processing plant;
- Consolidation of FY2010 operating results of KazakhGold Group;
- Enhanced mining works at the Titimukhta pit, increase of the Titimukhta ore processing volumes at Mill-1 of Olimpiada.

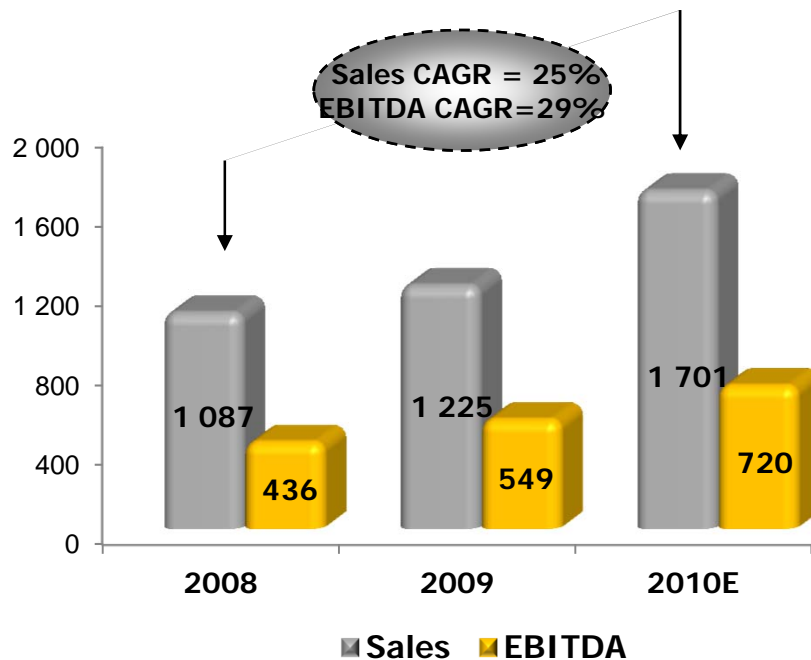


Optimization of production process at Olimpiada

11 measures aimed at upgrading the processing complex of Mill-2 and Mill-3.

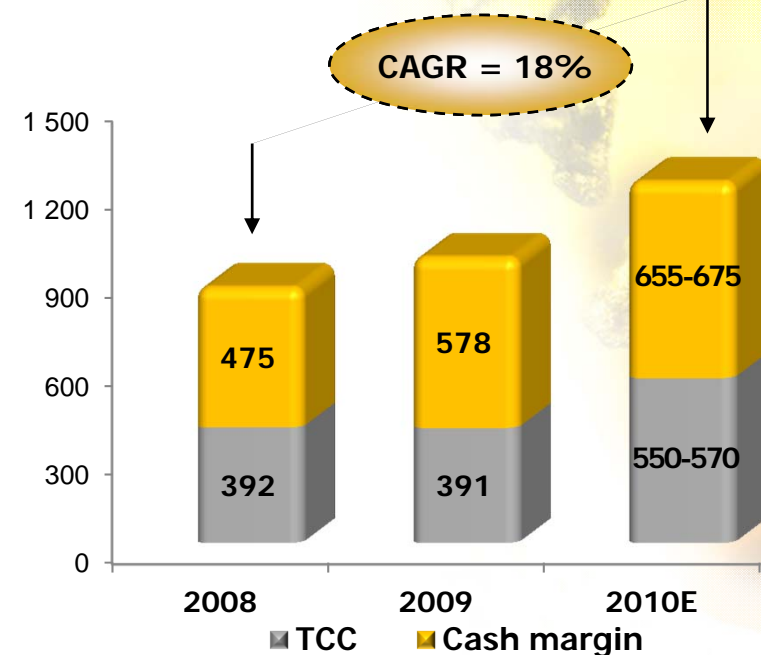
- **Challenge:** following the transition to the deep-level sulfide ores, the BIONORD® technology showed high sensitivity to the change in the composition of ore; time required to adopt the technology to the new type of feed.
- **Solution:** In September 2009 the program was developed aimed at raising the efficiency of ore processing process.
- **Status:** As of beginning of 2011, 8 measures out of 11 have been implemented. The designed processing capacity at Mill-2 and Mill-3 (8 MTPA) was achieved in April 2010.
- By Mid 11, Stage 1 is to be completed, a 5-6% increase in recovery is expected

Sales revenue and EBITDA, USD million



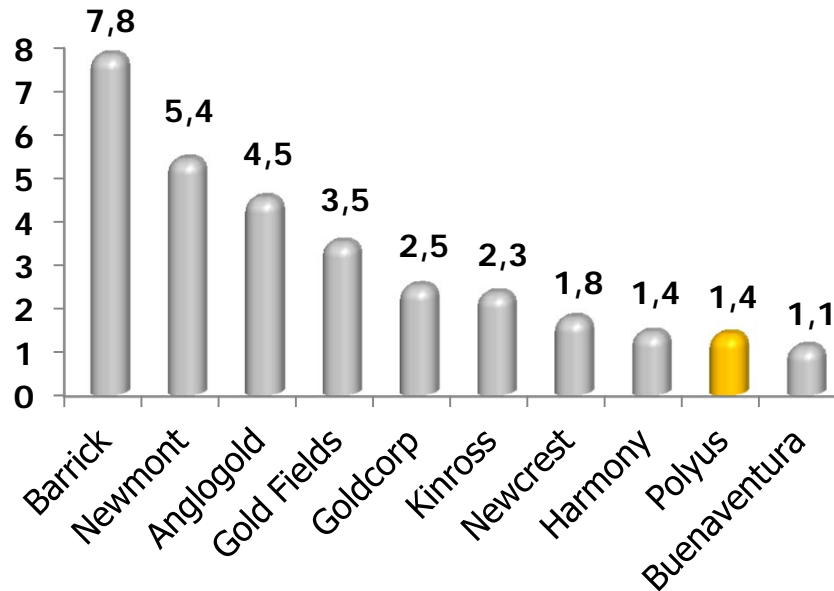
- Higher realized gold prices and increased sales volumes resulted in a 39% YoY growth in sales revenue;
- 2-year revenue CAGR amounted to 25%;
- EBITDA showed a 31% YoY growth, with a 2-year CAGR of 29%.

Cash margin and TCC, USD/oz

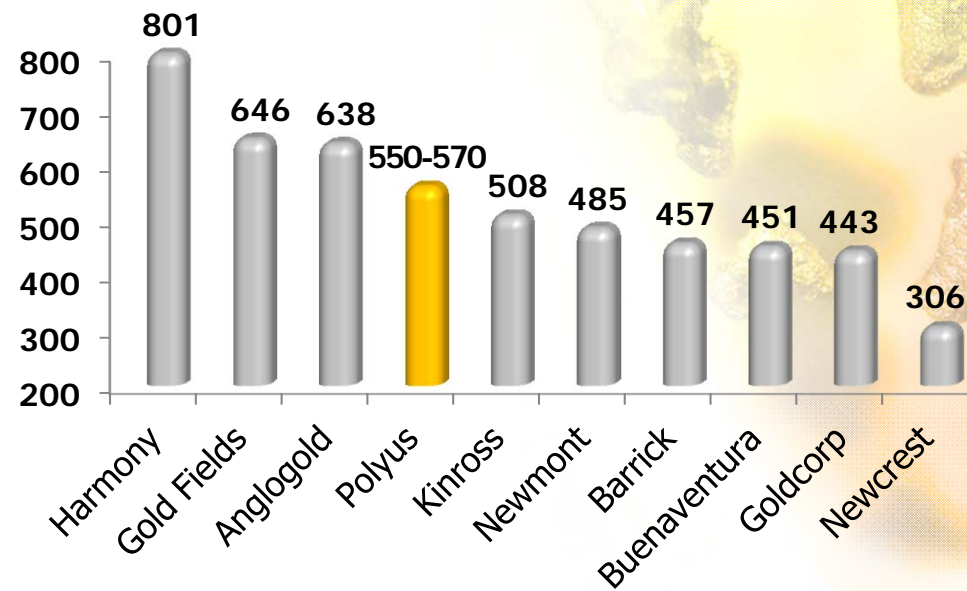


- Due to favorable gold price dynamics cash margin continues to grow despite cost growth;
- Cash margin increased by 15% YoY, with a 2-year CAGR of 18%.

Production, m oz



Total cash costs, USD/oz



- In 2010 Polyus improved its position among TOP-10 global pure gold producers thanks to the 10% increase in production.

- Cash costs for most of the gold producers increased y-o-y;
- Polyus cash costs are expected to increase by ~40% due to technical issues at Olimpiada and ramp-up period at Blagodatnoe.

Highlights:

Mine life	2010 – 2031
Reserves (P&P, JORC)	9.9 m oz at 2.3 g/t
Mill capacity	6 mtpa
Design recovery	88.6%
Annual gold production	412 k oz
Capex (ex. VAT)	USD 450 mln

- Largest stand-alone gold mine in Russia;
- Commissioned in July 2010;
- Location: 25 km from Olimpiada, Krasnoyarsk Region;
- 249 k oz of gold produced in 2010;
- 6 MTPA designed capacity already achieved;
- Recovery: already close to the designed level;
- CapEx 2010 – USD 116 mln.

Blagodatnoye: Main building and hydrometallurgical workshop



Highlights of the construction:

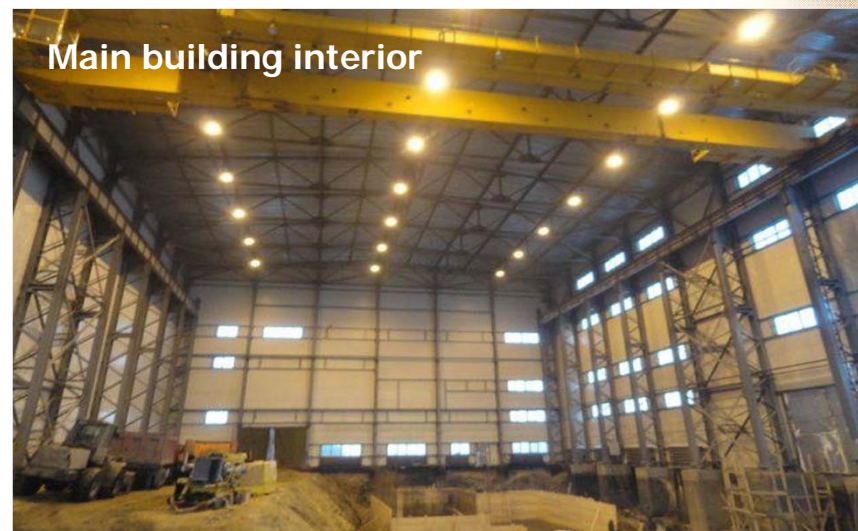
Mine life	2011 – 2025
Reserves (P&P, JORC)	5.8 m oz at 2.7 g/t
Mill capacity	2.2 mtpa
Design recovery	86.9%
Annual gold production	183 k oz
Capex (ex. VAT)	USD 249 mln

Project update:

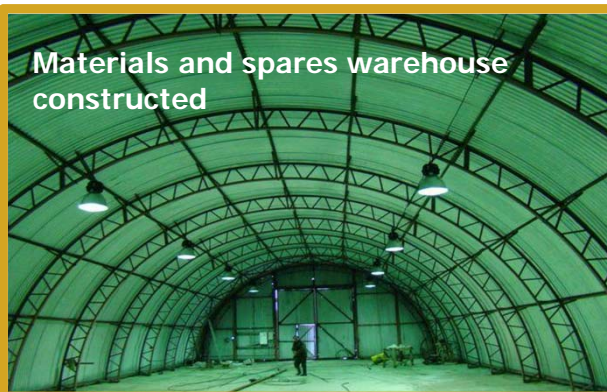
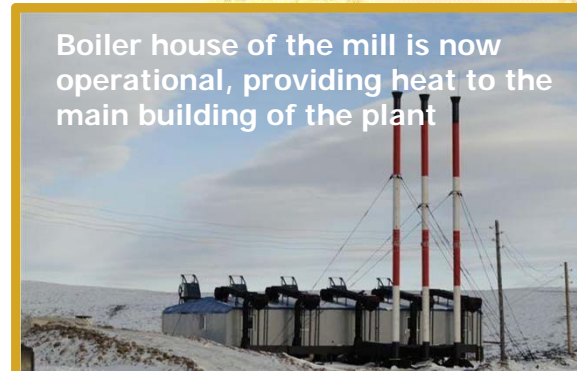
- Construction of main building completed; heating objects constructed and heat network laid - heat provided to the plant; equipment foundation laying underway in the main building, construction of key camp facilities completed, construction of materials and oil products storage and tailing facilities continued;
- On Feb 14, 2011 the new JORC figures audited. Potential to the increase of capacity appeared;
- CapEx 2010 – USD 32 mln; expected Capex 2011 - USD 160 mln;
- Commissioning in 4Q 2011.



Main building

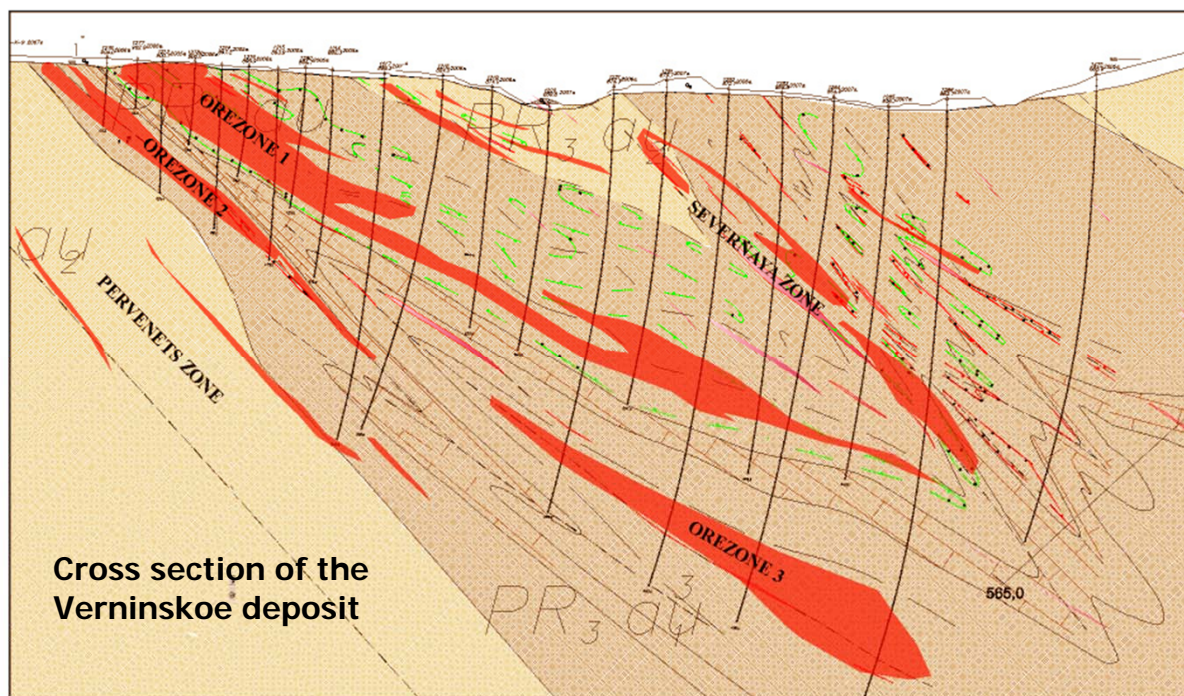


Main building interior



On February 14, Polyus announced the completion of the reserves audit at Verninskoye deposit, which led to the increase of the deposit's 2P reserves to 5.8 million ounces of gold at an average grade of 2.7 g/t and at gold price 1000 USD/oz.

The substantial increase of the reserves may result in construction of the second stage of the Verninskoye mill increasing its capacity to 4-5 MTPA.



Natalka development plan

Project status:

- Feasibility study and construction documentation completed;
- Permitting completed;
- 1st stage of construction approved by the BoD in December 2010.

Stage 1⁽¹⁾
2014-2071

- Stage 1 approved by the BoD 21/12/10

Capacity: 10 mtpa
 Grade: in 2014-2021: 2.1 g/t; LOM: 1.96 g/t
 Average Au production: 0.5 moz pa
 TCC: \$600/oz⁽³⁾
 Average stripping ratio: 3.6

Stages
1&2⁽²⁾
2014-2043

- If approved by the BoD

Capacity: 20 mtpa
 Grade: In 2014-2018: 2.1 g/t, LOM: 1.96 g/t
 Average Au production: 1.0 moz pa
 TCC: \$545/oz⁽³⁾
 Average stripping ratio: 3.6

All stages
2014-2039

- If approved by the BoD

Capacity: 40 mtpa
 Grade: In 2014-2019: 2.1 g/t, LOM: 1.60 g/t
 Average Au production: 1.5 moz pa
 TCC: \$585/oz⁽³⁾
 Average stripping ratio: 3.4

(1) Stage 1 data given with the assumption that the BoD decides not to go ahead with stage 2

(2) Stages 1&2 data for 2014-2043 given with the assumption that the BoD decides not to go ahead with stage 3

(3) LOM TCC calculated based on the following assumptions: fixed gold price of \$850/oz, fixed exchange rate – RUB28 per USD, 15% discount rate, no inflation adjustments.

Key results of 2010:

- On 4 Aug 10 the Federal State Expertise Committee of Russia (GlavGosExpertiza) issued its positive opinion on the project of the Nataalka mine construction;
- On 28 Sept 10 the project documentation approved by The Federal subsoil usage Agency;
- In 3Q10 the first stage of the pre-mining grade control drilling began. 247 holes totalling 11,737 running meters was drilled by 15 Dec 10;
- Reconstruction of the tailing pit completed;
- Elaboration of Environmental policy (ISO14000 consistent), Occupational health and safety policy (OHSAS18000 consistent), Corporate standard for health and safety is under way;
- **CapEx 2010: USD 17 mln.** The overall investment into the project in 2003-10 amounted to **USD 274 mln;**
- In Nov 2010 the 1st stage of JORC audit update completed: new MI figures with higher grades (MI resources of 34.3 moz @ 2.0 g/t (LOM) vs 2P reserves of 40.8 moz @ 1.13 g/t (LOM) audited in 2007).

	Micon 2007, 2P			Micon 2010, MI		
	Ore, mln. t	Grade, g/t	Gold, t	Ore, mln. t	Grade, g/t	Gold, t
I stage				20,0	2,15	43,0
I + II stage				100,0	2,11	210,8
I + II + III stage	1 125,4	1,13	1 270,6	537,8	1,98	1 065,3

Polyus plans to spend USD 357 – 403 mln (depending on the decision on Stage 2 to be taken during 2011) on the development of Natalka in 2011. Key plans for 2011 are listed below:

- Getting secondary approvals to the current license and project documentation;
 - The Federal service for environmental control granted the allotment act to the subsoil usage license;
 - The natural resources department of the Magadan administration granted a license for mining of the construction materials deposits;
- Contracting of equipment of long production cycle;
 - Contract on preparation of initial requirements for the long-manufacturing equipment ready to be signed;
- Vertical planning of the construction sites, construction of on-site roads;
 - Subsoil usage department of the Magadan administration granted a permission for the construction of automobile road and bridge over Omchak river;
 - Lease contract is being signed with the administration of the Magadan for the forest block for the construction of Natalka mine facilities;
 - Contract on preparation of the working documentation for the automobile roads to the first priority sites of the mine ready to be signed;
- Commencement of the construction of tailings facilities and tailing dams;
 - Contract on technical feasibility for the constructions of the dams and piers ready to be signed;
- Construction of power facilities, storage areas, the camp;
 - Contract is signed with OJSC Magadanenergo for joining the power grids for the supply of power to the mine's facilities;
- Contracting of equipment for construction and mounting works in 2012.



Agreement with Altyn Group

In Dec 2010 KazakhGold entered into a binding agreement with Altyn Group for the sale of its operating subsidiaries in Kazakhstan, Romania and Kyrgyzstan, consisting of 2 tranches:

Altyn Group

Polyus

1st tranche: max 3.5 months since 23 Nov 10 ⁽¹⁾:

- 65% consideration (\$331 mln), including \$300 mln in cash and netting of loan to Gold Lion (\$31.0 mln + accrued interest);
 - Repayment of the Shareholders loan to Jenington (\$52.9 mln) with the funds to be provided by AltynGroup;
 - AltynGroup to provide an irrevocable unconditional guarantee on principal amount of \$200 mln KazakhGold Senior Notes, coupon payment, redemption amount and payment upon serving of an enforcement notice.
- 65% in KazakhAltyn, Romaltyn Mining and Romaltyn Exploration, as well as 43.33% in Talas Gold Mining are to be sold to Altyn Group.

2nd tranche: max 18 months since 08 Dec 10:

- 35% consideration in cash (\$178 mln + interest accrued since the date of closing of the 1st tranche at 9.375% per annum);
 - 8.9% stake in KazakhGold (10.6 mln sh) owned by Gold Lion may be accepted as part of the consideration valued at weighted-average KZG GDR price on LSE for 7 business days preceding the closing of the 2nd tranche
- 100% in Romanshorn, Romaltyn and Norox, which controls 35% in Romaltym Mining, Romaltyn Exploration and KazakhAltyn and 23.34% in Talas are to be sold to Altyn Group.

(1) A \$14.6 mln fee to be payable by AltynGroup in the event the closing of the sale of the first tranche does not occur during 3.5 months from the date of the Agreement.

PROJECT

- Commissioning of Mill-3 at Olimpiada (2007)
- Commissioning of Titimukhta (2009)
- Commissioning of Blagodatnoye (2010)
- Construction of Verninskoye (2011)
- Construction of Nataalka (2013)
- Best positioned gold mining company:
 - **Undisputable leader in the sector;**
 - **Extensive pipeline of new projects (Nezhdaninskoe, Chertovo Koryto, Bamskoe)**
 - **Hedge free, cash positive;**
 - **Dividend policy strictly followed;**
 - **The only gold-mining company in the CIS who pays out dividends.**

STATUS

- Done
- Done
- Done
- Under way
- Under way