POLYUS

OJSC Polyus Gold

The Board approves the first stage of construction of Natalka mine

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Contents

Natalka key milestones

- Polyus acquired a blocking stake in OJSC RiM in 2004;
- In the same year Polyus began exploration program at Natalta, which was completed in 2006;
- In December 2006 GKZ Rosnedra completed its expertize of Natalka scoping study. Following the expertize 1,449.4 tonnes (46.6 m oz) of gold at 1.712 g/t, at 0.4 g/t cut-off grade, under categories B+C1+C2 in pit outline were listed on the state balance. Out of that, reserves under B+C1 amounted to 1,262.8 tonnes (40.6 m oz) of gold;

- In 2007 Micon International confirmed the deposit's reserves in accordance with the JORC Code. In accordance with the Natalka reserves audit made by Micon, proved and probable reserves (P&P) amounted to 40.8 m oz at 1.13 g/t;
- In July 2008 the company launched the pilot plant at Natalka with a capacity of 100 thousand tonnes of ore per year, aimed at verification of technical solutions;
- In May 2009 the first gold bullion was smelted at the pilot plant;
- On 4 August 2010 Gravgosexpertiza of Russia issued its positive opinion on the project of the Natalka mine construction;
- On 30 September 2010 the project documentation was approved by the Central Committee for solid mineral deposits development of Rosnedra;
- The overall investment into the project in 2003-10 amounted to USD 274 million.

To minimize metal risks and to speed up the achievement of target parameters Polyus Gold decided to construct a 100 ktpa pilot plant.





Jul 06 | Jan 07 | Jul 07 | Jan 08 | Jul 08 | Jan 09 | Jul 09 | Jan 10 | Jul 10 | Jan 11

Pilot plant project development works

Pilot plant equipment delivery

Plant construction works

- The pilot plant is used not only on the pre-production stage but also for “polishing” the technology after Natalka mine is launched;
- The PP is used for plant workers’ training;
- Opportunity for commercial use of the PP as an R&D base of Russia’s Far East.
- Exact model of an industrial-scale ore processing plant;
- High reliability of results obtained in conditions identical to industrial;
- Flexible design allows to test various technological schemes for different ores

On **July 24, 2008** the Pilot Plant was launched.

On **May 07, 2009** the first gold bullion was produced at the Pilot Plant.

- Industrial testing in progress (ore milling parameters optimization, technology of sorption cyanidation of concentrates, etc.);
- In 1H2010 24 tonnes of ore were mined at the experimental pit. During testing works 11 thousand tonnes of ore were processed, 215 oz of associated gold was produced;
- Achieved recoveries in Aug-Sept 10: at gravitation stage – up to 60%; floatation – 50 – 85%, CIL – 88-95%, intensive cyanidation - 93-98%.
- In December 2010 general testing of the designed technological scheme was implemented; designed recovery achieved.

Permits received
Audit done

As of 21 December 2010 all the required permits have been received from all relevant governmental bodies, including:

- Ministry of natural resources of the Russian Federation;
- Rospotrebnadzor (Federal service on customer's rights protection);
- Rosrybolovstvo (Federal fishing authority);
- Glavgosexpertiza of Russia, Moscow
- Administration of Tenkinsky district of the Magadan region

The project was audited by a number of leading engineering companies:

- Micon – confirmation of an industrial-scale ore mining of ore with the average grade exceeding 2 g/t at 0.8 cut-off grade.

- SRK Consulting – audit of the project documentation, including analyses of data for the Feasibility Study preparation (recommendations made, when necessary, to implement additional research or other works required for the preparation of the Feasibility Study), as well as making recommendations on the project optimization.

- Hatch – audit of the project documentation and engineering survey results.

Stage parameters

Due to:
- Insufficient power generating facilities in the Magadan region;
- Insufficient power transmitting facilities.

In 2009 an amended development plan for the Natalka deposit was prepared by Polyus' specialists, which was approved by the BoD on 26 March 2009.

On 21 December 2010 the BoD decided to begin construction of the first stage and allocate the relevant budget.

Natalka development plan

- **Stage 1 approved by the BoD 21.12.10**

Stage 1(1) **2014-2071**

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

- **If approved by the BoD**

Stages 1&2 (2) **2014-2043**

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

- **If approved by the BoD**

All stages 2014-2039

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 provided the BoD decides not to go ahead with stage 2
(2) - Stages 1&2 data for 2014-2043 provided 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.

Natalka key parameters

	Plan reviewed by the BoD on **21 December 2010**
Resources/ Reserves	MI&I(1) 44.8 moz at an average grade of 2.01 g/t and 0.8 g/t (1 and 2 stages)
Capacity	10 mtpa in 2013 – 2015; 20 mtpa in 2016 – 2019 and 40 mtpa in 2020 – 2041
Life of Mine	2013-2071 (or 2043 or 2039)
Macroeconomic parameters	USD850 /oz, 28 RUB/USD, 0% inflation, 15% discount rate
CapEx	USD 1.1 bln – Stage 1
Production	Stage 1 – average 531 k oz in 2014-2071 at an average grade of 1.95 g/t (2.1 г/т in the first six years)
Recovery	85.4%
Conclusion	**BoD approved of the Stage 1 implementation**

(1) Preliminary results of the technical analyses done by Micon International Co. Ltd. The approval of new P&P reserves is expected in March 2011.

Decisions taken by the Board

On 21 December 2010 the Board of directors of OJSC Polyus Gold considered the Natalka development project and took a decision to commence construction of the mine at the deposit:

1. Commence the implementation of the first stage of the Natalka development project with the following parameters:

- Construction of the first stage is to be completed in Q4 of 2013, with the launch targeted on **15 Dec 2013**; the designed mining and processing capacity of 10 MTPA to be achieved in 2014;
- Gold production – 18.2 tonnes in 2014;
- The investment budget for the implementation of the first stage of the project: RUR 31.5 billion (ex VAT, in 2009 prices)

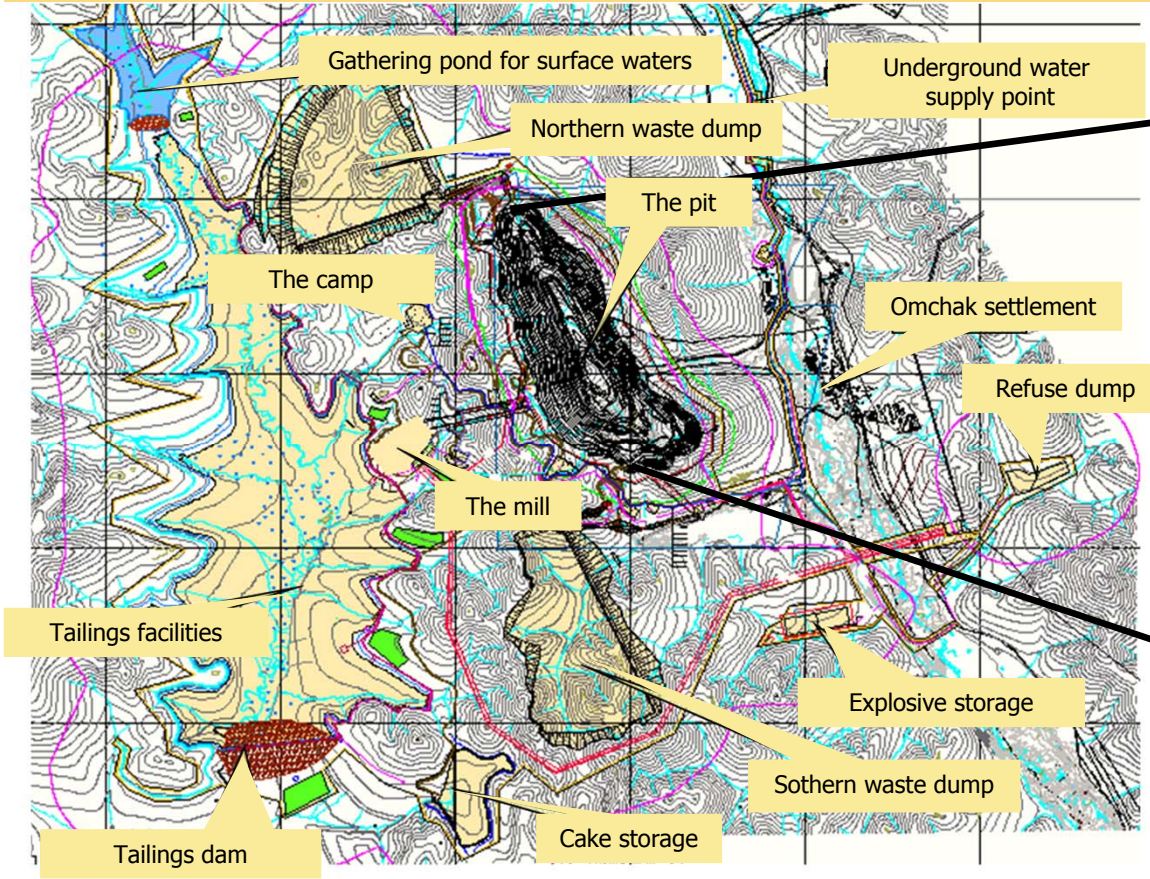
2. Allot RUR 1 billion (ex. VAT) on the implementation of pre-mining grade-control drilling in 2010-2012 to optimize the quality of ore to be supplied to the plant during the first years of operations.

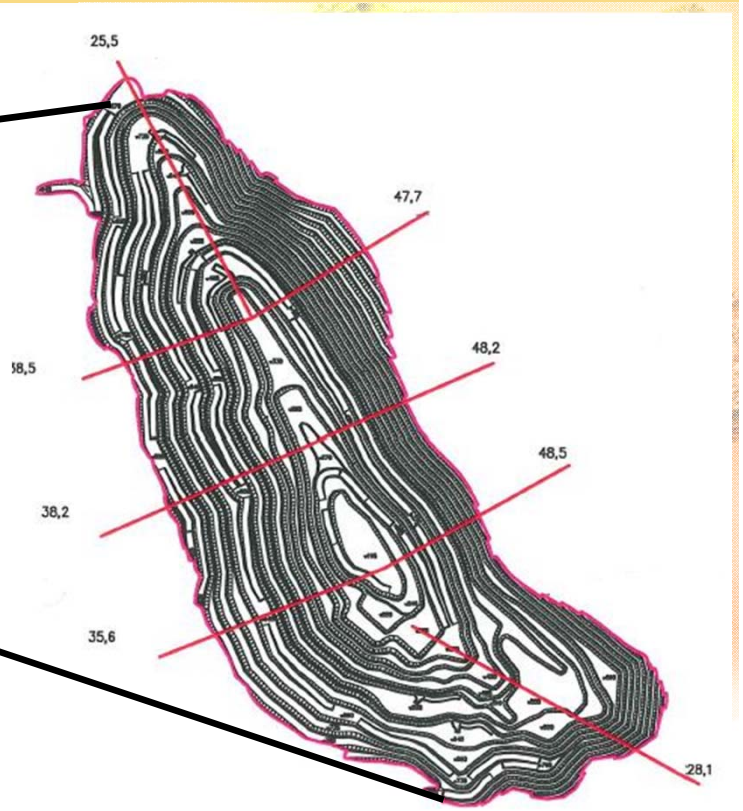
According to the approved Project, the construction of the mining complex at Natalka will consist of three stages:

1st stage	capacity 10 MTPA	-	2014;
2nd stage	capacity 20 MTPA	-	2016;
3rd stage	capacity 40 MTPA	-	2020.

Gold production at the capacity of 40 MTPA will amount to around 50 tonnes per year.

Infrastructure and technical parameters of the mining complex





- Area occupied by the facilities – 4,335.8 hectare
- Area of untouched lands located between the production sites – 3,442.2 hectare
- Total area of the site – 7,778.0 hectare
- Number of people to be employed (1 stage) – up to 2,500 people
- Pit parameters at the end of the LOM: length – 4,500 m, width – 1,500 m, depth – 650 m

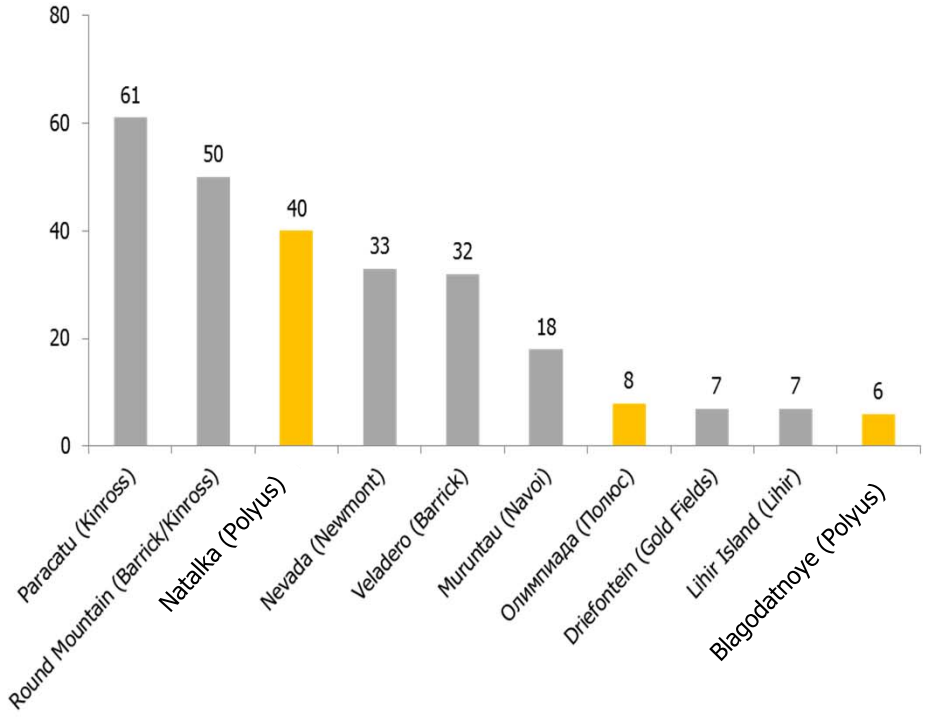
Ore processing solutions

- Technical solutions are based on the results of research carried out in 2008-2009.
- According to preliminary laboratory research, semi-industrial and industrial testing works, the achievable gold recovery rate is 85.35%.
- Full processing capacity of the plant — 40 mtpa;
- Gravity-floation ore processing technology implies extraction of primary, sulphide gravity and floatation concentrates. Extraction of gold is achieved through concentrate cyanidation, subsequent solution electrolysis and cathode sludge smelting;
- Main technological process stages:
    - Ore milling and primary gravitation;
    - Floatation and production of sulphide gravity concentrate;
    - CIL-process and intensive cyanidation of gravity concentrate;
    - Cyanide solution electrolysis, cathode sludge smelting;
    - Concentration and filtration of tailings;

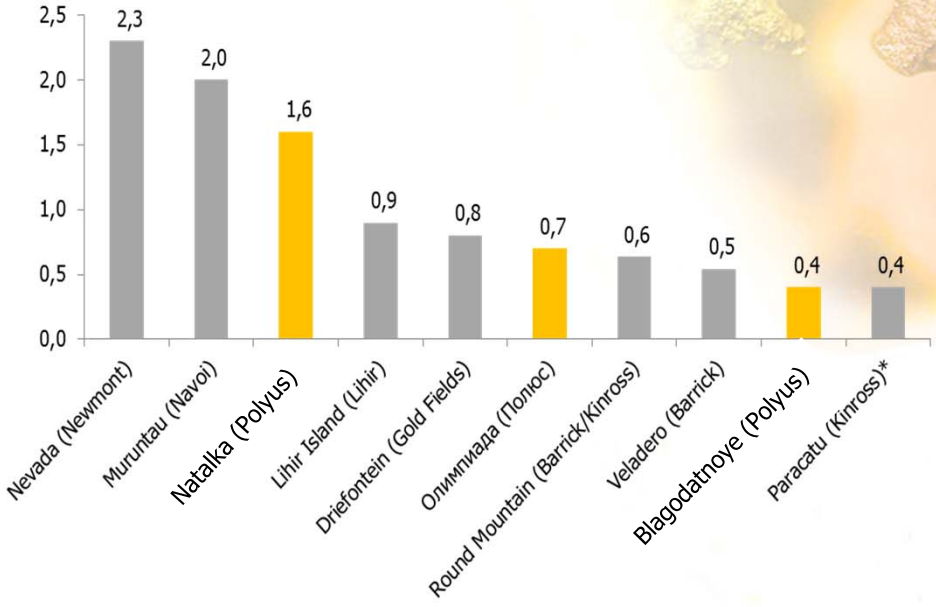
- Number of stages to be launched — 3: 10, 10 and 20 mtpa processing capacity (in 2014, 2016 and 2020 accordingly);
- Full capacity plant is designed to occupy 2 buildings with the processing capacity of 20 mtpa each. Each building will consist of 2 technological sections with 10 mtpa capacity;
- Operating regime — 340 days per annum, 24-hour shift;
- Final product — Dore gold;
- Main waste products— concentration (floatation) tailings and cyanidation tailings in the form of cake.

Global Top-10 gold mills and Natalka

Capacity, MTPA

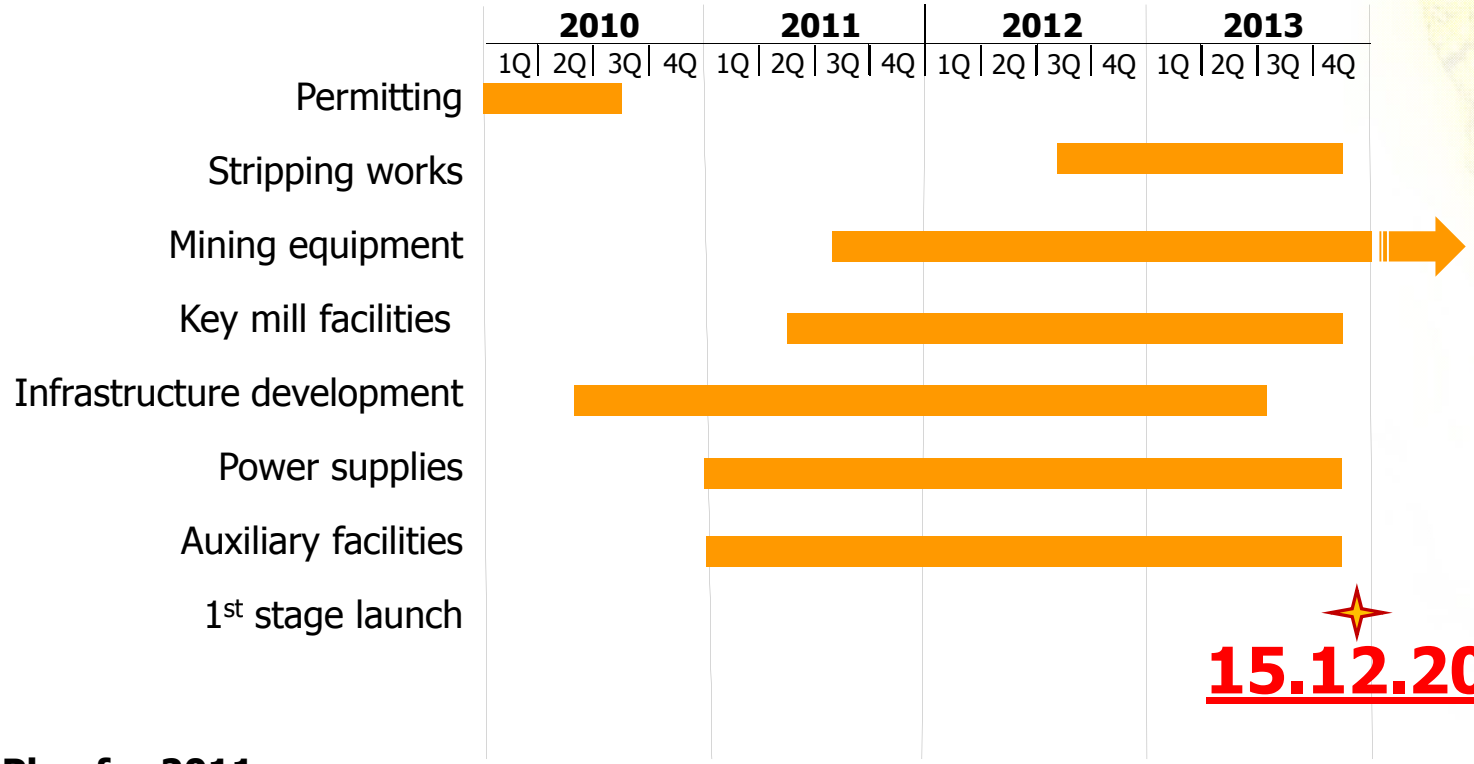


Gold production, m oz



* Gold equivalent production

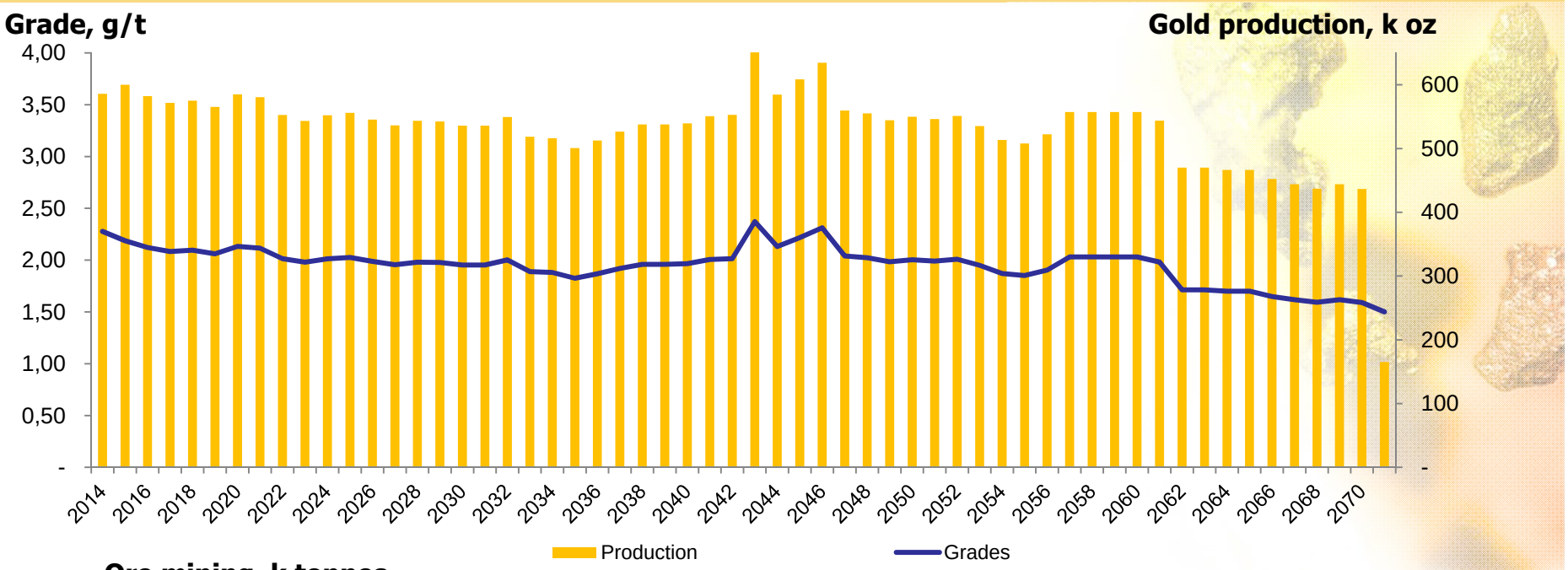
1st stage construction schedule

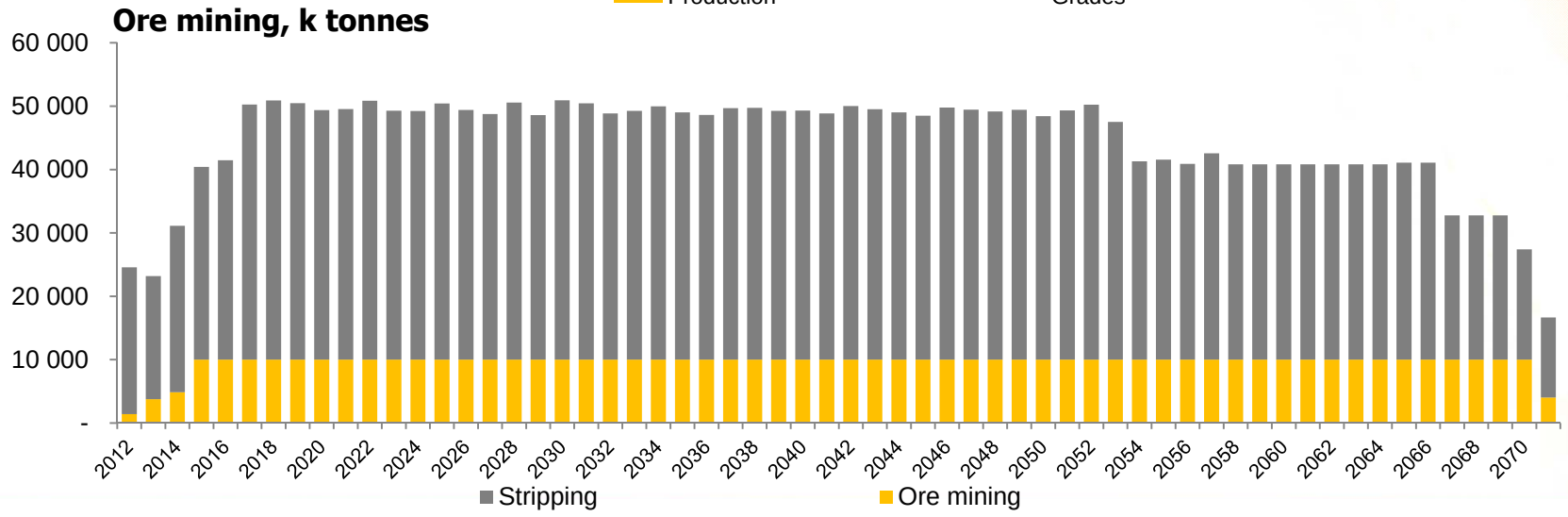


Plan for 2011:

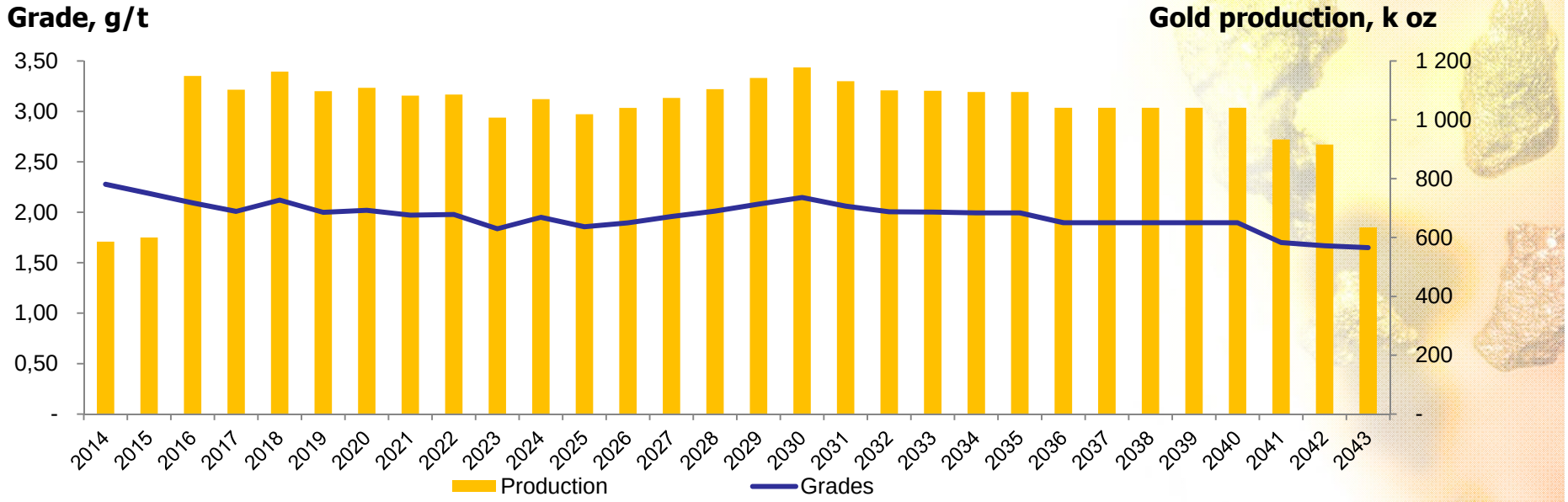
- Implementation of detailed engineering works;
- Contracting of equipment of long production cycle (including mining equipment);
- Vertical planning of the construction sites, construction of on-site roads (including the bridge over Omchak river);
- Commencement of the construction of tailings facilities and tailing dams;
- Construction of power facilities (water supply point, the boiler, transmissions lines and substations), development of the auxiliary facilities – storage areas, the camp;
- Contracting for construction and mounting works in 2012.

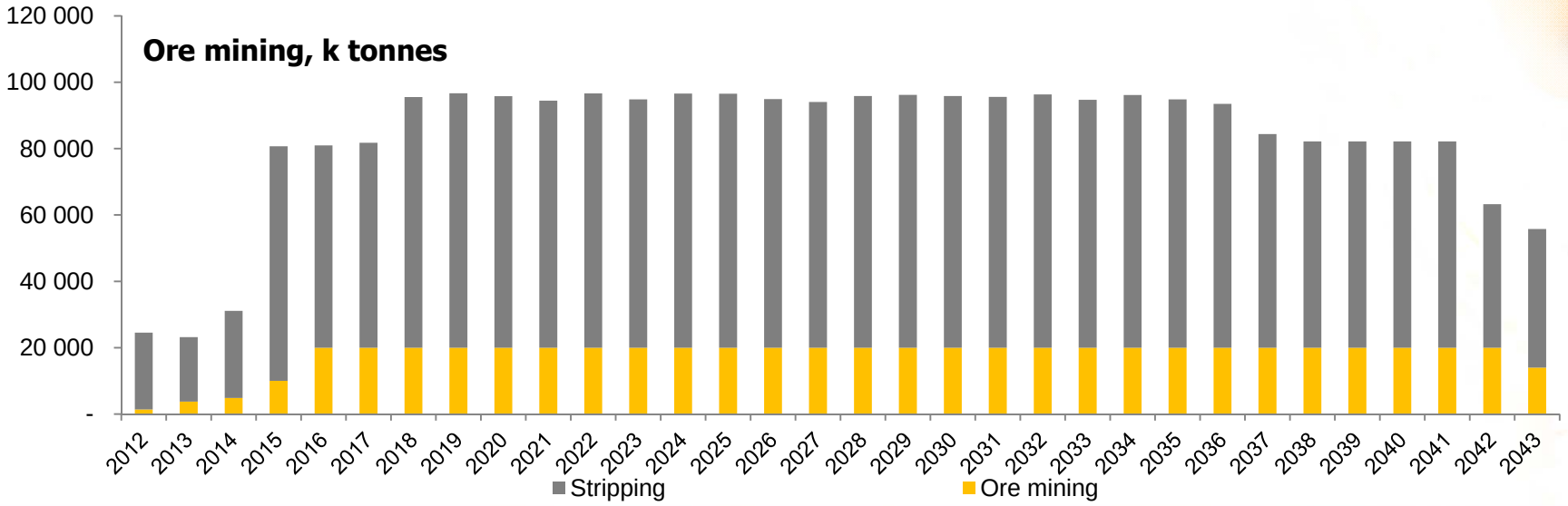
Ore mining and gold production (1st stage)



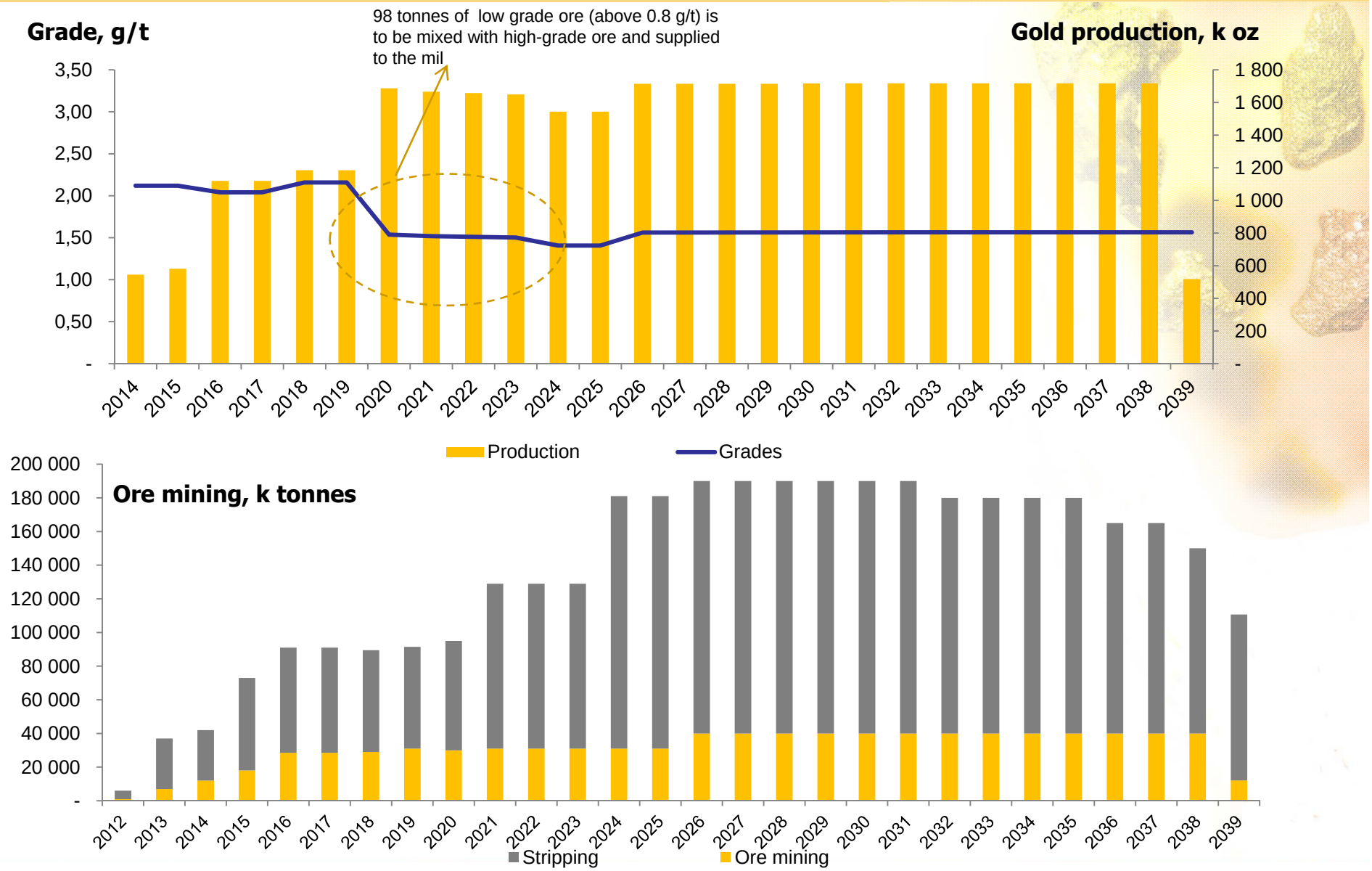


Ore mining and gold production (1 and 2nd stages)





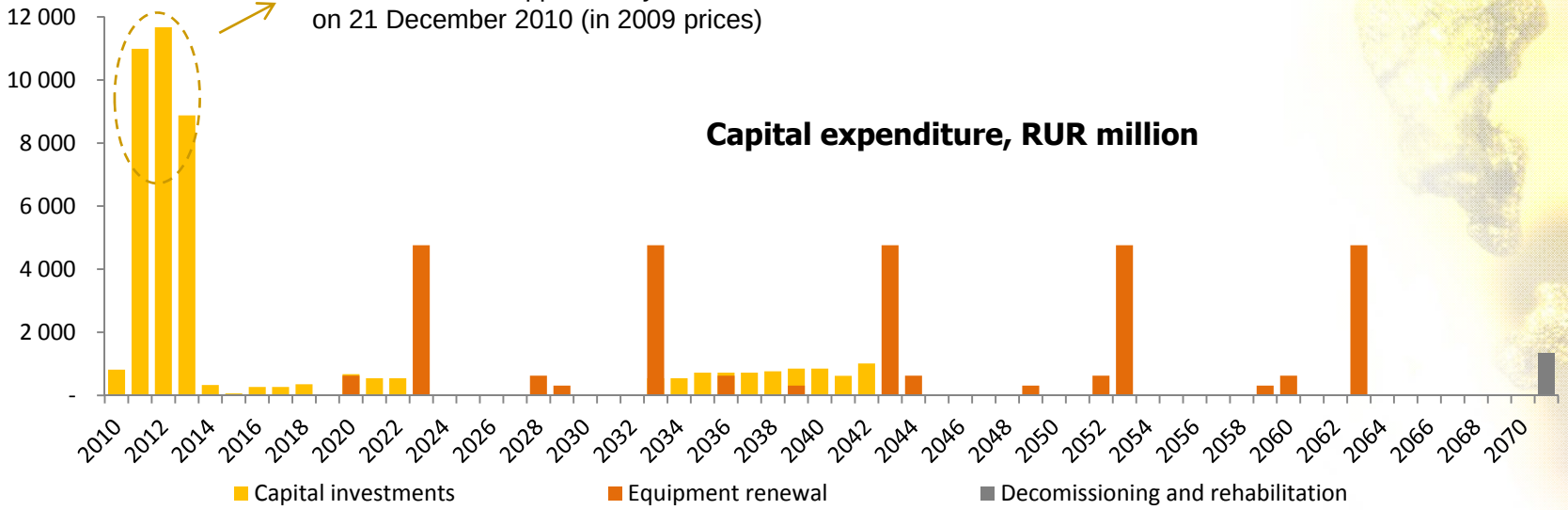
Ore mining and gold production (all stages)



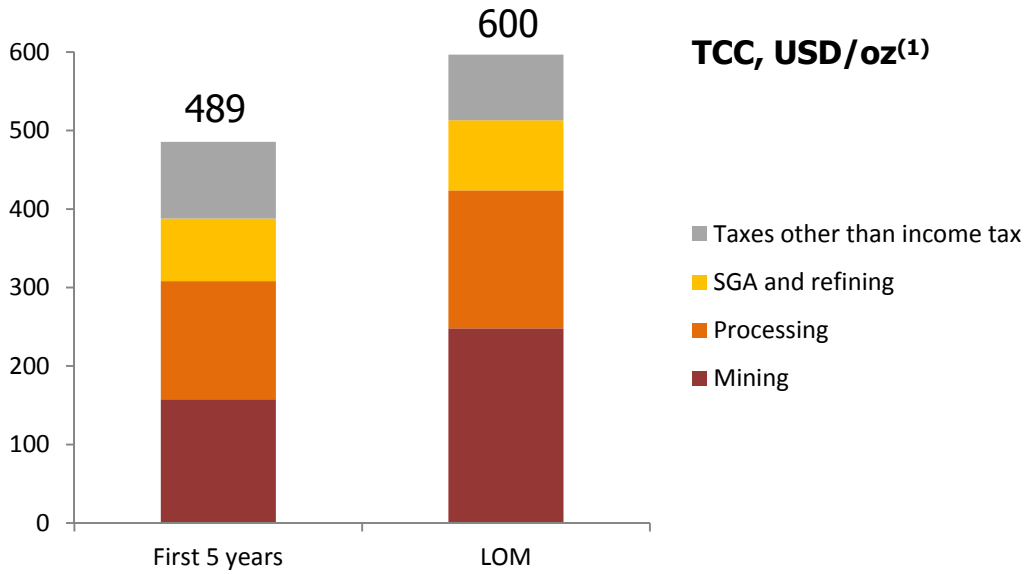
Capital and operating costs (1 stage)

RUR 31.5 billion approved by the Board on 21 December 2010 (in 2009 prices)

Capital expenditure, RUR million

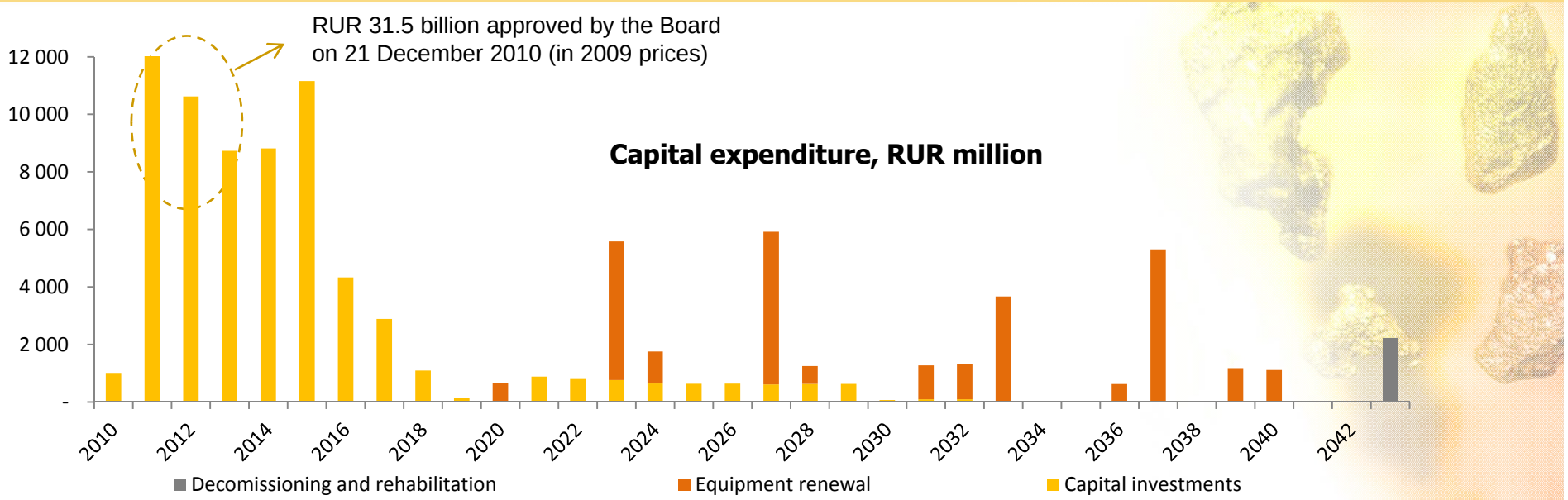


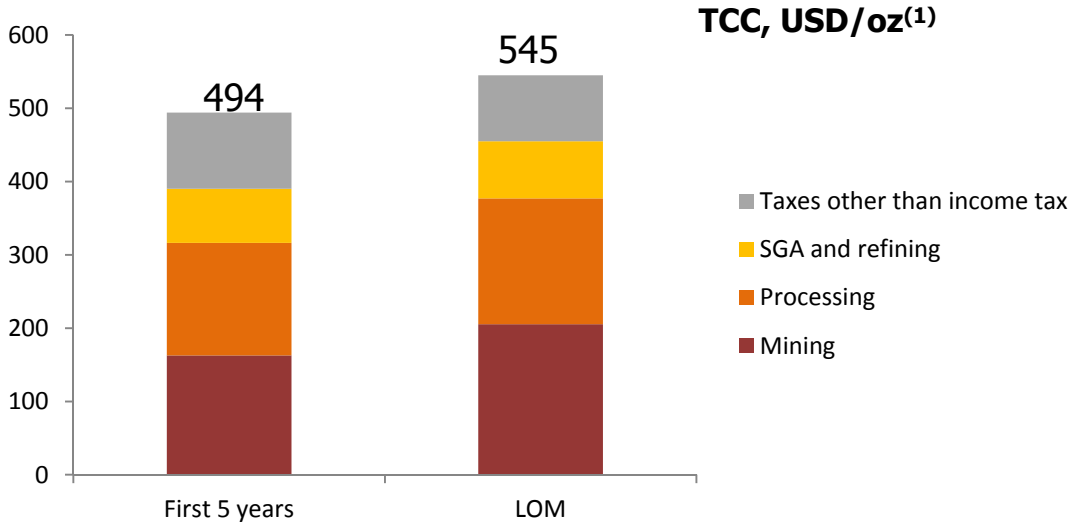
TCC, USD/oz(1)



(1) Calculated using the following macroeconomic parameters: gold price 850 USD/oz., exchange rate: 28 RUR/USD., discount rate– 15%, 0 inflation

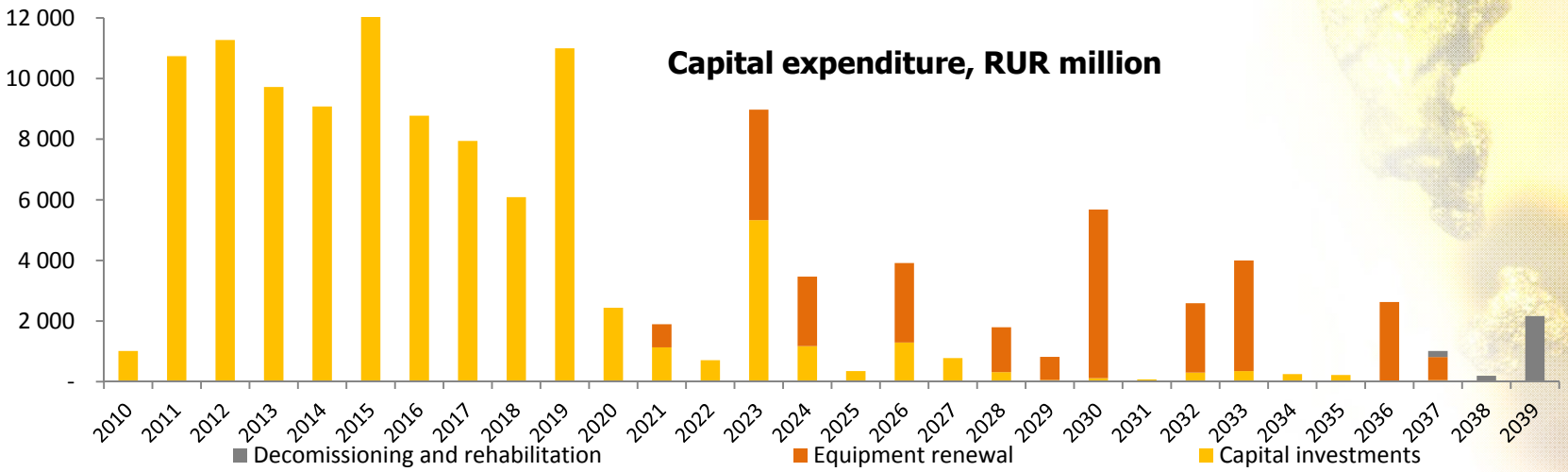
Capital and operating costs (stages 1 and 2)

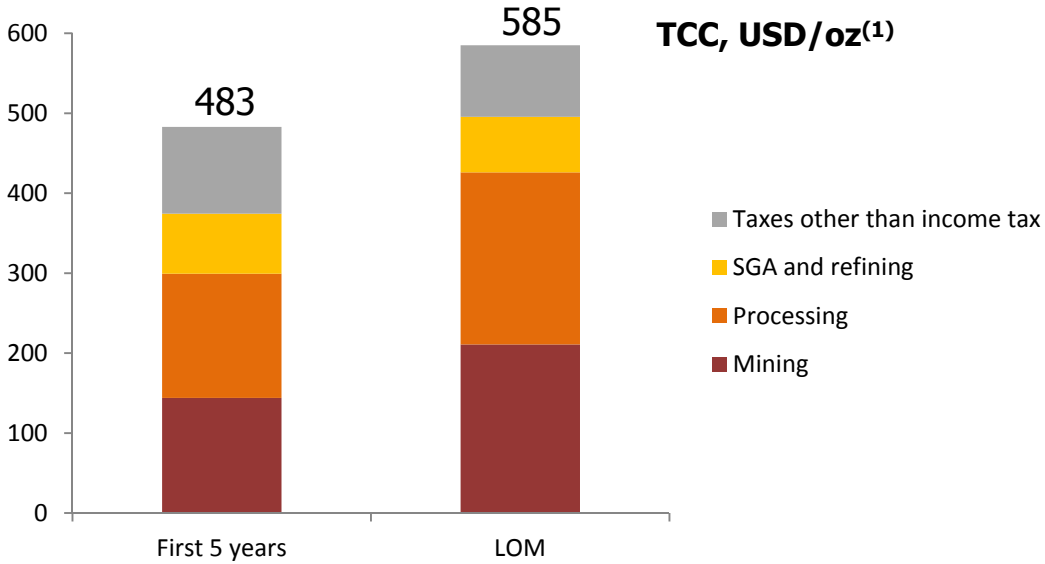




(1) Calculated using the following macroeconomic parameters: gold price 850 USD/oz., exchange rate: 28 RUR/USD., discount rate– 15%, 0 inflation

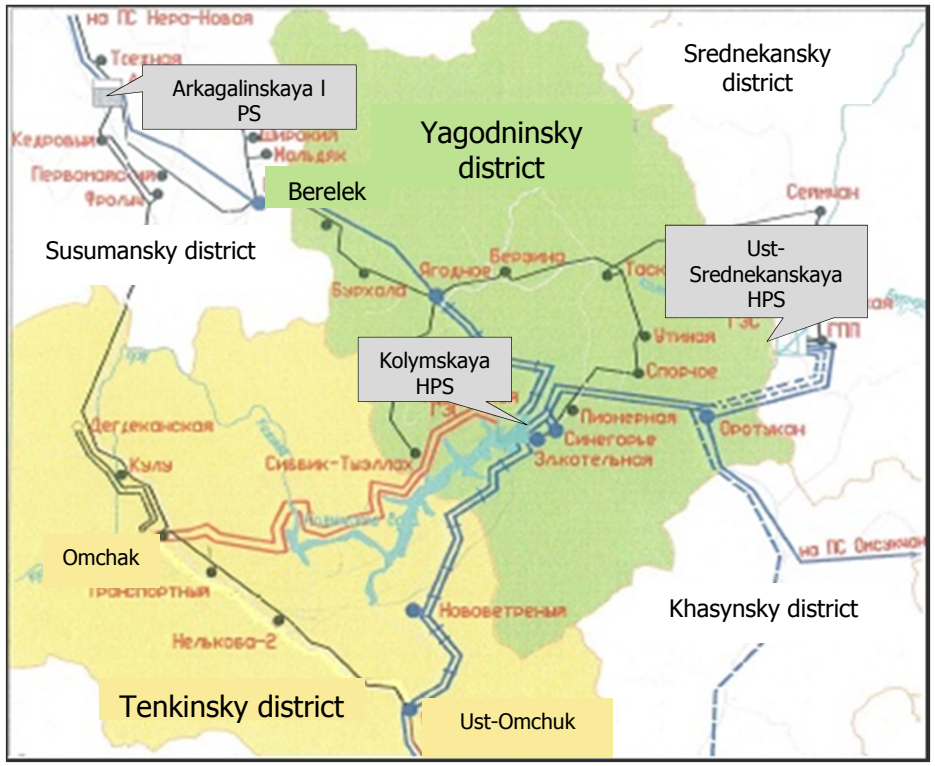
Capital and operating costs (all stages)





(1) Calculated using the following macroeconomic parameters: gold price 850 USD/oz., exchange rate: 28 RUR/USD., discount rate– 15%, 0 inflation

Power supply



- At the first stage of the project, power will be supplied from the existing generating facilities (Kolymskaya HP station – RusHydro) using existing transmission lines – 110 kV Ust-Omchug-Omchak and Berelek - Omchak (Magadanenergo – RAO Energy Systems of the East). Current tariff: RUR 2.92/kWh
- There is no sufficient power generating capacities a 20 MTPA mill, additional facilities required (Ust-Srednekanskaya HP Station – RusHydro)
- Today RusHydro's power tariff is 0.38 RUR/kWh. There is an project reserve that in the long-run agreements settlement a fixed power tariffs will be defined taking into account that at 40 MTPA Natalka will purchase 50% of total power generation of Ust-Srednekanskaya HP station;
- The LOM power consumption: 1st stage: – 31.4 billion kWh; 2nd stage – 36.6 billion kWh, 3rd stage – 46.0 billion kWh.

Power consumption in 2010 - 2022

Consumption, mln.kWt*h	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Stage 1	-	-	1	2	376	376	376	483	483	483	483	483	483
Stage 2	-	2	2	2	377	377	832	832	1018	1062	1080	1094	1095
Stage 3	-	-	1	2	377	377	832	832	1018	1062	1817	1831	1832

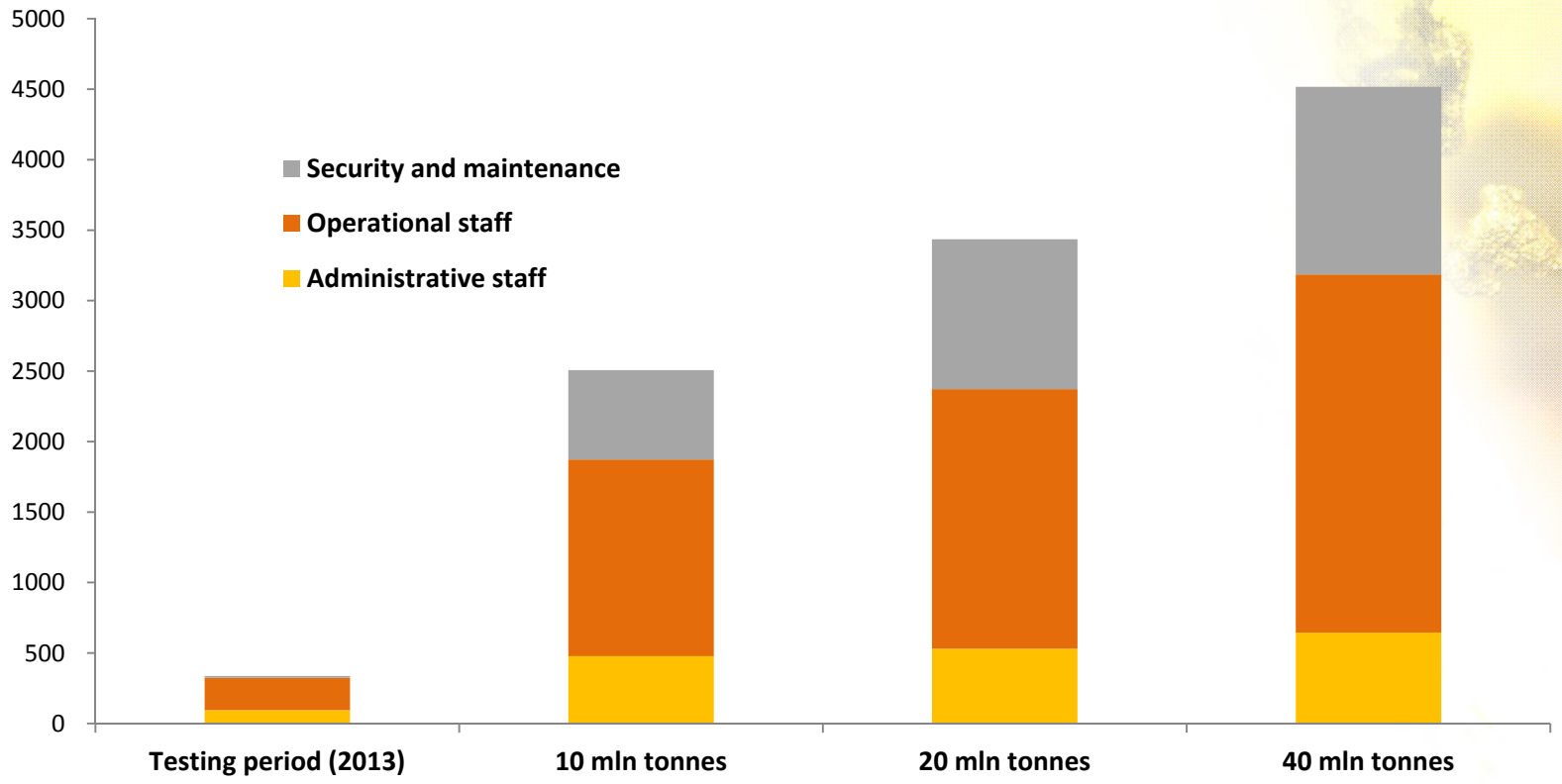
Project transport logistics

Year-round sea port with an annual projected freight turnover of 2 mln tonnes and actual turnover ~ 750 k tonnes. Natalka at the construction stage, as estimated, will require less than 500 k tonnes per year.

410 km road from Magadan to Natalka. Upgrade and improvement is implemented within the Federal Special Purpose Program.

Magadan airport has regular connections with other Russian cities

Number of employees (all stages)



The construction decision taken by the Board is an important step forward in the company's growth strategy implementation:

- 1st stage launch target confirmed - **end of 2013**;
- Upon the completion of the Natalka mine construction Polyus is to become one of the largest companies globally with 100% revenues from gold sales(1), creating a new unique opportunity for investing in a pure "gold asset";
- In 2014 Natalka will add **46%** to Polyus' production in 2009; and at the capacity of 40 MTPA, the average LOM annual production will give a **2.2-fold** increase to Polyus' 2009 gold output;
- In 2014 Natalka is expected to produce 18.2 tonnes of the metal, which accounts for almost **9% of the current Russian gold production**, and at the capacity of 40 MTPA the average LOM annual production will amount to 45.8 tonnes of the metal - **22% of the current Russian production**;
- During the first five years of the operations of the 1st stage the company's tax payments to the budgets of various levels is expected to range between **RUR 16 billion to RUR 37 billion**(2);

(1) Ex M&A and not taking into considerations new projects to be launched in the coming years by competitors;
(2) Calculated using the following parameters: gold price of USD 850 /oz., exchange rate– 28 RUR/USD., discount rate– 15%, 0 inflation