



# **Polyus: No 1 gold producer in Russia. Successful Strategy Implementation.**

**Evgueni Ivanov, President**

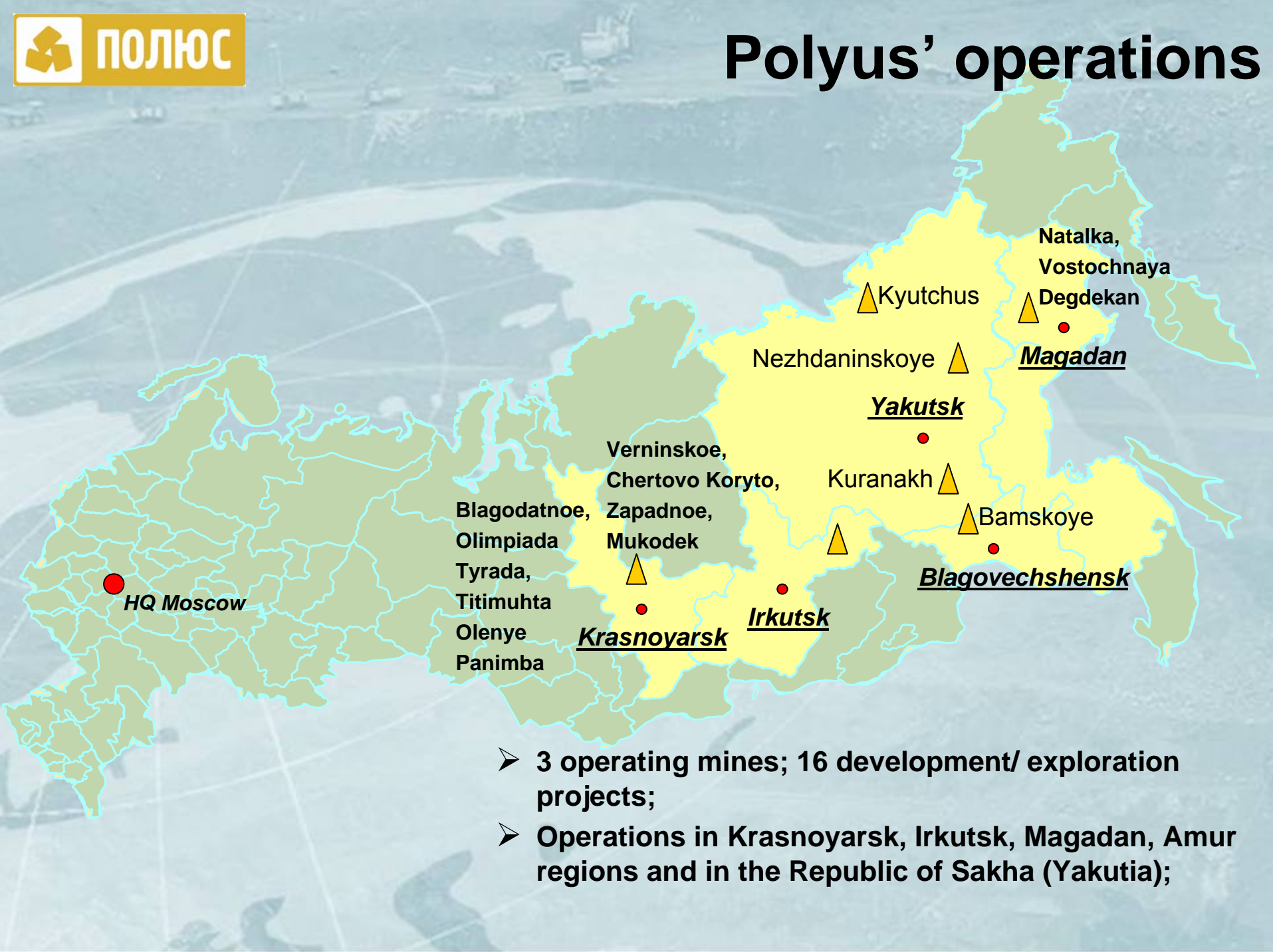
**MINEX 2005 / 6 October 2005**

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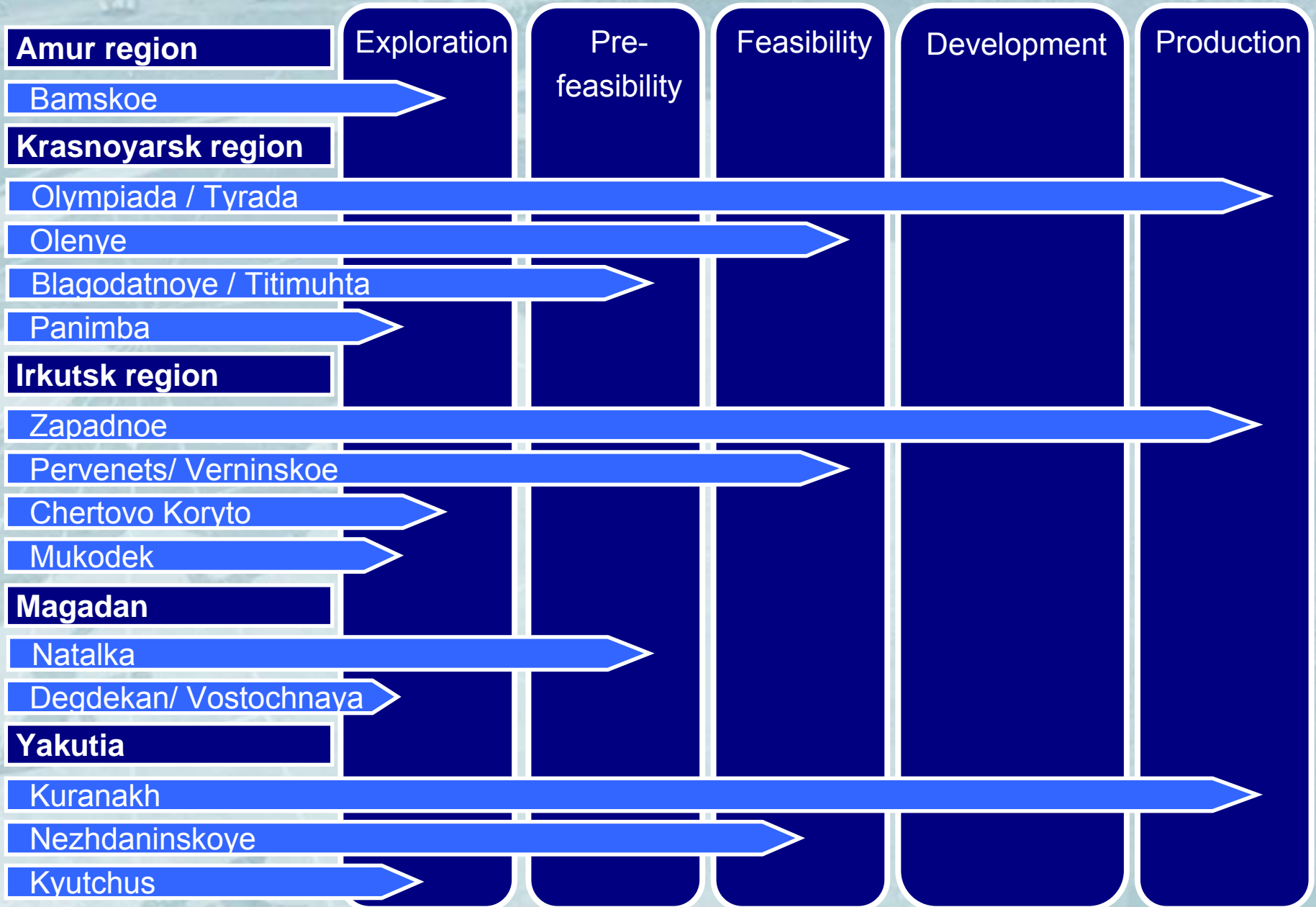
- # 1 gold producer in Russia.
- 13.3 mln. oz of JORC reserves plus 51.1 oz of JORC resources.
- 2004 results:
  - ✓ Gold production - 1 085 k oz
  - ✓ Total cash costs - \$ 175 per oz
  - ✓ EBITDA - \$ 208 mln.



# Polyus' operations



- 3 operating mines; 16 development/ exploration projects;
- Operations in Krasnoyarsk, Irkutsk, Magadan, Amur regions and in the Republic of Sakha (Yakutia);



**Mission:** to reveal nature's and human values for the benefit of shareholders, employees and communities

**Strategic goal:** to grow to a top-5 global gold producer by 2010

## Polyus strategic objectives by 2010:

- Capitalization – up to \$8 bln.
- Annual production in Russia – up to 3.2 mln. oz of gold.
- Proven & probable reserves – up to 70.7 mln. oz of gold.
- Total cash costs – \$220-240 per oz.
- Independent gold major listed in Russia and abroad (NYSE or TSX).

**TO BECOME A TOP-5 GLOBAL MAJOR BY 2010 WE WILL:**

**Continue high profile exploration works  
on existing fields**

**Upgrade our production capacities**

**Create an independent company  
Go on with proactive M&A**





**Exploration projects in 2005  
Reserves replacement**



# 2005 JORC AUDIT RESULTS

✓ JORC reserves amount to 13.3 mln oz

|              | Proved     |              | Probable   |               | Proved & Probable reserves, k oz |
|--------------|------------|--------------|------------|---------------|----------------------------------|
|              | Grade, g/t | Gold, k oz   | Grade, g/t | Gold, k oz    |                                  |
| Olimpiada    | 4.6        | 3 100        | 3.8        | 8 700         | 11 800                           |
| Verninskoe   | -          | -            | 3.3        | 1 100         | 1 100                            |
| Zapadnoe     | -          | -            | 2.8        | 400           | 400                              |
| <b>Total</b> |            | <b>3 100</b> |            | <b>10 200</b> | <b>13 300</b>                    |

✓ JORC resources exceed 51.1 mln oz

|                 | Indicated  |               | Inferred   |               | Indicated & Inferred resources <sup>1</sup> , k oz |
|-----------------|------------|---------------|------------|---------------|--|
|                 | Grade, g/t | Gold, k oz    | Grade, g/t | Gold, k oz    |  |
| Blagodatnoe     | 2.5        | 4 400         | 2.2        | 6 000         | 10 400   |
| Chertovo Korito | 2.4        | 1 000         | 2.2        | 1 000         | 2 000  |
| Natalka         | 1.5        | 16 800        | 1.4        | 13 500        | 30 300   |
| Olimpiada       | 3.5        | 1 900         | 3.2        | 3 400         | 5 300  |
| Titimuhta       | -          | -             | 4.3        | 1 300         | 1 300  |
| Verninskoe      | 1.0        | 500           | 2.9        | 1 000         | 1 500  |
| Zapadnoe        | 3.0        | 200           | 3.3        | 100           | 300  |
| <b>Total</b>    |            | <b>24 800</b> |            | <b>26 300</b> | <b>51 100</b>                                      |

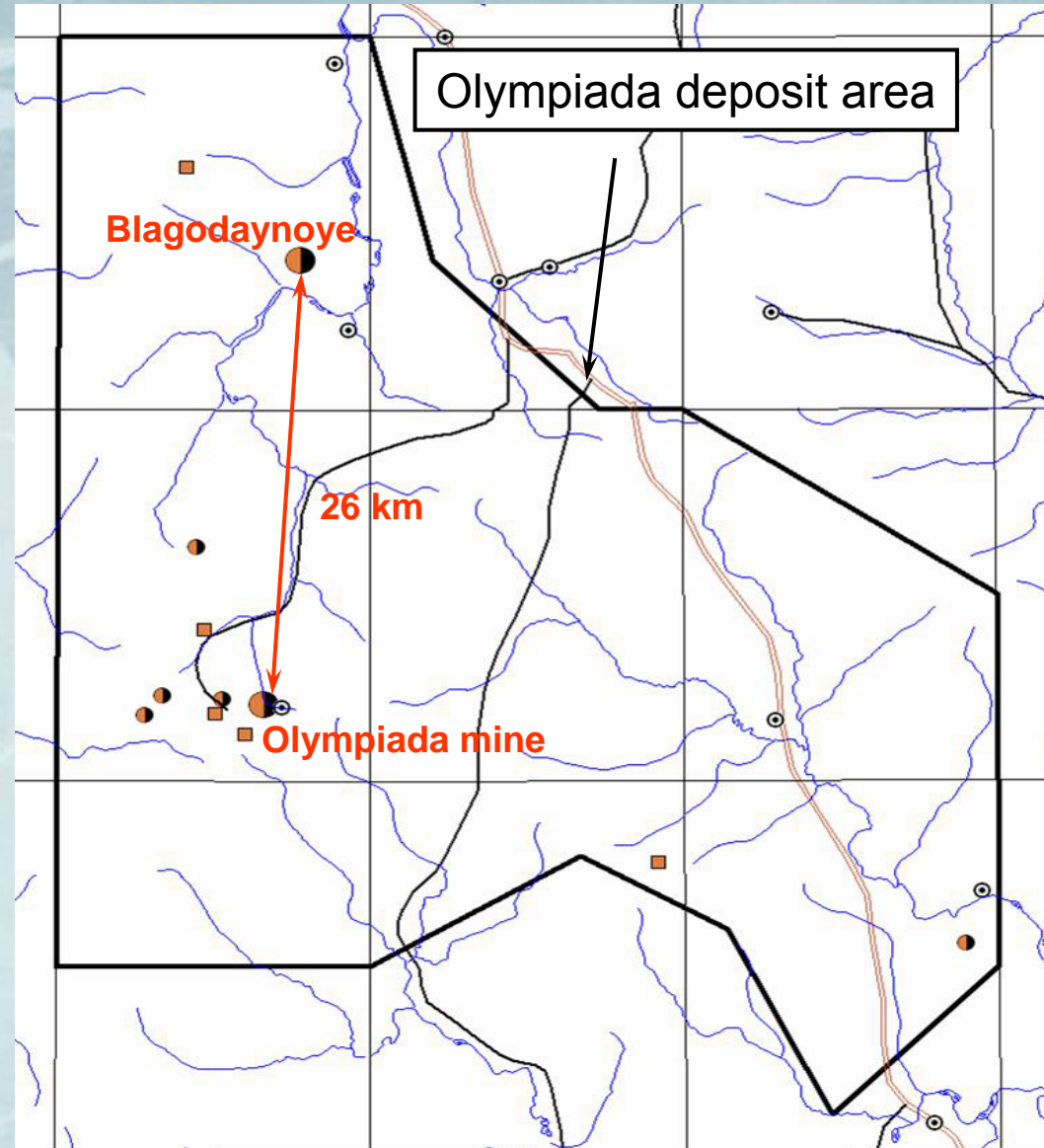
<sup>1</sup> Resources are exclusive of reserves

# Important discovery in Krasnoyarsk

Balance reserves in pit outline (Russian B+C1+C2) **7.15 mln oz** at average grade 2.4 g/t  
Plus resources P1 **3.76 mln oz**

➤ Cost of resources explored - \$0.8 per oz (well below the world average \$13.8 per oz)

➤ The largest exploration project in Russia in 10 years confirmed by state



# BLAGODATNOE DEPOSIT: RESERVES REPLACEMENT

|   |                    |
|---|--------------------|
| Balance reserves in pit<br>outline, B+C1+C2     | <b>7.15 mln oz</b> |
| Average grade                                   | <b>2.4 g/t</b>     |
| Off-balance reserves in pit<br>outline, C2      | <b>1.35 mln oz</b> |
| Off-balance reserves<br>outside the pit outline | <b>2.89 mln oz</b> |
| Inferred resources, P1                          | <b>3.76 mln oz</b> |



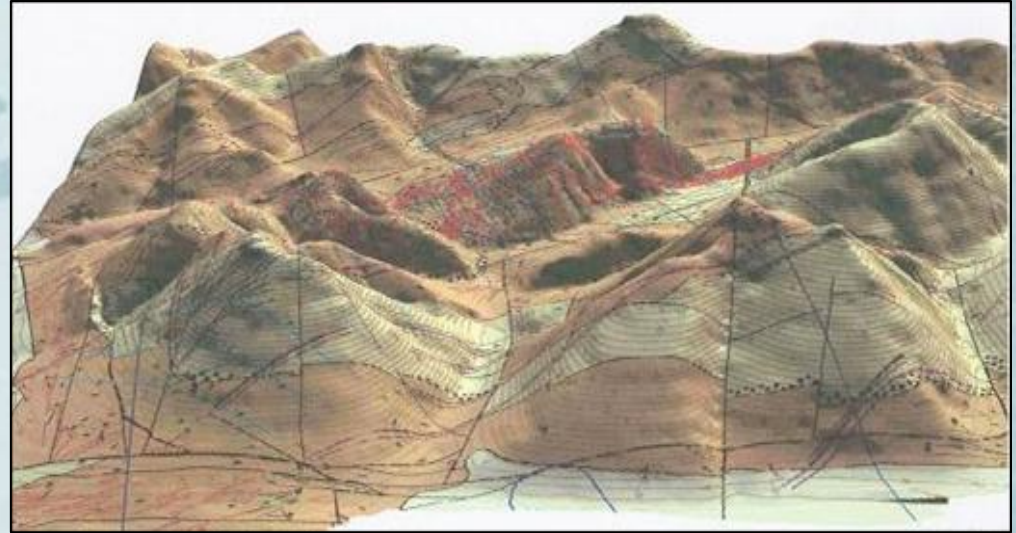
# BLAGODATNOE: PRODUCTION PROSPECTS

|                               |                             |
|-------------------------------|-----------------------------|
| Mill project capacity         | 5 mln. tons of ore per year |
| Gold recovery                 | 89%                         |
| Annual gold production (est.) | 328 k oz                    |
| Total cash costs (est.)       | \$ 270 per oz               |
| Mine life                     | 20 years                    |



## SUCCESSFUL UNDERGROUND DRILLING

- Discovered additional **18.51 mln. oz** of resources below 600 m. at grade of 1.59 g/m.
- Estimated resources (Russian B+C1+C2) – 51.83 mln oz.
- Exploration cost for B+C1 reserves amounted to \$2.5 per oz (well below world average)
- A new ore body Vostotchnaya found.





**Production development in 2005**

# OLYMPIADA: CAPACITY UPGRADE



*Olympiada mine:*

*Produces 800 k oz per year*

Mill-1: capacity 1.5 mln tons of ore  
per year (oxide ore)

Mill-2: capacity 3 mln. tons of ore  
(sulfide ore)

## ***Goals:***

- ✓ Increase gold production.
- ✓ Increase sulfide ore processing. . .
- ✓ Which will offset depletion of oxide ores



# OLYMPIADA : CAPACITY UPGRADE

- Expansion of Vostochny and Zapadny pits to engage new stocks of sulfide ore.
- Construction of Mill-3 with a capacity 5 mln. tons of sulfide ore per year.
- Engaging new deposits to keep Mill-1 operating at full capacity.





# Successful M&A in 2005

*The largest ever acquisition in Russian gold mining sector*

- **Completed on 16 September 2005.**
- **The total price of the acquisition amount to \$285 mln.**
- **Natural resources base of the acquired assets – 28 135 k oz (comparable with reserves of Suknoi Log or Natalka)**
- **International reserves audit to be done in 2006.**

| Project / Status                  | Development program  | Preliminary estimate of investments |
|-----------------------------------|--|-------------------------------------|
| <b>Kuranakh</b> / operating mine  | Preparation of the feasibility study for the mine fleet modernization and production facilities upgrade      | <b>\$165 mln.</b>                   |
| <b>Nezhdaninskoe</b> / pre-mining | Preparation of a new feasibility study (biooxidation technology to be applied)<br>Construction of the mill   | <b>\$200 mln.</b>                   |
| <b>Kyuchus</b> / exploration      | Further exploration, preparation of pre-feasibility and then feasibility study.<br>Construction of the mill. | <b>\$150 mln.</b>                   |

# Licenses acquired in 2005

In 2005 Polyus acquired through actions **6 mining and exploration licenses**

Krasnoyarsk  
region

**Razdolinskaya area**  
**Zyryanovskaya area**

Irkutsk region

**Mukodek area**

Amur region

**Bamskoe deposit**, including Nevachansk prospective  
area

Magadan region

**Degdekan area**  
**Vostochnaya (Tochinanskaya) area**

Total reserves and resources amount to about **13.1 mln oz**

Total price of the acquisitions: **\$ 3.8 mln**



# Verninskoe: New project in Irkutsk region

- Acquired in February 2005 for \$25.8 mln.
- JORC Audited in April 2005:
  - ✓ Reserves 1.1 mln. oz
  - ✓ Resources 1.1 mln oz
- Price of 1 acquired oz of reserves = \$26, which is well below the world market average (\$50-75) for similar deposits.
- Further exploration of the deposit is expected to raise the reserves to 2-2.2 mln oz (JORC). This will reduce the price of 1 oz to \$12-13.

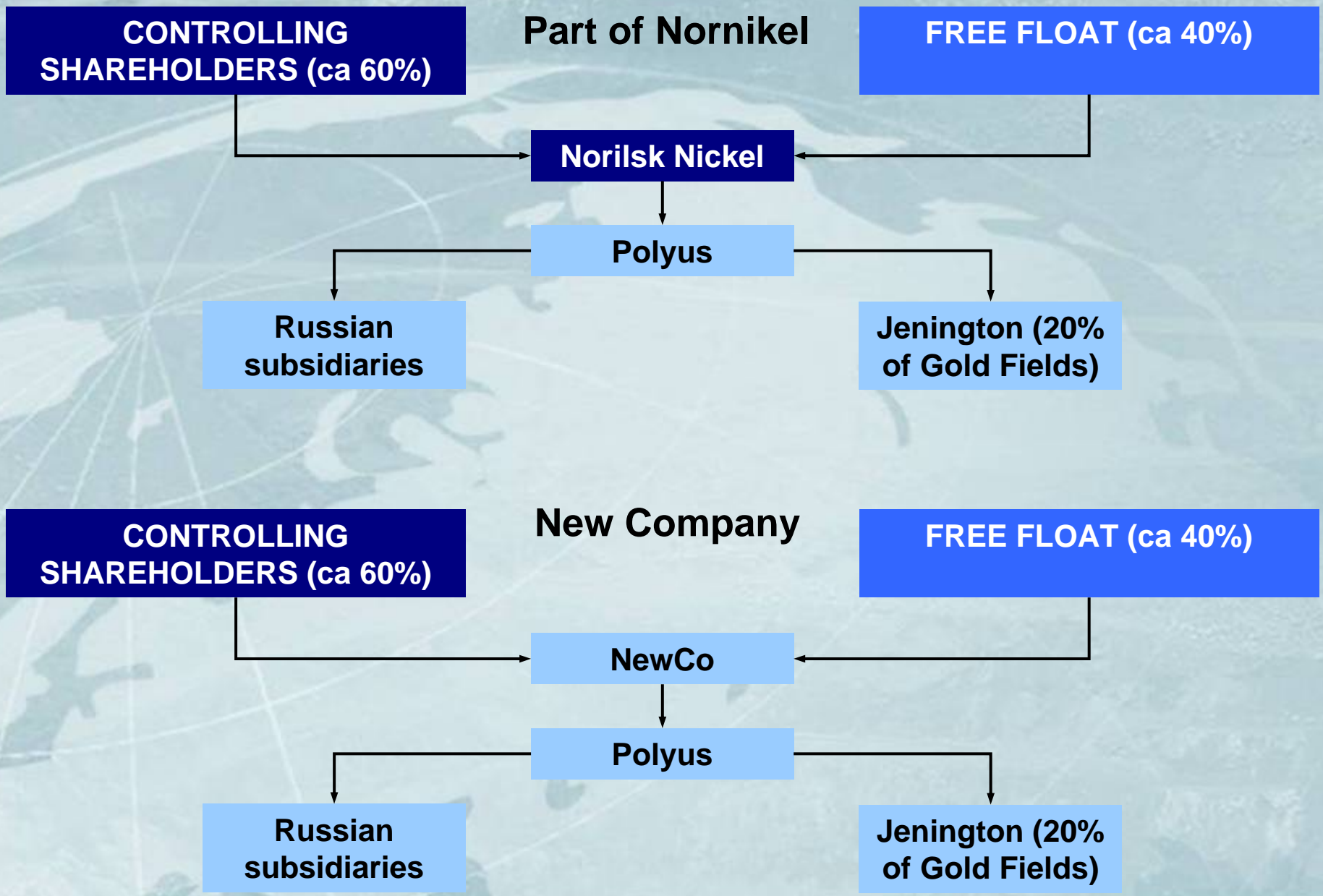


**Spin-off from Norilsk Nickel  
Unlocking shareholders' value**

# independent company: Advantages

- Create a new gold major – undisputed Russian leader and one of the largest players in the international gold mining sector.
- Unlocking additional “gold” value to shareholders.
- Potential to increase capitalization of the new company through:
  - ✓ High market premium on gold.
  - ✓ Direct investments into gold assets.
- Enhanced access to international capital markets.

# Ownership structure





# Key transaction dates

- Norilsk EGM unanimously voted for the spin-off of Polyus. 30 September 2005
- Record date to receive Polyus Gold shares 1 January 2006
- Organizational meeting of the new company - Polyus Gold 3 March 2006
- State registration of Polyus Gold March 2006
- Trading date for Polyus Gold shares March-April 2006
- Listing of Polyus Gold in Russia April 2006
- Level 1 ADR program set up April-May 2006