



POLYMETAL

Analyst Workshop
July 14, 2009

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CEO





Polymetal – key facts

2008 Production

GOLD 285 Koz (+18% Y-o-Y)
SILVER 17.2 Moz (+8% Y-o-Y)

'08 Cash Costs⁽¹⁾

GOLD 472 US\$/oz
SILVER 8.0 US\$/oz

'08 Adj EBITDA⁽²⁾

US\$ 193m

Reserves & Resources⁽³⁾

		Actual (Moz)	Pro Forma (Moz)
2P	GOLD	5.5	7.3
	SILVER	390	402
MI&I	GOLD	9.0	20.6
	SILVER	528	624

Capital Structure

NET DEBT US\$ 312 m
MARKET CAP US\$ 2.2 bn⁽⁴⁾ (315m shares)

(1) Calculated on co-product basis meaning total production costs divided by total gold and silver ounces in gold equivalent
 (2) EBITDA adjusted for non-recurrent and non-cash expenses
 (3) As of Jan 1, 2009, audited by SRK Consulting Ltd including updated Albazino JORC Reserves. Pro forma includes recently announced acquisitions
 (4) LSE price as of July 13, 2009

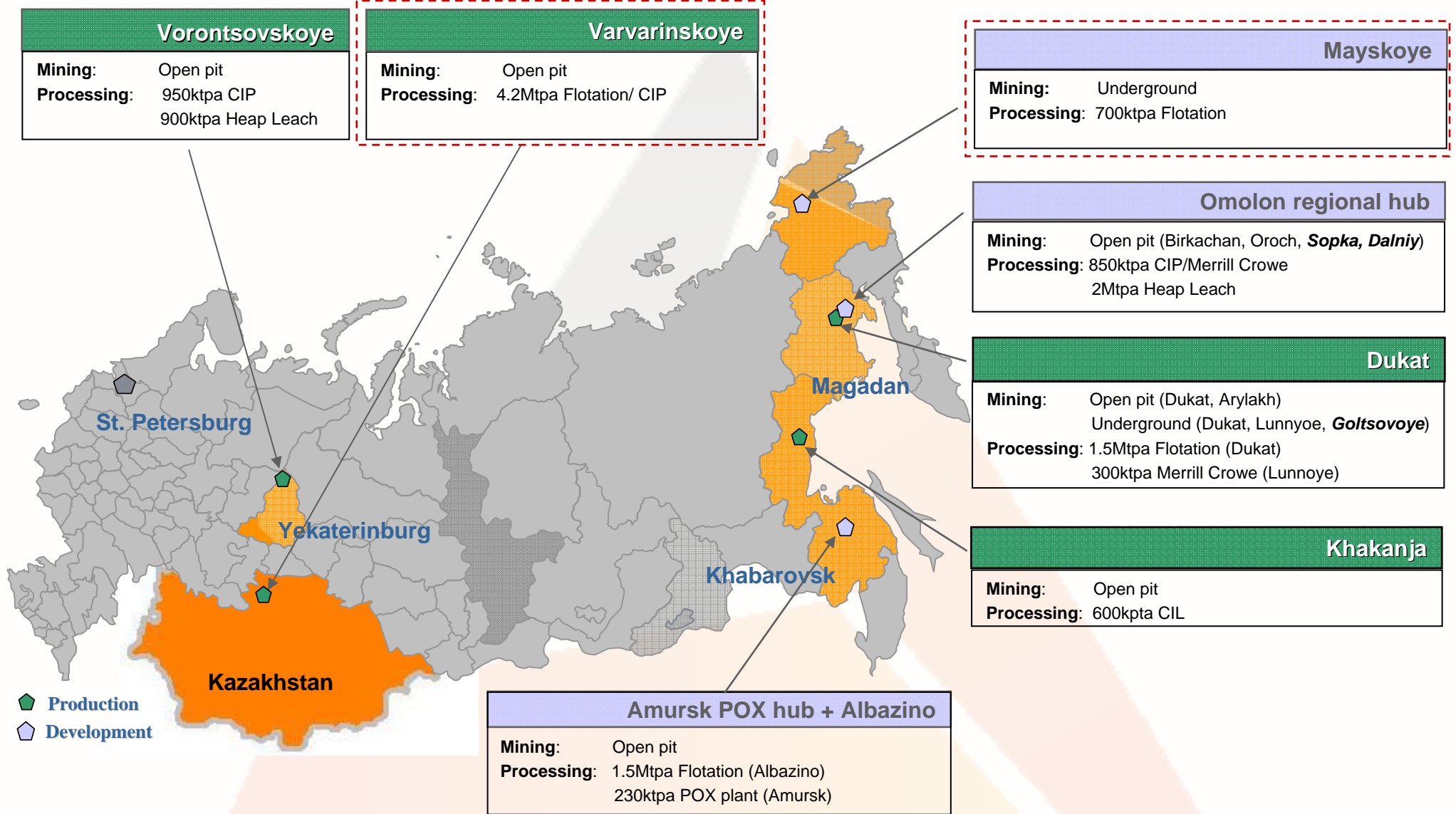


Purpose of workshop

- ▲ Provide update on operations
- ▲ Explain the strategic rationale behind recent M&A activity
- ▲ Clarify Polymetal's processing hubs strategy



Polymetal portfolio





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Update on Operations

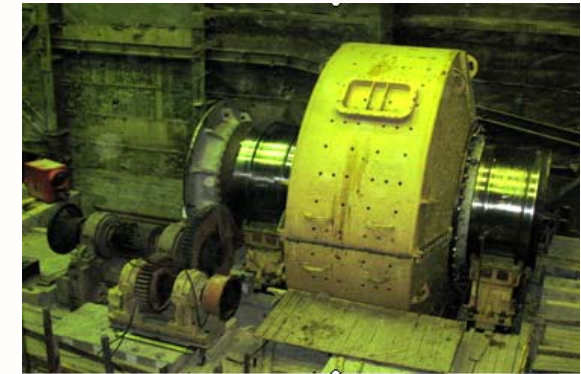
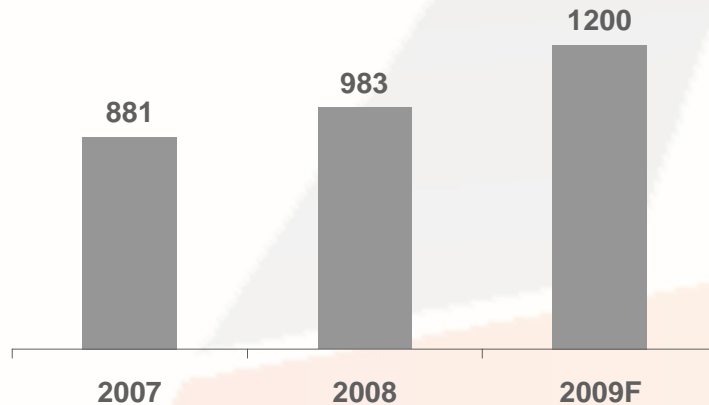




Dukat and Lunnoye

- ▲ Dukat plant expansion from 0.9 to 1.5Mtpa on track to be commissioned in Q3 2009 (90% mechanical completion achieved)
- ▲ Lunnoye underground operating at design rate; significant exploration upside identified

Dukat throughput (kt)



New SAG mill



Expanded Crusher



Goltsovoye – High grade feed for the Dukat Mill

- ▲ High-grade silver deposit in close proximity (84 km) to Dukat processing plant
- ▲ Ramping up Dukat expansion with the high-grade ore in 2010-2011 will improve Dukat economics
- ▲ Underground development works and access road upgrade commenced

Reserves and Resources			
	Ore tonnes (Mt)	Ag grade (g/t)	Ag (Moz)
MI&I	2.4	895	69.0



Goltsovoye 'silver mountain'

OUTLOOK

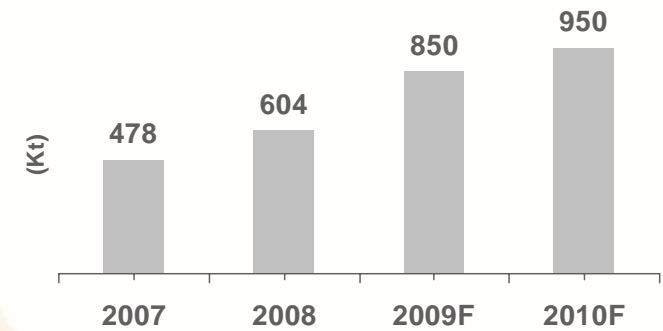
- ▲ 150-170ktpa capacity, 12 years LOM (narrow-vein mechanized underground mine)
- ▲ First ore in Q2 2010



Voro

- ▲ CIP expansion – operating at 100% of design capacity since early June
- ▲ Throughput increase to 0.95 Mtpa

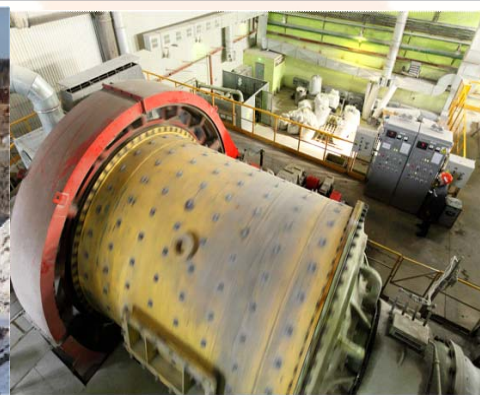
Voro CIP throughput



CIP plant



Blasting in the Voro Pit



Ball Mill



Filter presses



Khakanja

- ▲ Mining, service and transportation work at the mine are being performed by contractors as part of a program to reduce expenditure
- ▲ Transportation of ore from Yurievskoye to Khakanja has also been outsourced
- ▲ Underground mining to commence in Q2 2011



Open pit No. 2



Mill



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M&A driven by Strategy





Recent M&A activity

ACQUISITION CRITERIA

A. Additional source of ore to our processing hubs

OR

B. World-class reserve size (3Moz) and annual production (200Koz)

AND

C. Delivery of near term production and cash flow

Acquisition	Location	Announced	Status	Deal Value	Meets Criteria
Goltsovoye	Magadan	Jan-09	Closed	US\$11m cash and 7.5m of shares	A,C
Sopka Kwartsevaya	Magadan	April-09	Pending (Nov-09)	10m of shares	A,C
Mayskoye	Chukotka	April-09	Pending (Nov-09)	15,925,000 of shares or US\$96m in cash + recapitalization adjustment	A,B
Varvarinskoye	Kazakhstan	June-09	Pending (Nov-09)	US\$20m cash + ~US\$235m debt obligations with limited recourse (US\$90m) to Polymetal	B,C



Processing Hubs - Concept

Industry Reality

- ▲ High capital expenditure
- ▲ Lack of skilled labor
- ▲ Infrastructure restrictions

Polymetal's Solution

Processing Hubs

Rationale

- ▲ Multiple feed sources – single processing facilities
- ▲ Significant CAPEX savings
- ▲ Leverage regional synergies:
 - Administrative/ labor
 - Logistics/ infrastructure
 - Contractors
 - Technical/ geological knowledge



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Albazino/Amursk





Amursk POX Hub

Industry Reality

- ▲ Large amount of refractory ore bodies in the Far East Russia
- ▲ Lack of capability to process refractory ores in the region
- ▲ Very expensive energy and labor in remote areas

Polymetal's Solution

Amursk POX Hub

Rationale

- ▲ The first gold POX facility in Russia
- ▲ Processing refractory concentrates from across the Russian Far East
- ▲ Amursk location:
 - Cheap power
 - Skilled & stable workforce
 - Excellent transportation infrastructure
- ▲ Sufficient capacity to treat Albazino, Mayskoye and more sources of feed

POX preferred over BIOX:

- ▲ More flexibility with regards to different ore/ concentrate types
- ▲ More stable process
- ▲ Lower operating costs
- ▲ Zero water discharge



Albazino/Amursk: The Mine

- ▲ Construction commenced in November 2008, on schedule
- ▲ An open pit operation starting in 2010
- ▲ 12 years LOM, throughput 160-180Koz of gold over the life of mine
- ▲ US\$238 million CAPEX
- ▲ Updated reserve estimate and feasibility study audit released in July 2009
- ▲ Waste stripping to start in Q3 2009 with ore mining into stockpiles commencing in 2010
- ▲ Expansion potential: 6Moz resource targeted by 2011



Tailings dam construction



Albazino-Amursk: The Mill

ALBAZINO

- 1.5 mtpa flotation concentrator on site
- All major equipment ordered (foundation for the flotation concentrator currently being laid)
- Concentrate transported to Amursk via all- season road and Amur/Amgun river system (seasonal shipping)

AMURSK

- 0.23 mtpa POX plant in Amursk (15ktpa sulfur capacity)
- Engineering work on the autoclave completed by SGS Lavalin
- Autoclave and oxygen plant placed on order

FINANCING

- Large equipment purchases to be financed with ECA, including grinding mills, flotation cells and thickeners (Outotec, Finland), filter presses (Andritz Separation GmbH, Germany), oxygen plant (Air Liquide, France)
- €9.3 million loan agreement for six grinding mills was signed with NOMOS-BANK in July





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Mayskoye





Mayskoye – The transaction

- ▲ **9% stake purchased from Highland Gold for US\$13,300. Further 91% acquired by four Russian private companies (the “Equity Buyers”) for US\$134,480**

- ▲ **Polymetal and the Equity Buyers entered into a legally binding agreement under which:**
 - 1. Polymetal and the Equity Buyers recapitalize ZK Mayskoye by contributing a total of US\$105 million to ZK Mayskoye share capital pro rata to their equity ownership stakes**

 - 2. Polymetal buys a 91% equity stake in the Asset for US\$95.5 million in cash or 15.9 million ordinary Polymetal shares plus a recapitalization adjustment (see 3). The Equity Buyers can choose between the two**

 - 3. A 14% per annum charge will be applied to the Equity Buyers’ investment. This amount will be added to the purchase price payable in cash by Polymetal at completion**



Mayskoye – The transaction (cont)

- ▲ Polymetal’s acquisition of a 91% equity stake conditional upon regulatory approvals, as Mayskoye is deemed a strategic deposit:
 1. State Commission for Supervision over Foreign Investments in the Russian Federation (the “Commission”)
 2. Federal Antimonopoly Service of the Russian Federation (“FAS”). The Commission is chaired by the Prime Minister of the Russian Federation.

- ▲ Application submitted to the authorities

- ▲ Limited number of precedents. Time needed to receive the Commission’s decision and the basis on which it will make its decision are uncertain.



Mayskoye – The Asset

- ▲ **World-class resource base in terms of size and grade**
- ▲ **Multiple narrow-vein mostly steeply-dipping ore bodies. Suitable for underground mining**
- ▲ **Potentially large, long life mine with competitive cost position**
- ▲ **More than 90% of Mayskoye ore is refractory and requires special pre-treatment to achieve acceptable recoveries. Main reason for the previous owner's failure to develop the asset**
- ▲ **Construction work completed by Highland Gold:**
 - Mining camp housing 300 people
 - Pad for flotation plant
 - Diesel power station
 - Access road
 - Underground access decline and adit portals



Mayskoye construction





Mayskoye – The Asset (cont.)

▲ Polymetal to revise the feasibility study:

- Lower throughput (700ktpa)
- Flotation on site with concentrate shipped to Amursk POX plant
- CAPEX synergies of at least US\$200 million
- Concentrate transportation costs more than compensated by a fall in treatment cost at Amursk compared to Mayskoye due to cheaper energy, labor and consumables

Resources			
	Ore tonnes (Mt)	Au grade (g/t)	Au (moz)
MI&I	19.8	11.8	7.5

OUTLOOK

- ▲ Q1 2010 - Reserve estimate and revised feasibility study
- ▲ Q3 2010 - Resumption of construction
- ▲ Q4 2011 – First concentrate production





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Omolon regional hub





Omolon Regional Processing Hub

Industry Reality

- ▲ A number of small to medium size high-grade deposits in the Northeast Magadan region
- ▲ Numerous highly prospective epithermal Au-Ag ore occurrences in the region

Polymetal's Solution

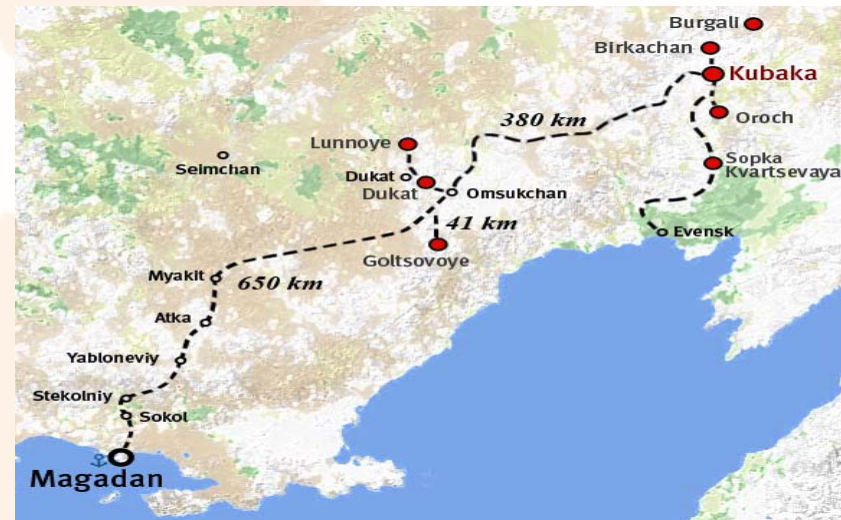
Omolon Regional Hub

Rationale

- ▲ A 850 Ktpa CIP plant in excellent condition and 2Mpta heap leach
- ▲ Ore to be processed from Birkachan, Oroch, Sopka and Dalnyi deposits
- ▲ Synergies with Dukat operations
 - Human Resources
 - Supply Chain
 - Contractors



Kubaka Mill





Project update

- ▲ Large-scale bulk testing of ROM ore dump leach currently undertaken
- ▲ Test results are expected in October-November

Birkachan & Oroch JORC Resources					
	Ore tonnes (Mt)	Ag grade (g/t)	Ag (moz)	Au grade (g/t)	Au (moz)
MI&I	19.4	27.2	17.0	2.5	1.58

OUTLOOK

- ▲ Q1 2010 - JORC-compliant reserve report and detailed development plan for four assets which are intended to feed the Kubaka plant (Birkachan, Oroch, Sopka, Dalniy)
- ▲ CIP plant to be restarted in Q3 2010, upgraded with Merrill Crowe
- ▲ Full capacity reached in 2012, annual production up to 250Koz of gold equivalent



Kubaka Infrastructure





Sopka – High Grade Feed for the Kubaka Mill

- ▲ Substantial source of high-grade feed for Kubaka processing plant
- ▲ Ore bodies outcrop to the surface – low stripping ratios
- ▲ Synergy with Kubaka - avoiding the capital costs of stand-alone plant construction

Reserves and Resources					
	Ore tonnes (Mt)	Au grade (g/t)	Au content (moz)	Ag grade (g/t)	Ag content (moz)
2P	1.4	12.0	0.5	260	12
MI&I	13.4	2.3	1.0	63	27

- ▲ Open pit operation with ore hauled to Kubaka for crushing and processing
- ▲ Preliminary estimates indicate an addition of around 100Koz to annual gold production starting from 2011
- ▲ Significant heap leach potential





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Varvara

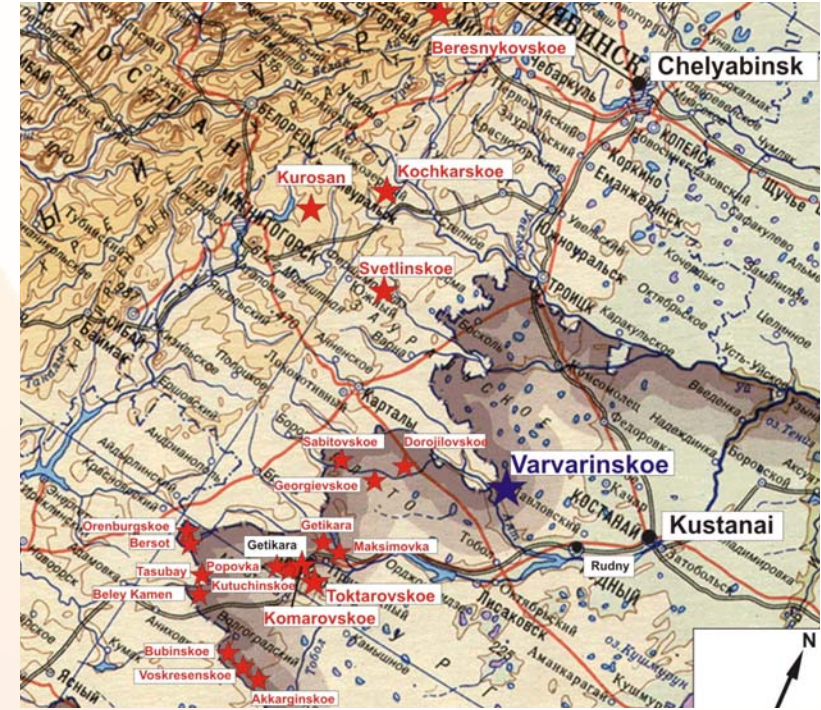




Varvara – the Asset

- ▲ Approximately US\$240 million invested by Orsu (European Minerals) to build an open-pit mine, a 4.2 Mtpa processing plant and all related infrastructure.
- ▲ Excellent infrastructure, cheap energy, and highly prospective geology
- ▲ Numerous gold/copper deposits in the area – potential to treat the ore at Varvara mill

Reserves and Resources					
	Ore tonnes (Mt)	Au grade (g/t)	Au (moz)	Cu grade (%)	Cu (M lb)
2P	36.4	1.14	1.3	0.66	151
MI&I	92.2	1.05	3.1	0.54	313



Varvara and surrounding gold deposits



Varvara Mill



Varvara – the Transaction

▲ Polymetal to acquire 100% of Varvarinskoye from Orsu Metals

- US\$8 million in cash is to be paid upon completion
- Deferred consideration of up to US\$12 million (plus any deferral interest) in reference to future prices of gold and copper.

▲ Existing Orsu debt and hedge obligations:

- Debt obligations in the amount of approximately US\$73 million from a syndicate of banks (the “Lenders”) and Export Credit Insurance Corporation, South Africa (“ECIC”)
- Gold forward contracts totaling 338,468 ounces at a strike price of US\$574.25/oz with an estimated value of approximately negative US\$115 million based on a spot price of US\$915/oz



Varvara – the Transaction

▲ Preliminary agreement reached with the Lenders:

- Obligations to be transferred to the Varvarinskoye asset level, with limited recourse to Polymetal
- Hedge contracts to be restructured to ensure full exposure to gold price upside
- The repayment schedule of the resulting liabilities rescheduled with final repayment becoming due in 2013 (35% of the total liabilities) and 2014 (65% of the total liabilities)
- Polymetal to provide Lenders with a corporate guarantee of US\$90 million

▲ Transaction conditional upon:

- The Lenders, Varvarinskoye and Polymetal entering into definitive refinancing documents, subject to the Lenders' and ECIC final approval
- Approval of relevant regulatory agencies in Kazakhstan as well as Orsu shareholders



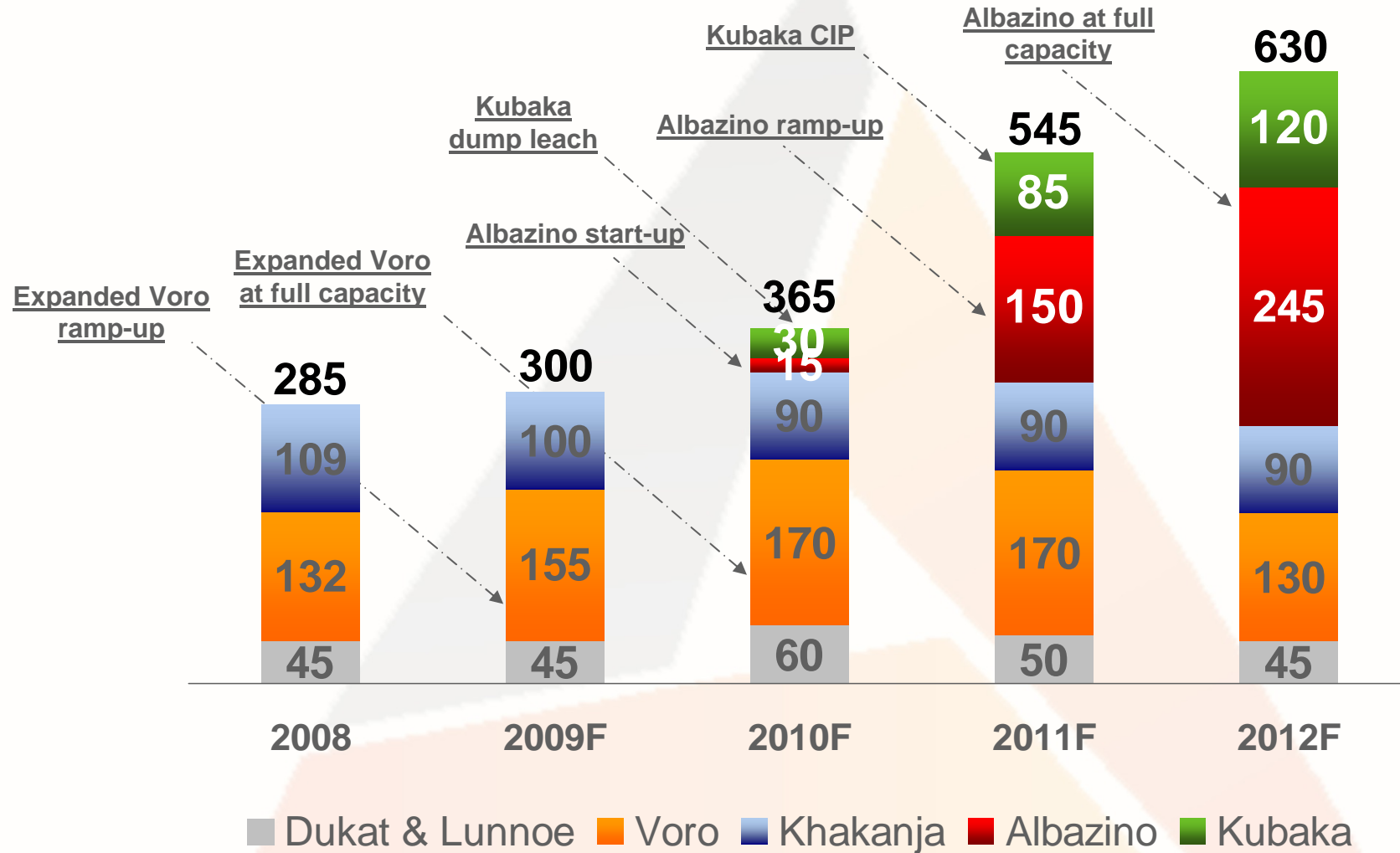
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Growth Pipeline



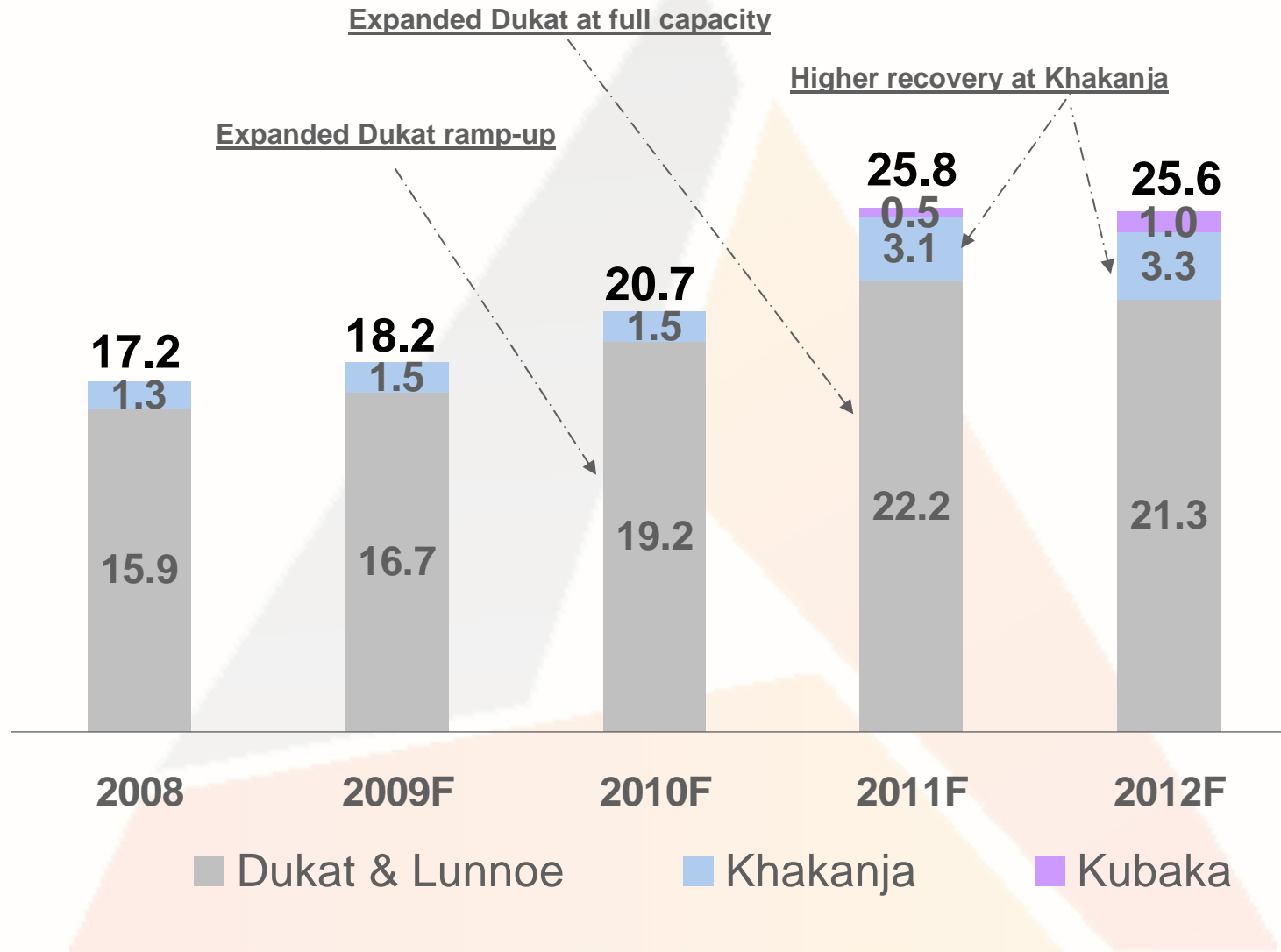


Gold production schedule*, Koz



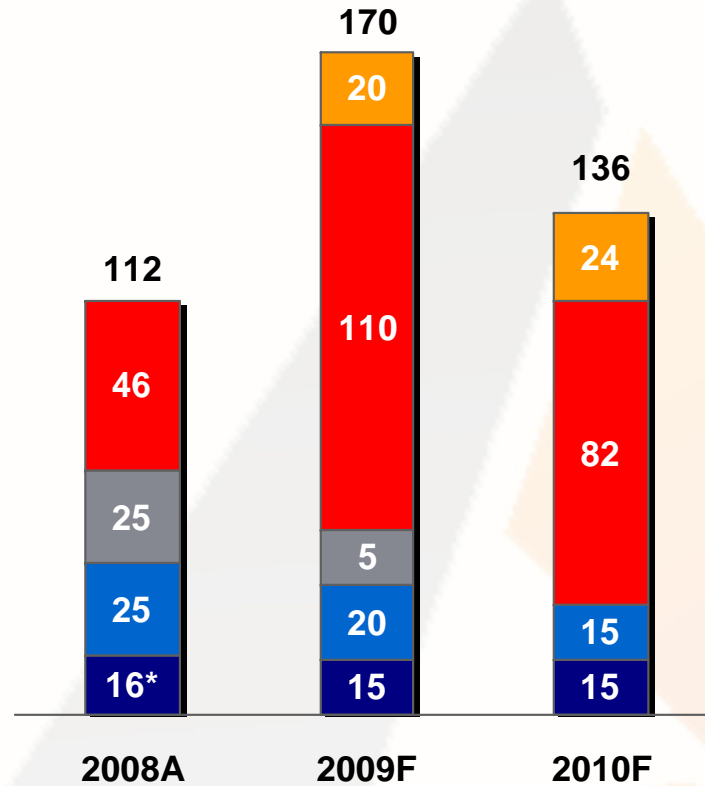


Silver production schedule, Moz





Project Capex Update



Albazino/Amursk project capex changed from US\$219 million to US\$238 million due to increase in Amursk POX plant capacity

- Exploration
- Maintenance capital
- Dukat/Voro expansions
- Albazino
- Kubaka/Sopka

* USD16 m of exploration capex was accounted in operating expenses in 2008

** Not accounting for capex requirements related to the recently announced deals



Company debt

- ▲ Current net debt approximately US\$330 million – all short-term, but easy to refinance trade finance facilities mostly with large Russian banks (VTB, Gazprombank, NOMOS, UniCredit Russia)
- ▲ Approximately 45% denominated in US dollars, 55% - in rubles
- ▲ Weighted average annual interest rates:
 - ▲ 9% in US\$
 - ▲ 18% in rubles
- ▲ Steps undertaken to restructure short term debt into long term:
 - 5 billion ruble bond to be issued in September-October 2009 (3 years maturity)
 - ECA-covered loans to be used to finance large equipment purchases for the total value of c. €25 million. €9.3 million facility provided by NOMOS-BANK and funded in back-to-back manner by UniCredit is already in place.
- ▲ Additional US\$60 million debt capacity (undrawn facility)



New shares issuance

STRUCTURE

- ▲ 84,375,000 shares to be issued:
 - 71.5% of shareholders supported the issuance
 - 28.5% of shareholders are subject to pre-emptive rights



Maximum of 24,076,994 shares can be taken up by the pre-emptors

- | | |
|------------------|---------------|
| 7,500,00 | - Goltsovoe |
| 10,000,000 | - Sopka |
| up to 24,076,994 | - pre-emptors |

66,875,000 to 42,798,006 shares –
 Polymetal Management
 (of which 15,295,000 will be used for Mayskoye
 is the Sellers chose shares)

TENTATIVE TIMELINE

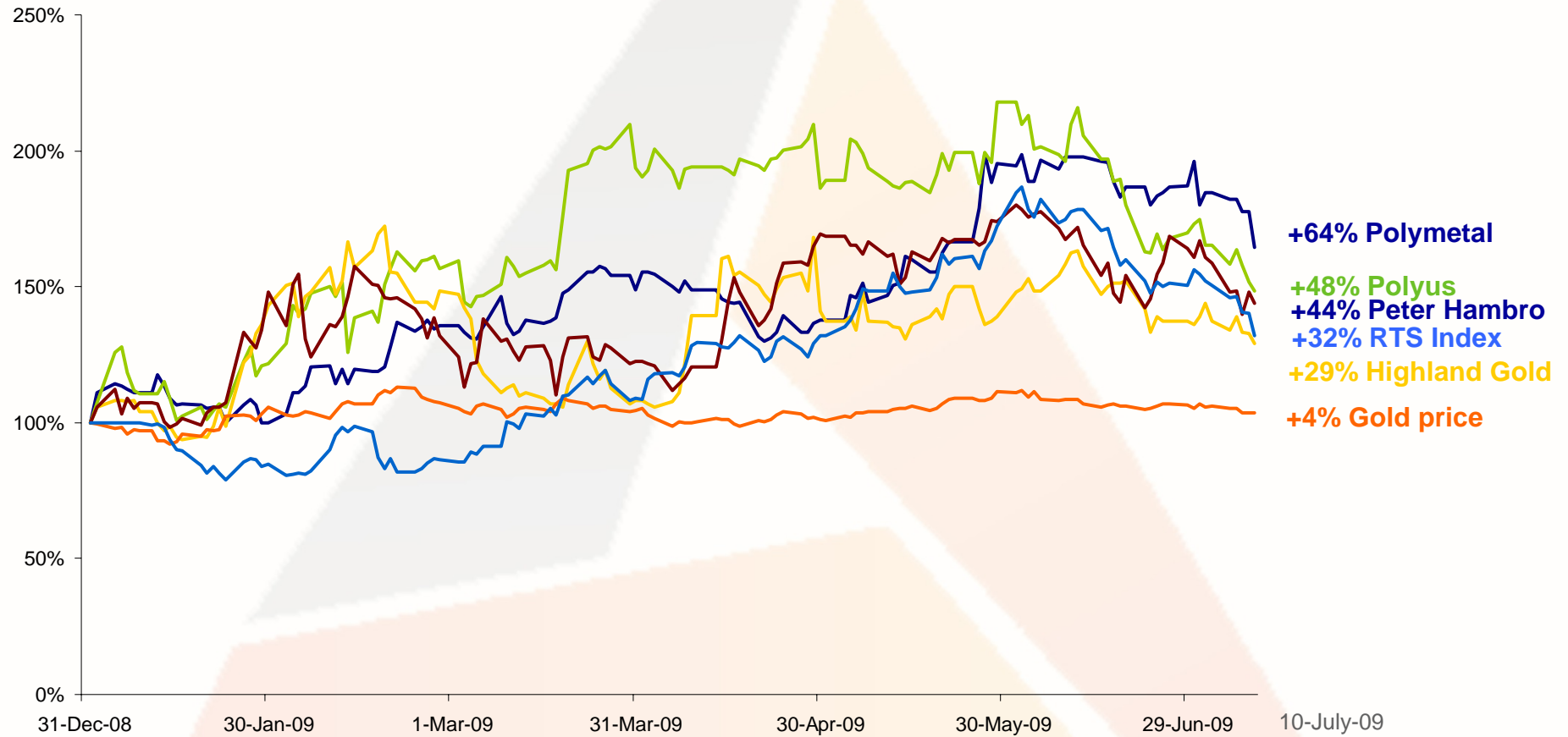
- 9 July Prospectus filed with FSFR
- 10 Aug* FSFR approves prospectus
- 17 Aug* Polymetal board approves terms of pre-emptive offer
- 19 Aug* Pre-emptive offer document sent to shareholders
- 3 Oct* End of pre-emptive period (19 Aug + 45 days)
- 17 Oct* Closed subscription completed (19 Aug + 59 days)
- 6 Nov* Report on issue filed with FSFR and shares are validly issued

* Not earlier than



Share price performance YTD

Jan 1, 2009 – July 10, 2009 (LSE)





Cautionary statements

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Thank you very much! Time for Q&A

