



WE KNOW THE WORTH OF GOLD

Polyus Gold

UBS Annual Investment Conference, Moscow, October 29-30

# Overview: Key Operations



Operating mines

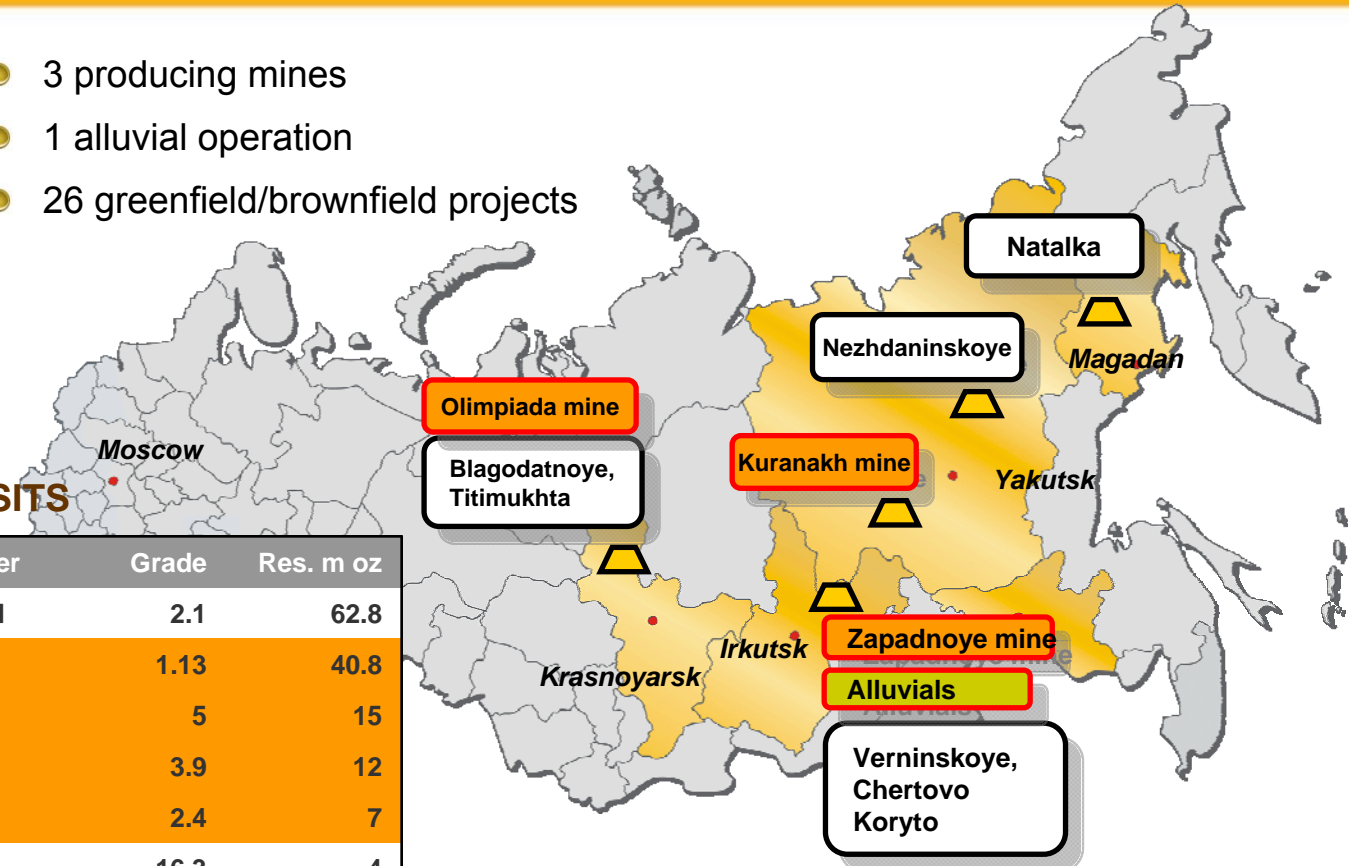
Alluvial operations

Greenfield/Brownfield Projects

- 3 producing mines
- 1 alluvial operation
- 26 greenfield/brownfield projects

## 6 OUT OF RUSSIA'S 10 LARGEST GOLD DEPOSITS

#	Deposit	Owner	Grade	Res. m oz
1	Sukhoi Log	State owned	2.1	62.8
2	Natalka	Polyus Gold	1.13	40.8
3	Nezhdaninskoye	Polyus Gold	5	15
4	Olimpiada	Polyus Gold	3.9	12
5	Blagodatnoe	Polyus Gold	2.4	7
6	Mayskoe	Highland Gold	16.3	4
7	Kyutchus	Polyus Gold	9.8	4
8	Kupol	Bema Gold	16.9	3.8
9	Kuranakh	Polyus Gold	1.7	3.5
10	Pioneer	PHM	1.4	3



# 1H2008 financials: The major factors influencing 1H2008 financial results



## Exceeding earlier provided guidelines and estimates

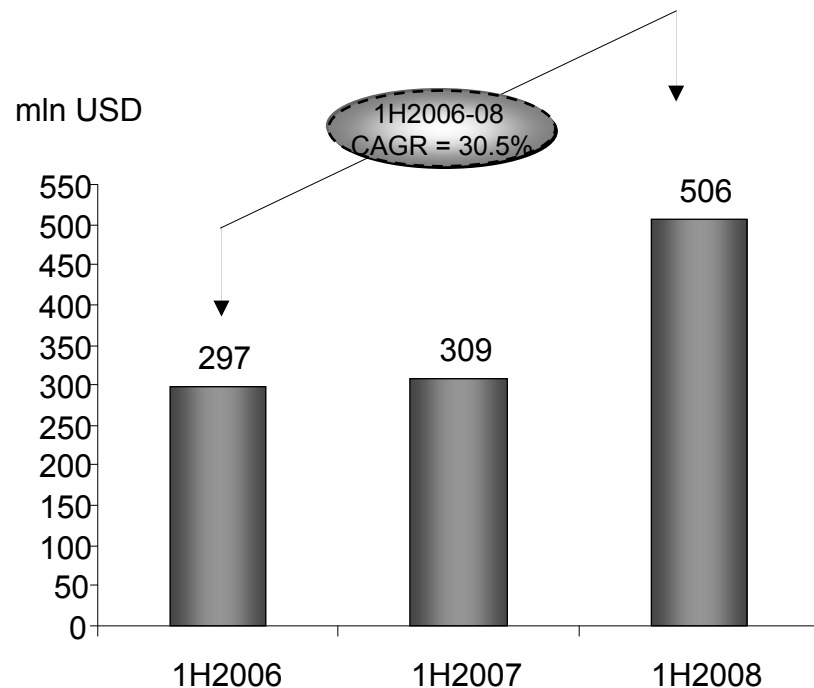
- Considerable growth of production by 18.9%;
- Increase in the average gold selling price for the 1H2008 by 9.9%;
- Higher mining tax and income tax as a result of increase in sales;
- Planned increase in overburden operations not related to the extraction of ore, namely excessive stripping, as a result of extensive development of lower grade sulfide ore Olympiada mine;
- Strengthening of Russian Rouble in relation to US Dollar by 8.3% for the period ended 30 June 2008 compared to the 1H2007 (1H2008 average – 23.94; 1H2007 average – 26.08);
- Increase of material and fuel expenses exceeded inflation. Oil prices climbed up 64.5%, steel – 42.1% compared to the 1H2007.



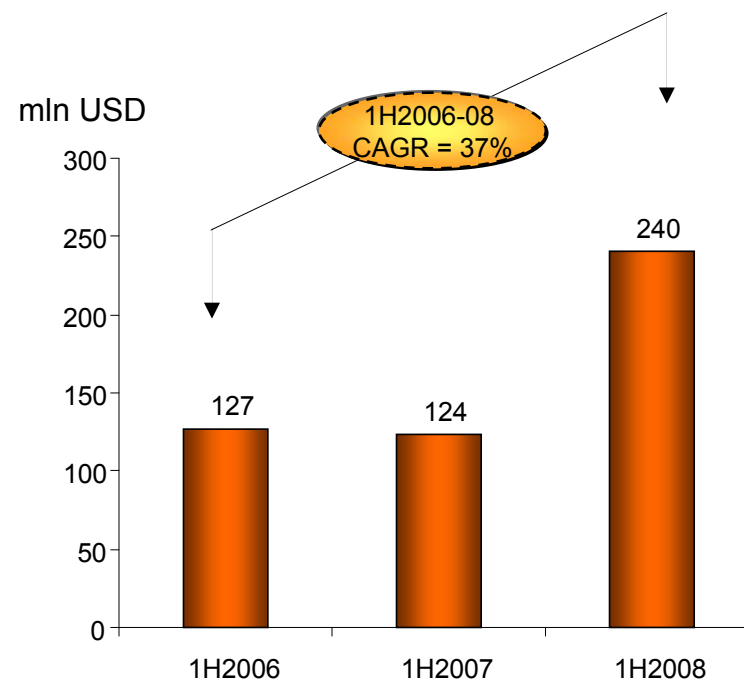
# 1H2008 financials: Revenue and EBITDA reached their historical maximum



- Sales increased 63.5% compared to 1H2007, showing 2-year CAGR of 30.5%.



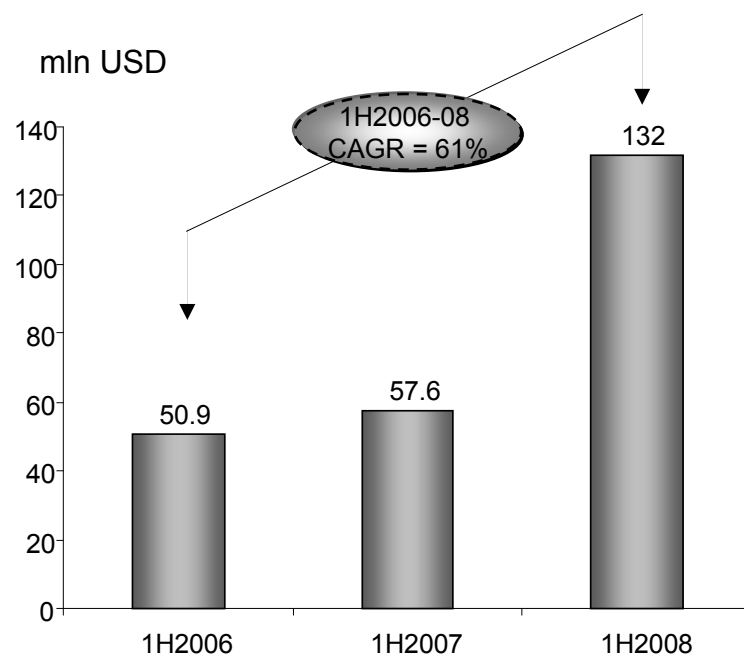
- 1H2008 EBITDA were USD 240 million, an increase of 93.5% from 1H2007 and 37% 2-year CAGR.



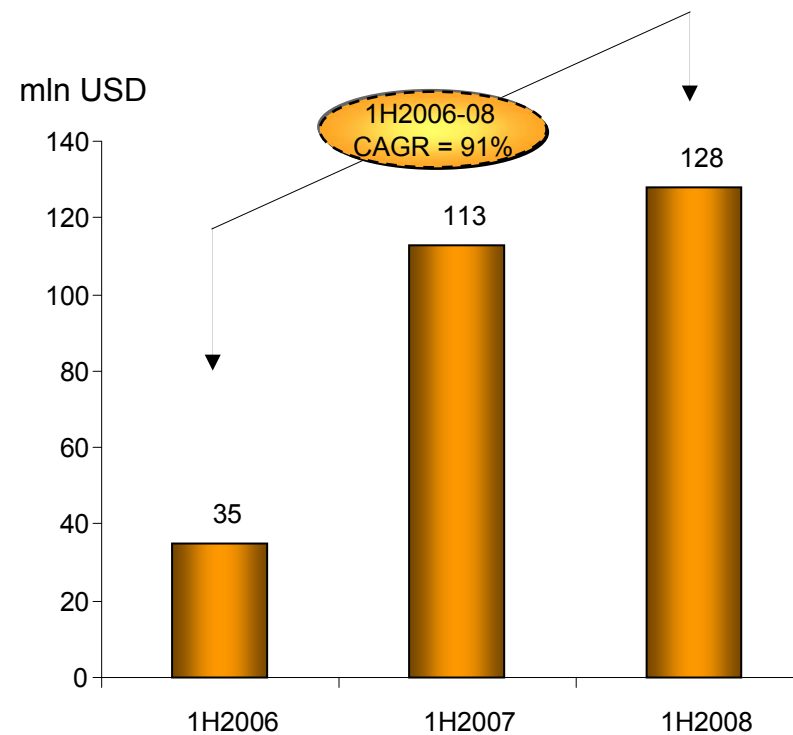
# 1H2008 financials: 91% 2-year CAGR in operating cash flow



- **Net income\*** of the group increased by 29% compared to 1H2007 showing 2-year CAGR of 61%



- 91% 2-year CAGR in operating cash flow

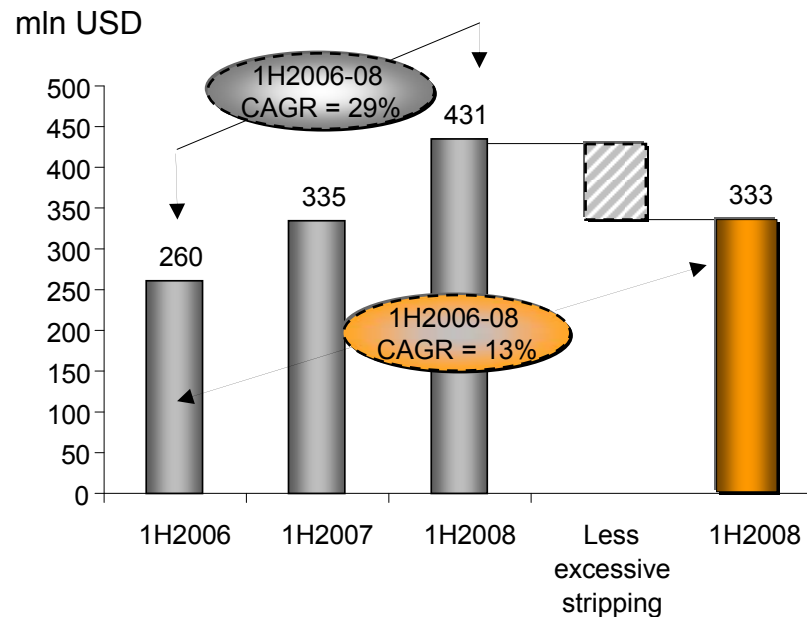


# 1H2008 financials: Expenses – one of the lowest TCC but extensive Capex

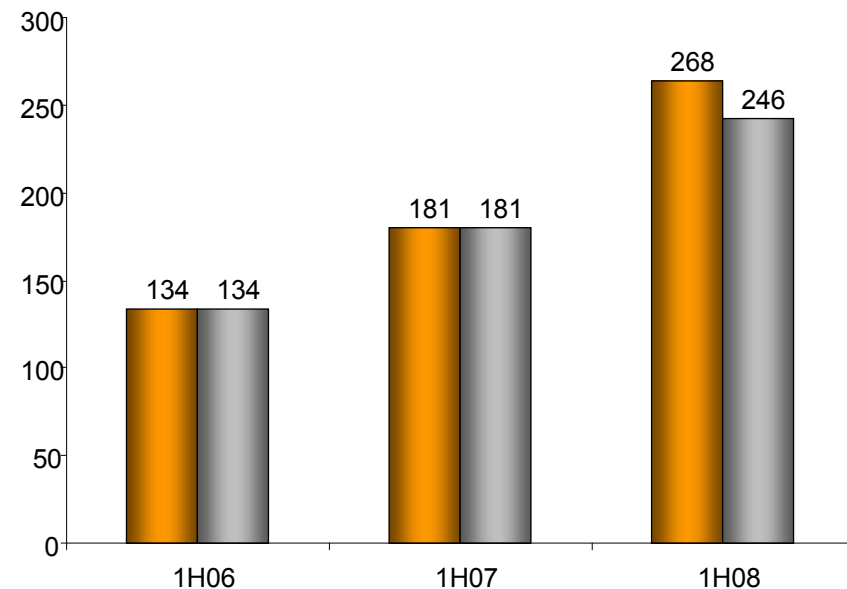


- 1H2008 IFRS based TCC equal to 431 USD/ounce. Excessive stripping-adjusted TCC = 333 USD/ounce. 13-29% TCC growth lower than CAGR in Revenue and EBITDA

- Extensive Capex program brings operations closer to the date



mIn USD



Excessive stripping works of USD 54.6 million which are included in COS in 1H2008 results, but we continue to analyze the options to capitalize such costs in future. Excessive stripping gives additional 98 USD/ounce in TCC calculations.

Capex, including M&A  
Capex, excluding M&A



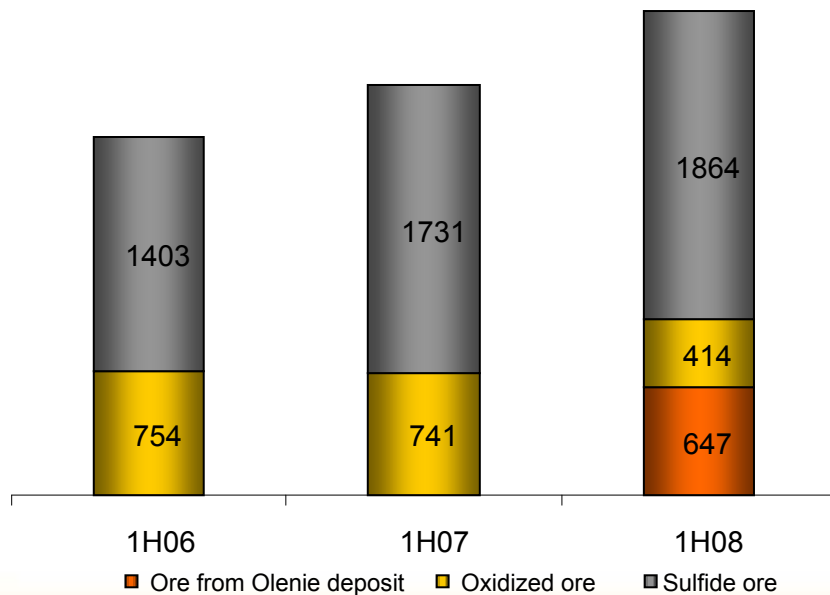
# 1H2008 financials: TCC growth analysis (example of Olimpiada mine)



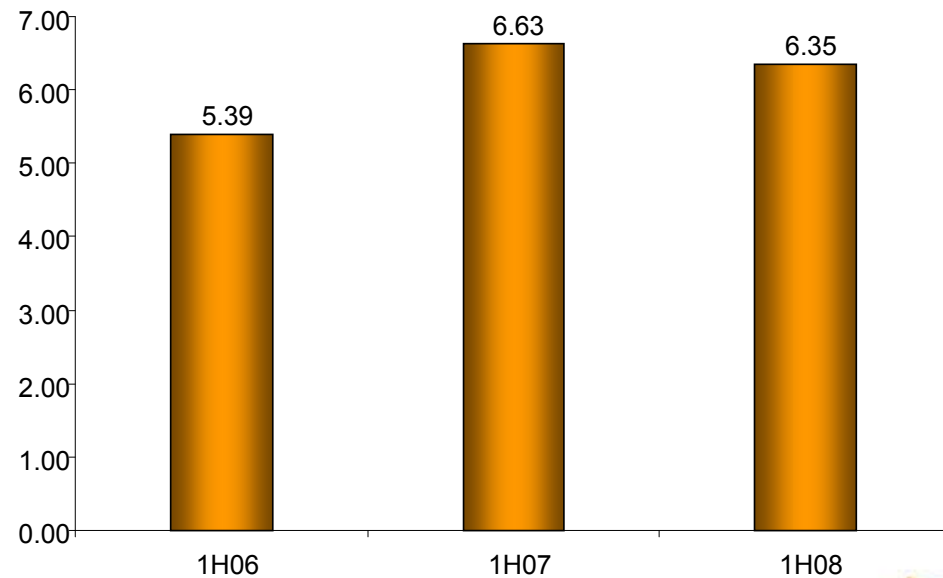
- 1H2006-1H08 Olimpiada TCC growth is a result of switching to solid sulfide ore

- 1H2006-1H2008 required ore processed for a production of 1 ounce of gold

k tonnes of ore processed



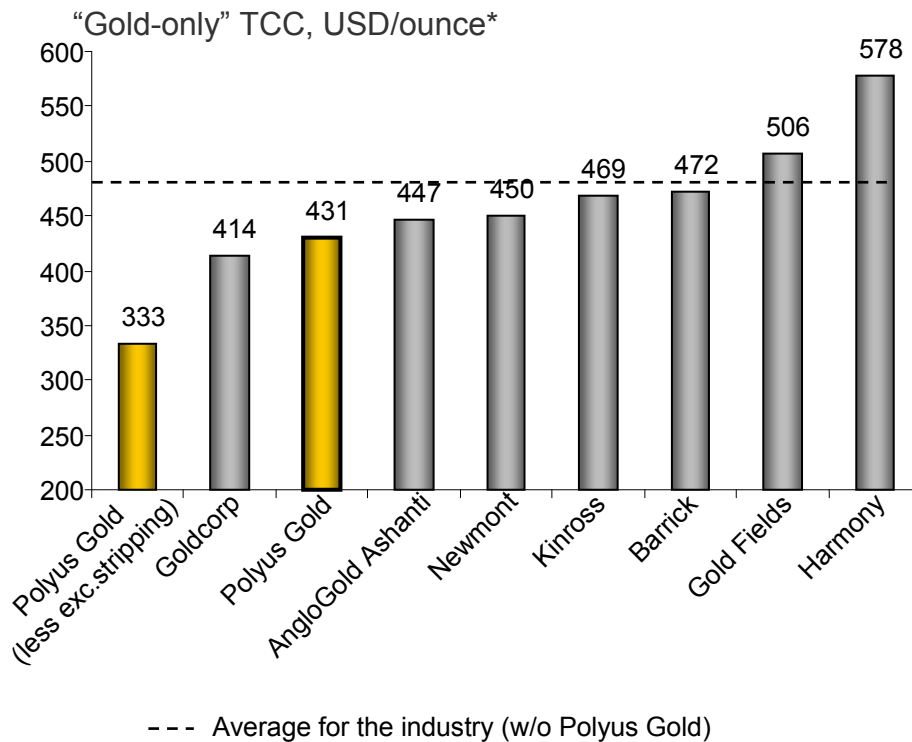
Tonnes of ore required



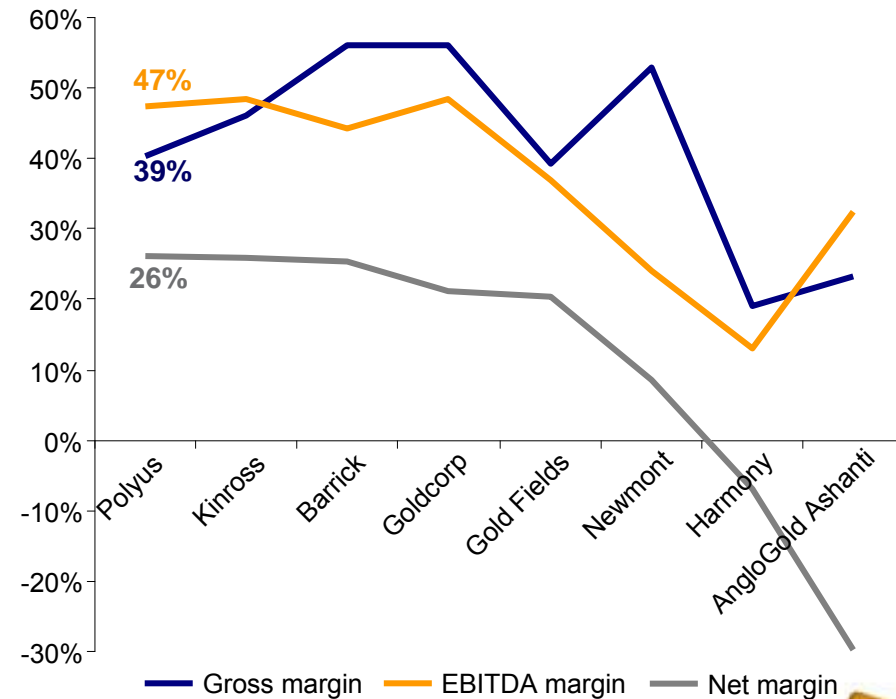
# 1H2008 financials: Comparison with peers



- Polyus Gold TCC lower than average “Gold-only” TCCs (477 USD/ounce)



- One of the best companies in the sector in terms of profitability\*\*





# Projects update: Blagodatnoe



## Highlights of the feasibility study

- Mine life 2010-2026
- Reserves 8.0 m oz
- Mill capacity 6 mtpa
- Recovery 88.6%
- Ave annual gold production 412 k oz
- Capex (ex VAT) \$390.2 million
- Average TCC till 2026 244 US\$/oz

**Dated August 08. Mill construction at Blagodatnoye**



## 2008 CAPEX update

- Mill construction: construction of all workshops began (main building, crushing plant, hydrometallurgy house, weigh house, chemicals storage etc.);
- Tailings facilities: site for tailings dam and drainage facilities prepared;
- Mining equipment supply in progress;
- Camp for 987 workers and canteen for 200 people: construction completed;
- Coal power plant construction began (in-house coal open pit hedges electricity price growth in Krasnoyarsk region);
- Water pipe laying;
- Power grid and roads constructed;
- **35% of budgeted investment spent.**
- **Located in Severo-Yeniseisk district of Krasnoyarsk Region, 26 km to the North of Olimpiada mine**
- **Balance reserves – 7.2 m oz (result of in-house exploration), grade – 2.44 g/t**



# Projects update: Titimukhta



## Highlights of the feasibility study

- Mine life 2009 – 2021
- P&P reserves 2.2 m oz at 3.3 g/t
- Mill capacity 2.2 mtpa
- Recovery 88%
- Ave annual gold production 170 k oz
- Capex (ex VAT) US\$ 98.7 mln
- Average TCC 260 US\$/oz

- Located 9 km to Olimpiada mine
- P&P: 2.2 m oz at 3.3 g/t
- Ore to be processed at Mill-1 of Olimpiada mine, providing feed to the plant after oxide ores of Olimpiada deposit are depleted;



10 Dated August 08. Crushing unit at Titimukhta



Dated August 08. Transforming station construction

## 2008 CAPEX update:

- Mill-1 reconstruction commenced;
- Crushing complex construction in progress;
- Mining began;
- Power grid constructed;
- Road to Olimpiada constructed;
- Equipment ordering, several units delivered;
- **48% of budgeted investment spent.**



# Projects update: Verninskoe



## Highlights of the feasibility study

- **Mine life** 2010 - 2024
- **Mill project capacity** 2.2 mtpa
- **Expected production** 218 K oz/year
- **Estimated CapEx** US\$212m
- **Mine launch** 2010
- **Average TCC** 253 US\$/oz
- Located in proximity to Polyus Gold's Zapadnoe mine.
- P&P reserves - 1.7 m oz, additional exploration underway

## 2008 CAPEX update:

- Mining started;
- Mill construction in progress;
- Camp and accommodation facilities constructions underway;
- Core mining and transport equipment acquired;
- Plant equipment ordering underway;
- Boiler-house assembling to begin;
- Road construction began;
- Tailings facilities preparation in progress;
- **32% of budgeted investment spent.**

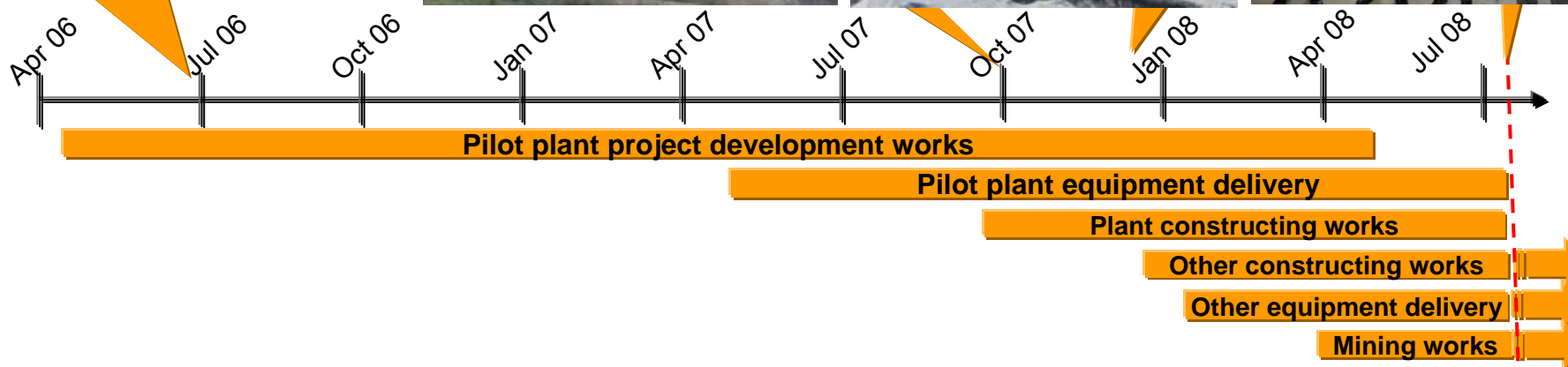


# Projects update: Nataalka. Pilot plant



To minimize metal risks and to speed up the achievement of target parameters Polyus Gold management decided to construct a 120-130 ktpa pilot plant.

**July 24, 2008:  
The pilot plant  
launched**



# Projects update: Nataalka. Pilot plant



## Large scale of Nataalka project coupled with low grades require extreme accuracy in technology

- Exact model of an industrial-scale ore processing plant;
- High reliability of results obtained in conditions identical to industrial;
- Flexible design allows to use the PP to test various technological schemes for various types of ore;
- Professional equipment of world's leading producers include: Falcon Concentrators, high speed floatation machines of Metso minerals, fine grinding mills of XSTRATA technology, intensive cyaniding machine ILR of Gekko Systems and other.



### “Killing several hares”:

- The pilot plant will be used not only on the pre-production stage but also for “polishing” the technology after Nataalka mine is launched, in order to maximize the efficiency;
- The PP will be used for other projects of the company;
- The PP will be used for plant workers’ training;
- To test new equipment;
- Opportunity for commercial use of the PP in future, as an R&D base of Russia’s Far East

# Projects update: Chertovo Koryto – 2008 geological discovery

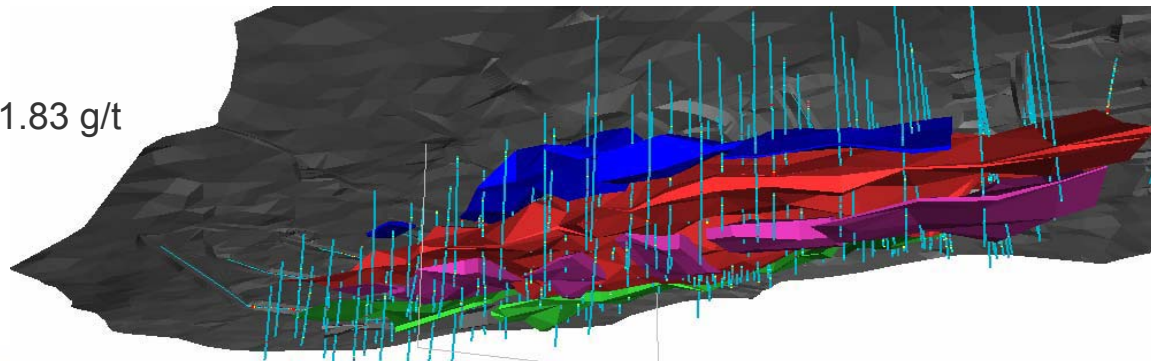


- Located in Irkutsk region, 185km from Bodaibo;
- Licence acquired in 2004, exploration began in 2005;
- 2007 – exploration programme completed, reserves increased from 330 k oz (Russian C2) to 2.6 m oz (JORC, P&P);
- During the exploration campaign 29,777 m drilled in 210 holes;
- April 08 – scoping study and reserves calculation approved by GKZ (State reserves committee);
- March 08 – JORC audit completed
- P&P reserves (JORC) – 2.6 m oz at 1.83 g/t

## Chertovo Koryto deposit: a part of Artemievo ore field

### Artemievo ore field:

- 3 exploration licenses: Zheltuktinskaya, Kevaktinskaya and Illigirskaya areas, adjacent to Chertovo Koryto deposit
- Estimated exploration potential 1.6 m oz of gold;
- Exploration works to be done in 2007 - 2010



Distribution of the mineralized zone of Chertovo Koryto (Micon's report)

# Deal with KazakhGold: KazakhGold - basic information



- ✓ KazakhGold is the largest mining market player in Kazakhstan. The company includes 3 mining factories (producing mines **Aksu**, **Bestobe** and **Zholymbet**) and more than 10 exploration projects.
- ✓ KazakhGold owns some assets in Eastern Kazakhstan, Romania, Kyrgyzstan and Turkey.
- ✓ 232 k oz of gold mined in 2007 (more than 7 t), or 27% of total gold mined in Kazakhstan.
- ✓ Reserves (B + C1) – 12.2 mln oz (378 t)  
Resources (C2 + P1) – 34.9 mln oz (1084 t)  
JORC mineral resources base, according to  
Wardell Armstrong audit: MI&I – 15 mln oz (468 t),  
Unclassified – 10.5 mln oz (328 t), or approx. 70% of  
Kazakhstan gold mineral resources base.
- ✓ **1H 2008 financial results:**  
Revenues – US\$66.44 mln  
Net profit – US\$2.94 mln
- ✓ In 2007, KazakhGold management structure changed, production section was headed by the internationally experienced ex-employees of Oxus Gold.
- ✓ Capitalization (as of 22/09/08) – US\$551 mln
- ✓ Listing on the London Stock Exchange.



# Deal with KazakhGold: Overview



- ✓ With acquisition of KazakhGold, a mining leader of Kazakhstan, Polyus Gold gets an opportunity to create additional value for its shareholders, increase its mineral resources base;
- ✓ The Company uniting two regional leaders, №1 in Russia and №1 in Kazakhstan, will be geographically balanced concerning mining, P&P reserves and MI&I resources allocation;
- ✓ Combination of unique Russian and Kazakh assets and application of united production team experience;
- ✓ Additional advantages of unification: the possibility to apply Polyus Gold experience in bio-oxidation at Kazakh mines and diversification of production, administrative and mining risks.





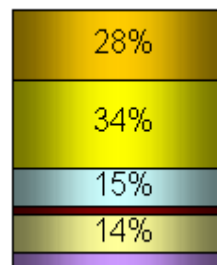
# Current macroeconomic situation



2 new macroeconomic scenarios were presented by the Center for Macroeconomic Analysis and Short-term Forecasting:

	Soft landing			Hard landing		
	2009	2010	2011	2009	2010	2011
<b>Gold price (consensus-forecast)</b>	930	900	860	930	900	860
<b>RUR/ USD exchange rate</b>	24.9	24.2	23.6	27.0	27.5	28.4
<b>Industrial inflation, %</b>	14.7	7.5	7.6	13.4	9.1	6.0
<b>Oil price (Urals)</b>	109	114	120	80	84	88

## Cost breakdown by material components 1H2008



- Materials and spares
- Payroll
- Fuel
- Power
- Tax on mining
- Other

## Positive influence:

- Increasing RUR/ USD exchange rate;
- Better gold price forecast;
- Decreasing fuel and labor expenses;



# Conclusion



- The company shows record financials. Revenue and EBITDA, as well as profitability are on historically high levels;
- Polyus Gold continues to be one of the most profitable gold producers in the World;
- The Company successfully meets all the targets previously declared;
- Polyus is prepared for crisis times as it has strong cash position and stable cash flow projections which are based on gold price forecasts;
- Increasing RUR/USD exchange rate, as well as decreasing fuel, material and labor costs lead to more favorable market conditions for the company.

