



# Polyus Gold

**Preliminary operating results for 2010**

**Moscow, 28 January 2011**

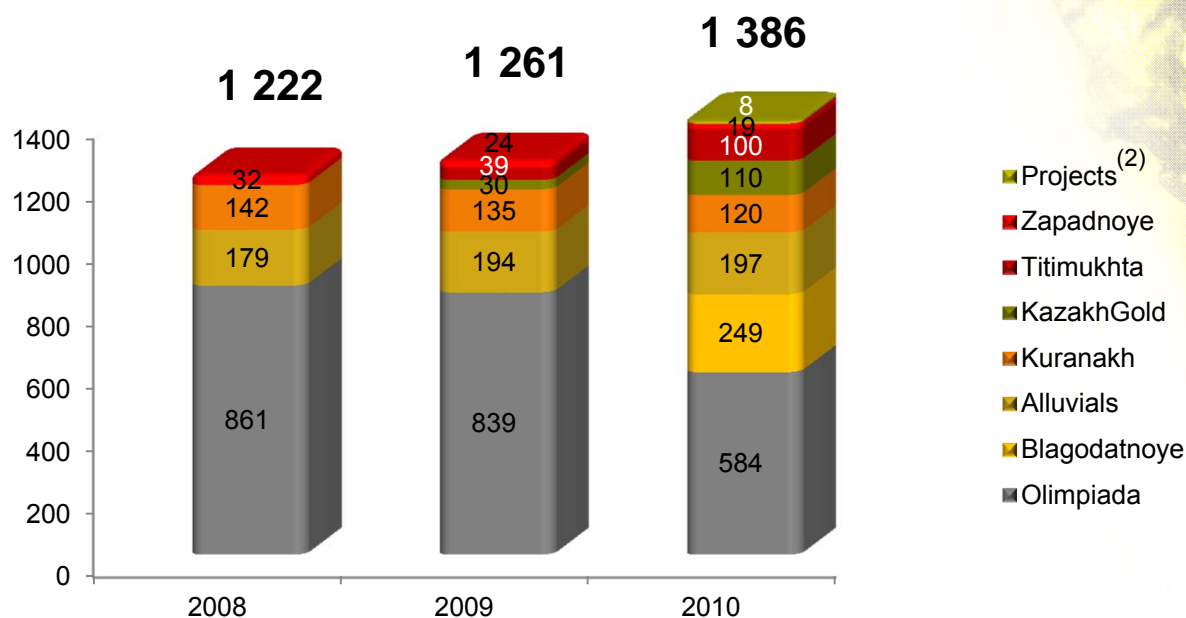
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## Gold production volumes, k oz<sup>(1)</sup>



In 2010 the Polyus Group produced 1 386 k oz of gold, showing a 10% YoY increase.

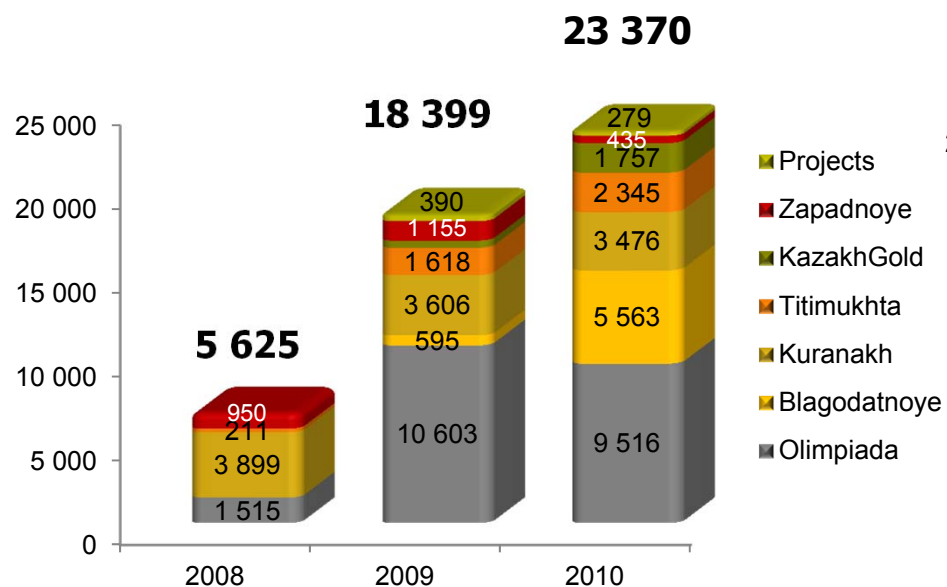
### Main growth factors:

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

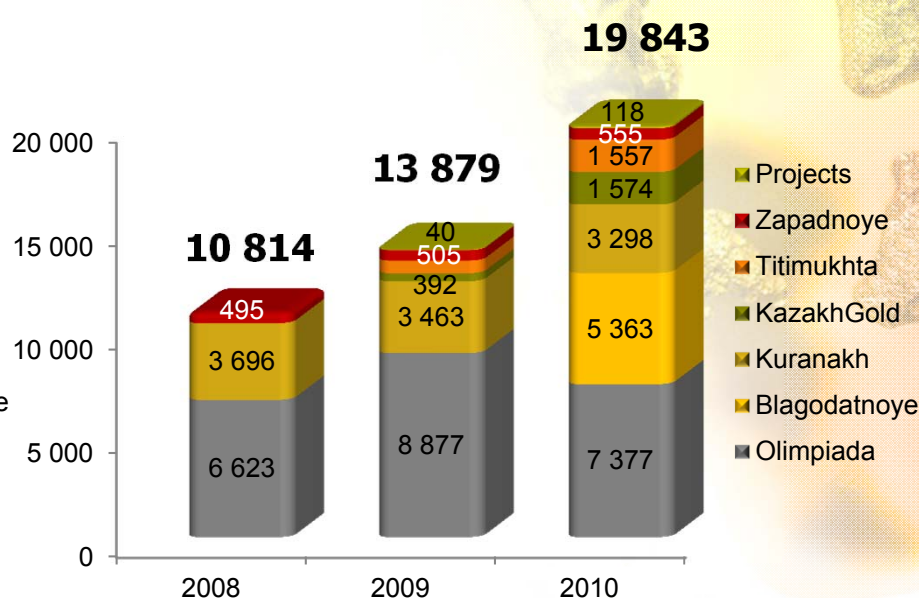
(1) Includes 1276 k oz of refined gold produced by the Group's subsidiaries located in Russia and 110 k oz of gold produced by KazakhGold Group in a form of sludge, flotation and gravitation concentrates and other semi-products

(2) Hereinafter the «projects» results include operating results of Verninskoye and Natalka.

## Ore mined, k tonnes



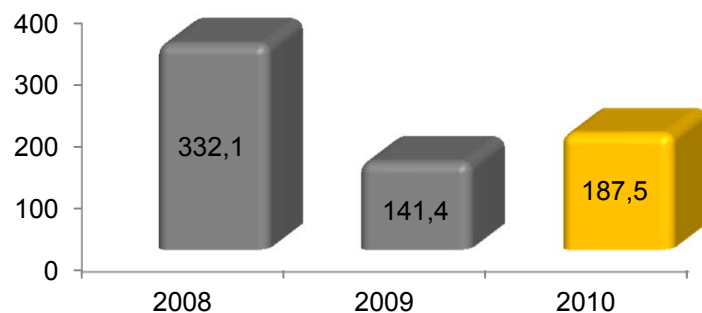
## Ore processed, k tonnes



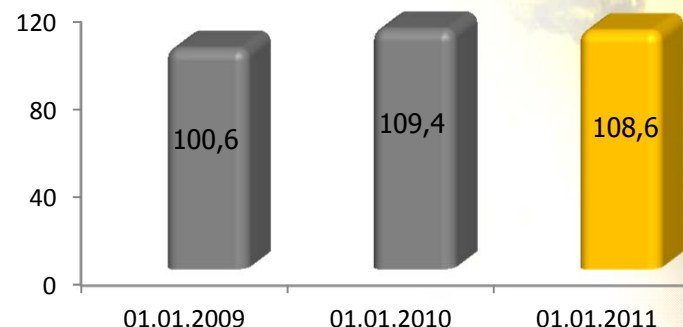
- Commencement of industrial operations at the Blagodatnoye pit, launch of the processing plant;
- Consolidation of FY2010 operating results of KazakhGold Group;
- Enhanced mining works at the Titimukhta pit, increase of the Titimukhta ore processing volumes at Mill-1 of Olimpiada.



### Exploratory drilling, k running meters



### Gold reserves (B+C1+C2), m oz



- Morphology elaboration of the ore bed of the Eastern section of **Olimpiada deposit**, confirmation of common ore-bearing structure of Eastern and Western sections of the deposit;
- Listing on the state balance of **Zapadnoye deposit** reserves in the amount of 14 tonnes (450 k oz) at 2.6 g/t under categories C1+C2.
- Additional exploration at flanks and deep horizons of **Verninskoye deposit** ; scoping study and reserves calculation submitted to the State reserves committee.
- Acquisition of licenses: 3 prospective areas in Chukotka, 2 areas in the Krasnoyarsk region, 1 area and 6 alluvial gold licenses in the Irkutsk region.

### Olimpiada:

- 2010 production – 584 k oz;
- Bio-oxidation technology's high sensitivity to variations of mineralogical composition of ore; technology adjustment to process refractory sulfide ore;
- Implementation of modernization program aimed at increasing the mine's processing efficiency.

### Blagodatnoye:

- 2010 production – 249 k oz;
- The volume of ore mining and gold output exceeded the planned targets.

### Titimukhta:

- 2010 production – 100 k oz;
- Adjustment of processing technology for the ores of Titimukhta;
- Complexity of the ore body geological structure, decrease of the average gold grade.

### Alluvials:

- 2010 production – 197 k oz;
- Increase of the average gold grade in the sands washed.

### Kuranakh:

- 2010 production – 120 k oz;
- Modernization works to increase the mill's processing capacity.

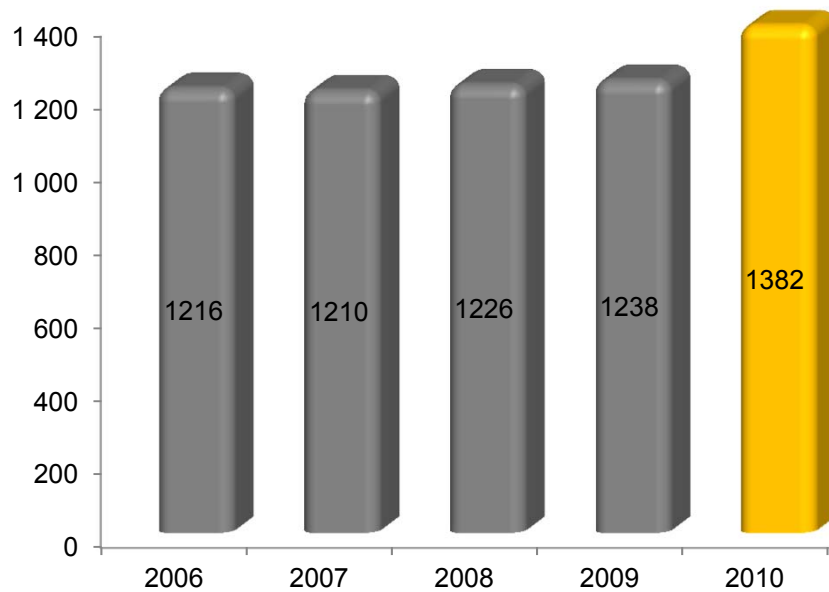
### Zapadnoye:

- 2010 production – 19 k oz;
- Depletion of gold reserves within the existing pit's boundaries.

### KazakhGold Group:

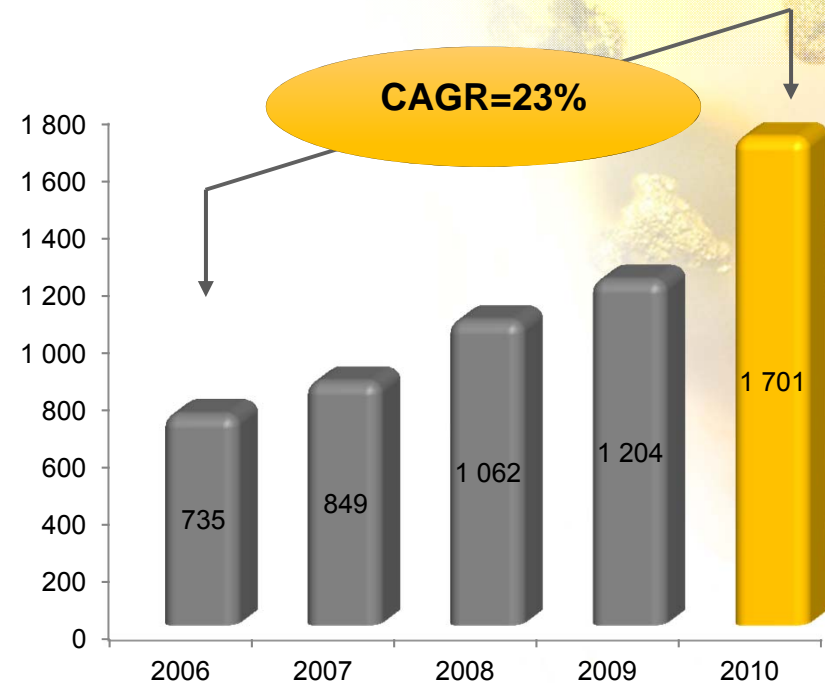
- 2010 production – 110 k oz;
- Output grew by more than 50%;
- Upgrade of production facilities continues, renewal of obsolete equipment.

### Gold sales volumes in 2006-2010, k oz



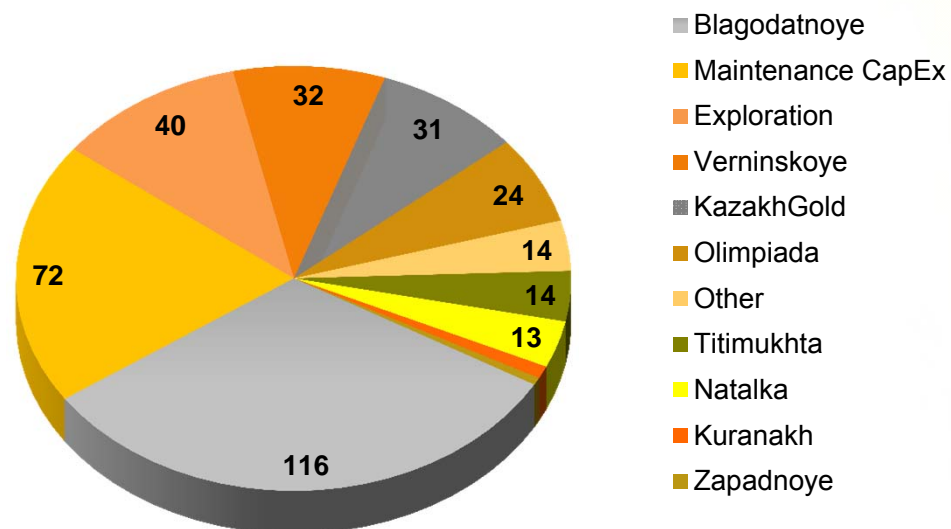
- Gold sales grew by **12%** YoY;
- 4-year GAGR of **3%**.

### Sales revenue in 2006-2010, USD million



- Sales revenue increased by **41%** YoY;
- 4-year CAGR of **23%**.

## CapEx breakdown by project, USD million



- **Total CapEx – \$362 mln;**
- 2010 largest investment project – Blagodatnoye mine – \$116 mln;
- Construction of Verninskoye mine – \$32 mln;
- Olimpiada mine modernization – \$ 24 mln;
- Geological exploration – \$40 mln;
- Investments to support operating mines – \$ 72 mln.





### Optimization of production process at Olimpiada

■ **Stage 1**  
**end 2009 –**  
**1H 2011**

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

■ **Stage 2**  
**2011-2013**

Bio-oxidation technology update, introduction of automatic process control system and other measures.

**2013**

**Designed parameters to be achieved at 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 2011, Stage 1 is to be completed.
- Stage 2 will require approx. 1.5 years leading to Mill-2 and Mill-3 reaching the designed recoveries and other parameters.

### Highlights:

Mine life	2010 – 2031
Reserves (P&P, JORC)	9.9 m oz at 2.3 g/t
Mill capacity	6 mtpa
Recovery	88.6%
Annual gold production	412 k oz
Capex (ex. VAT)	USD450 mln



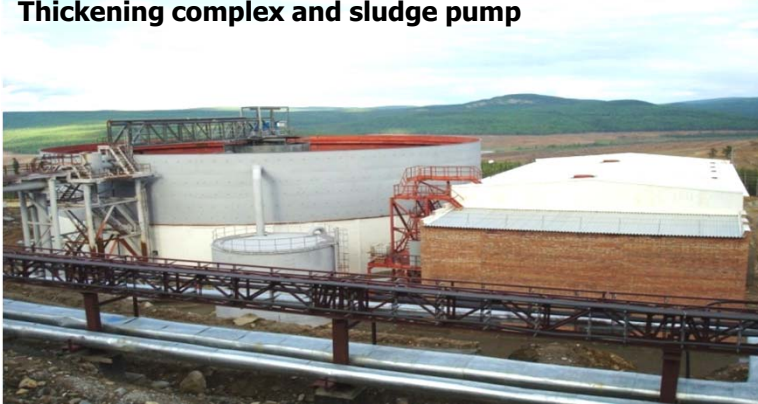
### Key facts:

- Largest stand-alone gold plant in Russia;
- Located 25 km to the north of the Olimpiada mine;
- Technology: gravitation, flotation, intensive cyanidation, sorption leaching;
- Sep 05 – the State Reserve Committee approved gold reserves in the amount of 222 t (Russian classification);
- Nov 07 – BoD approved the project;
- Sep 08 – reserve base increased to 310 t subject to the results of additional exploration (Russian classification);
- Nov 08 – JORC audit of reserves completed;
- Apr 09 – project approved by the State Expertise Committee;
- Dec 09 – mine launch in the pre-commissioning mode;
- Jul 10 – first gold bullion smelted.





Thickening complex and sludge pump



Power plant



Blagodatnoye pit

**2010 results:**

- Construction and assembling works at the pit and the mill were completed;
- 24MW power plant was launched;
- Construction of warehouses, garage-repair shop, diversion facilities and tailing dam was completed;
- In 2010 5,563 k tonnes of ore mined, 5 363 k tonnes of ore processed;
- 249 k oz of gold produced;
- CapEx 2010 – \$116 mln.

## Highlights:

Mine life	2011 – 2025
Reserves (P&P, JORC)	1.7 m oz at 3.0 g/t
Mill capacity	2.2 mtpa
Recovery	86.9%
Annual gold production	183 k oz
Capex (ex. VAT)	USD 249 mln

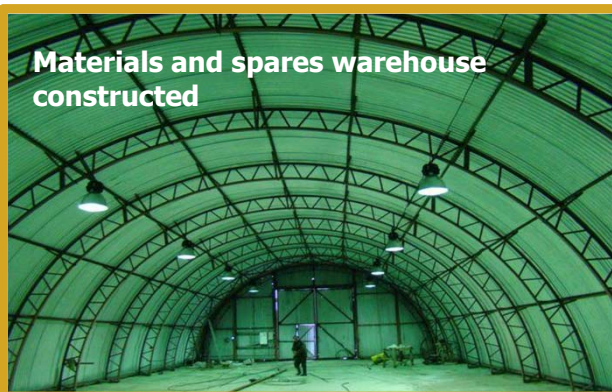


## 2010 results:

- Construction of main building completed; concrete mixer, crushing unit installed;
- Electric power 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;
- Jun 2010 – the Subsoil Usage Agency of the Irkutsk Region granted the permission to commence mining operations at the Verninskoye pit; 259 k tonnes of ore were mined in 2010;
- Technology audited by FL Smidth, general equipment supplier; equipment supply began;
- A scoping study with reserves estimation was submitted to the State Reserves Committee;
- JORC audit of reserves is underway, P&P reserves to be confirmed in 1Q 2011;
- CapEx 2010 – \$32 mln;
- Commissioning in 4Q 2011.







## 2010 results:

- 4 Aug – the Federal State Expertise Committee of Russia issued its positive opinion on the project of the Natalka mine construction;
- 28 Sep – the project documentation was approved by The Federal subsoil usage Agency Rosnedra;
- 21 Dec – BoD decided to start construction of the 1 stage of the mine;
- Project documentation was audited by Micon, SRK Consulting, Hatch, recommendations of the project optimization were given;
- Reserves audit under the JORC standards started:
  - MI&I – 44.8 m oz;
  - P&P to be confirmed in 1Q 2011.
- Pilot plant processing results:
  - 29 k tonnes of ore mined;
  - 697 oz of refined gold produced.
- CapEx 2010 – \$13 mln.

## Natalka development plan

### Stage 1<sup>(1)</sup> 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<sup>(3)</sup>  
 Average stripping ratio: 3.6



### Stages 1&2<sup>(2)</sup> 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<sup>(3)</sup>  
 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<sup>(3)</sup>  
 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.