



# Development Strategy

**Polyus Gold Group  
July 2011**



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- **The Group will focus on expansion of production at current assets...**
  - Blagodatnoye, Titimukhta, Olimpiada, Verninskoye, Kuranakh and operating mines in Kazakhstan (in case control over the assets remains with Polyus).
- **... as well as development of new projects, which best fit the Group's investment decision parameters:**
  - Bamskoye, Poputninskoye + Panimba, Nezhdaninskoye, Chertovo Koryto.
- **Krasnoyarsk business unit to remain the core producing asset:**
  - Increase of Blagodatnoye processing capacity to 8 mtpa through installation of an additional milling section;
  - Increase of Titimukhta processing capacity from 2.2 mtpa to 2.4 mtpa;
  - Optimization and improvement of Olimpiada Mill-2,3 to increase recovery and reduce consumables consumption;
  - Subject to the results of option studies, Olimpiada mine life may be extended through either extension of the current open pit or developing underground mining;
  - In addition to 3 currently operating mines Polyus plans to develop Poputninskoye and Panimba deposits. Launch of the Boguchanskaya HPS in 2012-2013 will provide the potential for further expansion of the Krasnoyarsk cluster.
- **Increase of processing capacity and gold production at Verninskoye;**
- **Aggressive Kuranakh development by combining conventional plant processing and heap leaching;**
- **Natalka construction in accordance with the project parameters approved by the Board in Dec 2010;**
- **The successful implementation of the above projects will result in the increase in production to ~2.8 moz by 2015.<sup>(1)</sup>**

(1) Hereinafter production and CapEx projections for the Polyus Group do not include KazakhGold Group mines.



Blagodatnoye mine

<b>Mine life</b>	2010 - 2028
<b>Reserves</b>	9.9 moz
<b>Mill capacity</b>	2010-2013: 6 mtpa since 2014: 8 mtpa
<b>Grade</b>	2.0 g/t
<b>Recovery</b>	87%
<b>Average Au production<sup>(1)</sup></b>	450 koz pa
<b>Estimated Capex<sup>(2)</sup></b>	USD 650 mln

(1) In 2014 – 2027

(2) LOM

- P&P reserves of 9.9 moz were listed on the state balance in 2009. Current mill processing capacity is 6 mtpa.
- Having been launched in July 2010, the mill has already achieved the design capacity and gold recovery is approaching the target level.
- Successful operation of the Blagodatnoye mine and increased reserves of the deposit allow to increase the mining and processing capacity of the mine to 8 mtpa from 2014. This will be realized through introduction of an additional processing line.
- Gold output will increase from current levels to 450 koz from 2014.
- Capital expenditures to support Blagodatnoye expansion are estimated at USD 164 mln, additional purchases of mining fleet will require further investments of USD 82 mln.

- Under the current mine plan Titimukhta deposit will be mined until 2021. Installation of Knelson concentrators by the end of 2011 is expected to help achieve throughout recovery of 86.2%. Proposed increase of Mill-1 capacity to 2.4 mtpa by 2012 will increase annual gold output and decrease operating costs.
- Estimated capital expenditures are USD 22 mln.
- After depletion of the Titimukhta's ores in 2021 Mill-1 will be modified for the needs of processing of Olimpiada deep horizon ores.

<b>Mine life</b>	2009 - 2021
<b>Reserves</b>	2.2 moz
<b>Mill capacity</b>	2009 – 2011: 2.2 mtpa from 2012: 2.4 mtpa
<b>Grade</b>	2.0 g/t
<b>Recovery</b>	86%
<b>Average Au production<sup>(1)</sup></b>	135 koz pa
<b>Estimated Capex<sup>(2)</sup></b>	USD 61 mln

(1) In 2012 – 2020

(2) LOM



<b>Mine life</b>	2011 - 2027
<b>Reserves</b>	5.8 moz
<b>Mill capacity</b>	2011-2012: 2.2 mtpa since 2013: 3.6 mtpa
<b>Grade</b>	2.7 g/t
<b>Recovery</b>	86%
<b>Average Au production<sup>(1)</sup></b>	260 koz pa
<b>Estimated Capex<sup>(2)</sup></b>	USD 698 mln

(1) In 2013 – 2027  
(2) LOM

Construction of main building



- Commissioning of the Verninskoye mine is scheduled for 4Q 2011. 1.5 m tonnes of ore to be processed in 2012.
- In February 2011, Polyus increased P&P reserves base to 5.8 moz. Current mineral base of the deposit allows for the expansion of mill processing capacity from 2.2 to 3.6 mtpa by 2013.
- Preliminarily estimated capital expenditures for the mine expansion amount to USD 271 mln. This includes investments into construction of a 16 MW coal power plant in Bodaibo and improvement of power grids in the region to ensure sufficient supply of power to the mine.
- The project will be submitted to the Board in September 2011. If approved, additional gold output will amount to 100–110 koz per annum.
- The project documentation is ready and the construction team and necessary equipment are on site.
- Fine tuning of expansion processing concept is under way.

Ore loading at Kuranakh mine



<b>Mine life</b>	until 2028
<b>Reserves</b>	1.6 moz
<b>Mill capacity</b>	Mill since 2012: 4 mtpa HL since 2014: 4 mtpa
<b>Grade</b>	Mill: 1.6 g/t, HL: 0.7 g/t
<b>Recovery</b>	Mill: 86%, HL: 60%
<b>Average Au production<sup>(1)</sup></b>	260 koz pa
<b>Estimated Capex<sup>(2)</sup></b>	USD 468 mln

(1) In 2014 – 2021

(2) LOM

- By 2014 the capacity of ore mining is to increase to 8 mtpa. Ore to be processed at the existing mill (4 mtpa at 86% recovery) and heap leaching facility (4 mtpa at the expected 60% recovery). The ore to be separated by grade and by clay (to be processed at the plant) and coarse fractions (to be processed at the HL).
- This will result in additional 70 koz of gold production per year at the mill and 60 koz of gold production at HL, and associated reduction in per unit cost of mining, transportation and processing.
- Investments in the mine expansion are estimated at USD 207 (including HL). Additional purchases of mining fleet will require further USD 96 mln in 2012 – 2015.
- The decision on the mine expansion to be taken during 2011.

- **Before 2015:**

- Target by 2013: to achieve gold recovery of 80%+ as a result of the implementation of modernization program aimed at raising the processing efficiency of the plant.

- **After 2015:**

- Results of exploration works carried out in 2009 – 2011 indicate that a significant increase of Olimpiada gold reserves may be achieved. The possible ways of mining include a) integration of currently operational Vostochny and Zapadny pits into a single big pit to optimize mining works or b) stepwise introduction of underground mining from 2018.
  - This will allow to maintain gold output at the level of 800 koz per annum and extend the life of the mine.

Vostochny pit



Ore pre-treatment at Mill-2



Mining fleet



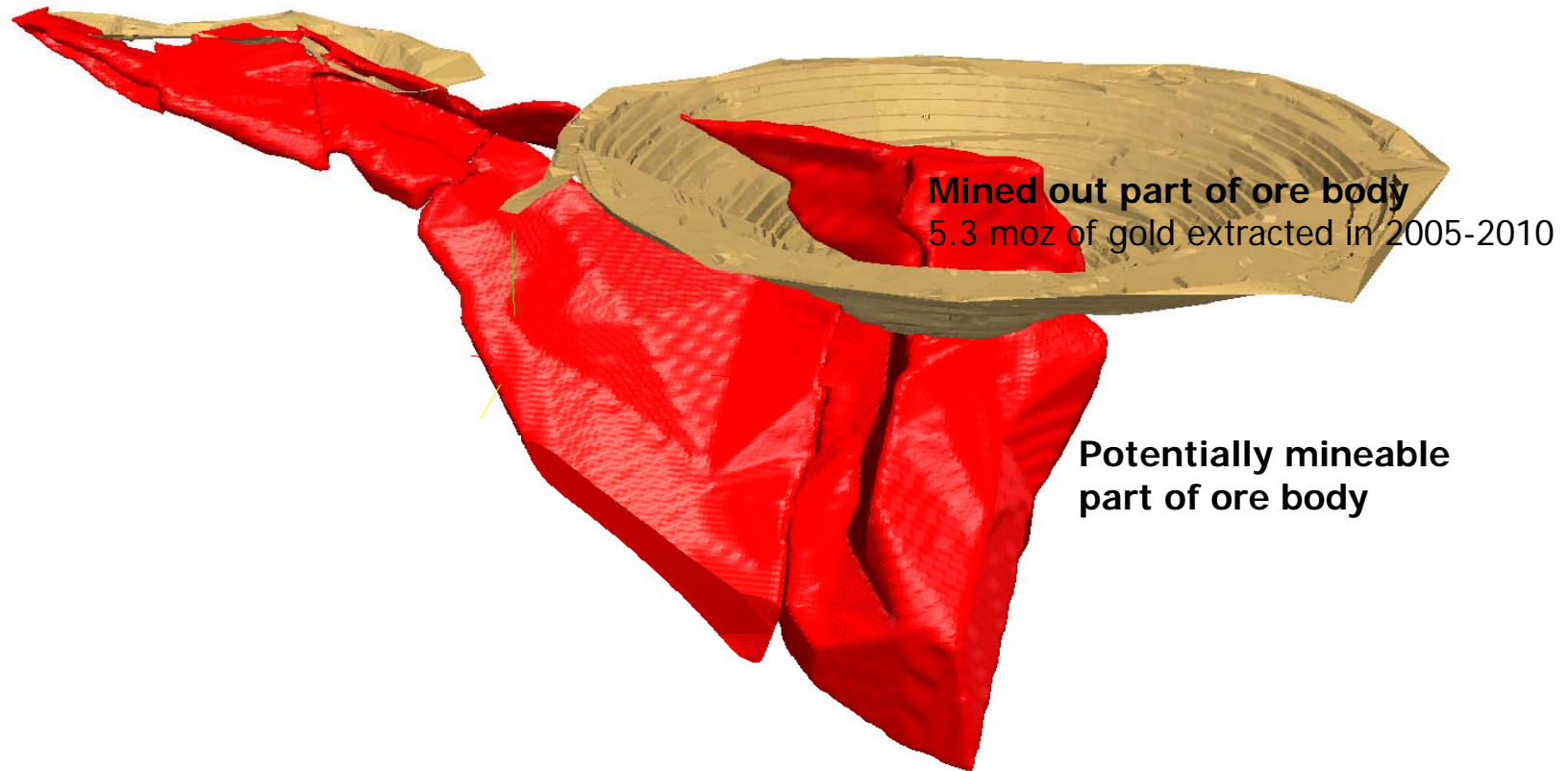
## Current pit outline

### Zapadny pit

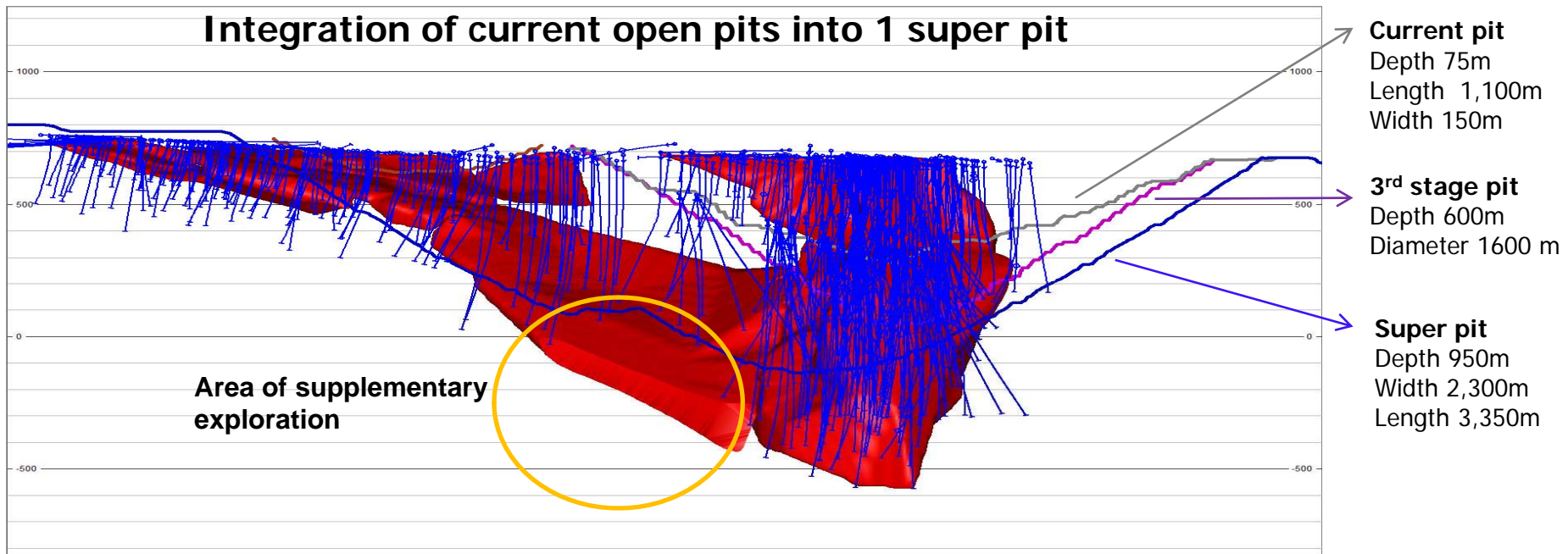
Length 1,100m, width 150m, depth 75m  
138 koz of gold extracted in 2005

### Vostochny pit

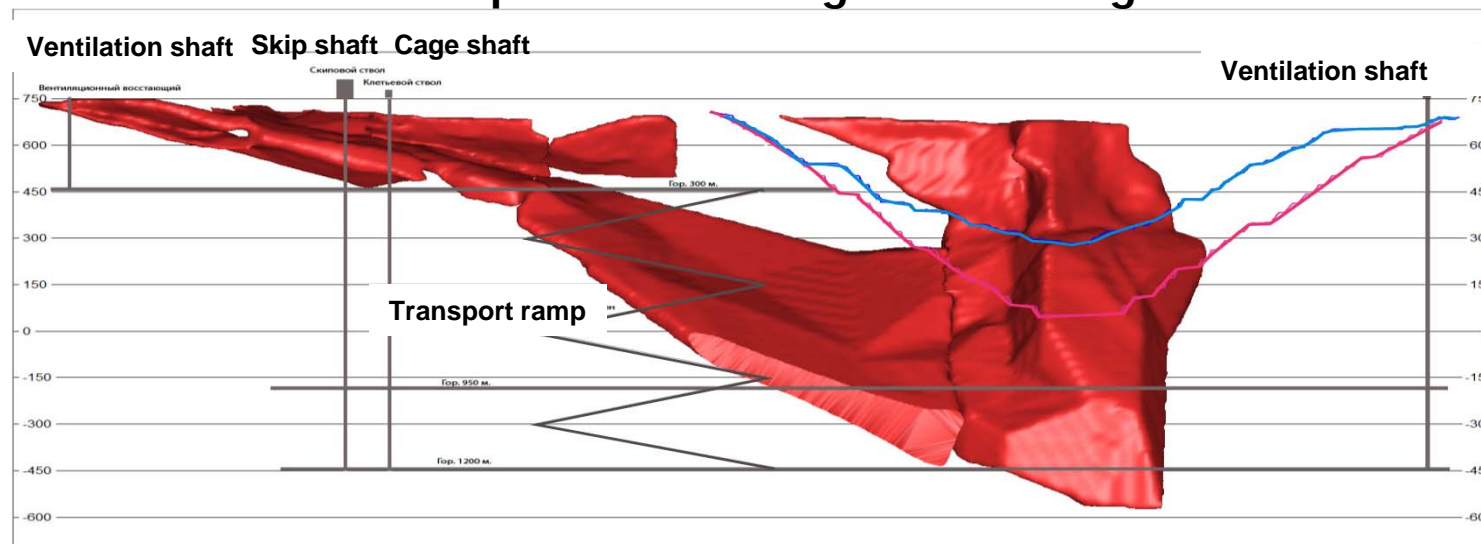
Diameter 1,600 m, depth 420m



## Integration of current open pits into 1 super pit



## Development of underground mining



**Proposed shaft sinking:**  
 2 ventilation shafts (depth 300m and 1200m, section 50m<sup>2</sup>),  
 1 skip shaft (1200m, 70 m<sup>2</sup>)  
 1 shaft with cage winding (1200m, 50m<sup>2</sup>)  
 1 transport ramp (900m, 22m<sup>2</sup>)

The project development to proceed in line with the parameters approved by the Board in December 2010.

## Nataalka development plan

<b>Stage 1 (1)</b> <b>2014-2016</b> <b>(construction approved)</b>	Capacity: 10 mtpa Grade: in 2014-2021: 2.1 g/t; LOM: 1.96 g/t Recovery: 85% Average Au production: 0.5 moz pa Capex: USD 1.1 bln
<b>Stage 2 (2)</b> <b>2016-2020</b>	Capacity: 20 mtpa Grade: In 2014-2018: 2.1 g/t, LOM: 1.96 g/t Average Au production: 1.0 moz pa
<b>Stage 3</b> <b>2020-2039</b>	Capacity: 40 mtpa Grade: In 2014-2019: 2.1 g/t, LOM: 1.60 g/t Average Au production: 1.5 moz pa



### Project update 2011:

- Polyus plans to spend USD 350 – 400 mln on the development of Nataalka in 2011;
- Agreement with MagadanEnergo signed to join the power grids for the supply of the 1<sup>st</sup> stage plant. 110 kV overhead line replacement and grid reconstruction started;
- Pre-mining grade control drilling under way;
- Reconstruction of the tailings dam completed;
- Tender for the crushing and grinding equipment supplier completed, contract to be signed in 3Q 2011.

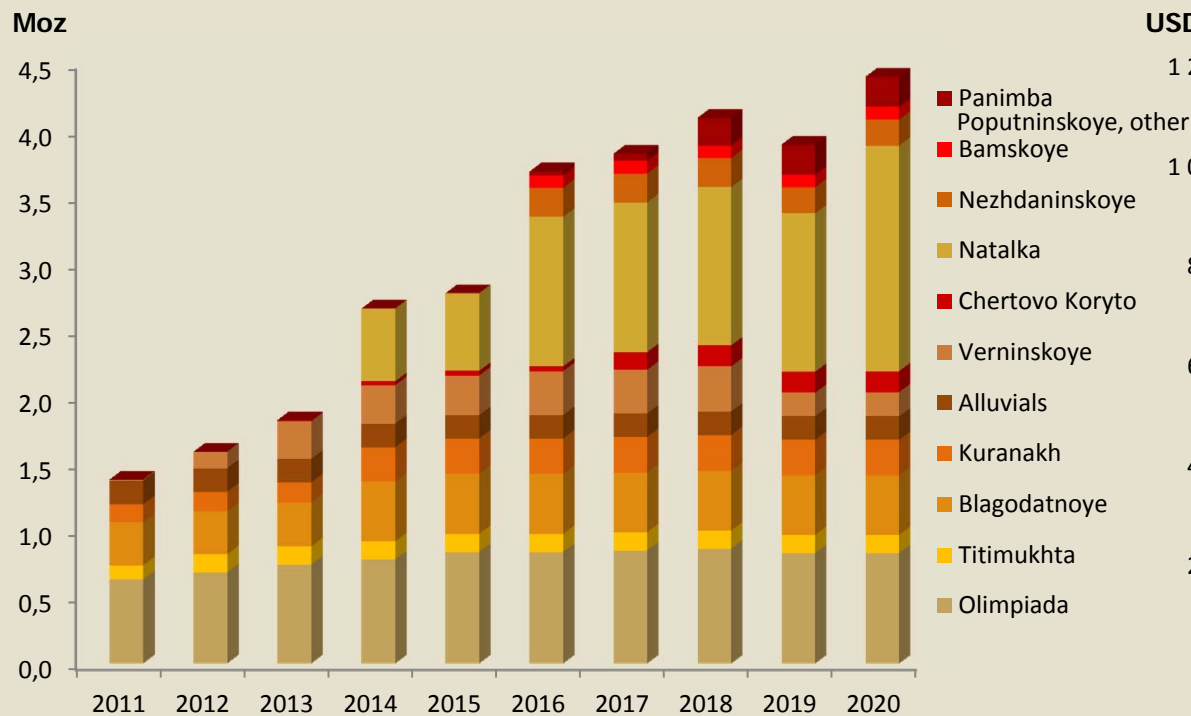
(1) Stage 1 data provided the BoD decides not to go ahead with stage 2

(2) Stages 1&2 data for 2014-2043 provided the BoD decides not to go ahead with stage 3

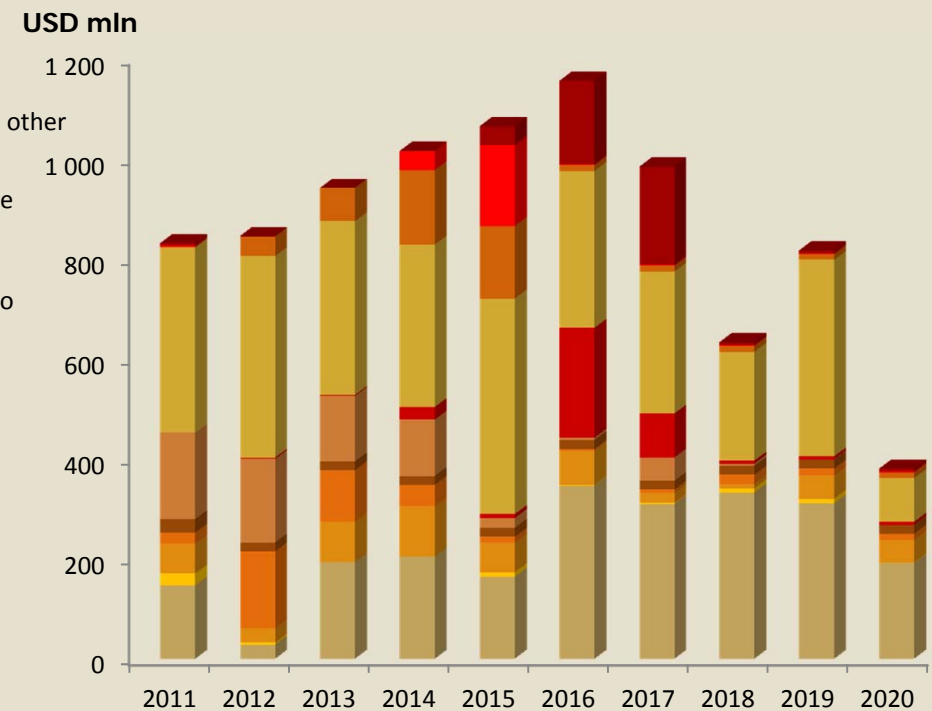
- **Bamskoye – an early stage development project (Amur region):**
  - The deposit may be mined by an open pit, followed by underground mining.
  - Commissioning of a 1 mtpa mill with an average annual gold production of ~100 koz is possible by 2016. Estimated Capex – USD 232 mln.
  
- **Nezhdaninskoye (Republic of Sakha (Yakutia)):**
  - Refractory sulfide ores of the deposit with high content of arsenic to be mined by an underground shaft.
  - 1 mtpa BIOX<sup>®</sup> plant to be launched in 2016. Estimated Capex – USD 580 mln.
  - Mining of high-grade ore in the first years of operation will allow to produce ~ 200 koz of gold per annum.
  
- **Poputninskoye + Panimba – a mid-stage development project to expand Krasnoyarsk cluster:**
  - The proximity of these 2 deposits to each other and similar quality of refractory sulfide ores allow to treat them through a single processing unit.
  - A HL facility is planned to process oxidized ores in 2016–2017 with gold output of ~40 koz pa. Simultaneously, POX technology will be tested for sulfide ores of the deposits.
  - In the event that positive results are achieved, launch of a 2.5 mtpa POX plant is planned for 2018. Gold output is expected to reach 220 koz pa in 2019. Estimated Capex – USD 462 mln.
  
- **Chertovo Koryto (Irkutsk region):**
  - HL production to be tested in 2011–2012.
  - In case positive results are achieved, a 700 ktpa pilot HL facility will be constructed to process approximately 6 tonnes of gold reserves.
  - In 2013 the Group plans to develop a feasibility study for a 2.5 mtpa plant producing 160 koz of gold per year. Should the plant be constructed electric power to be supplied by an in-house coal power plant or externally through the planned power grids.
  - Estimated Capex – USD 426 mln.

- The new development strategy aims at achieving gold production of ~ 2.8 moz by 2015 and ~ 4.4 moz by 2020.<sup>(1)</sup>
- This will require USD 8.7 bln<sup>(1)</sup> of investments in 2011 – 2020, including USD 4.7 bln until 2015.

**Polyus Group production pipeline, 2011 – 2020**

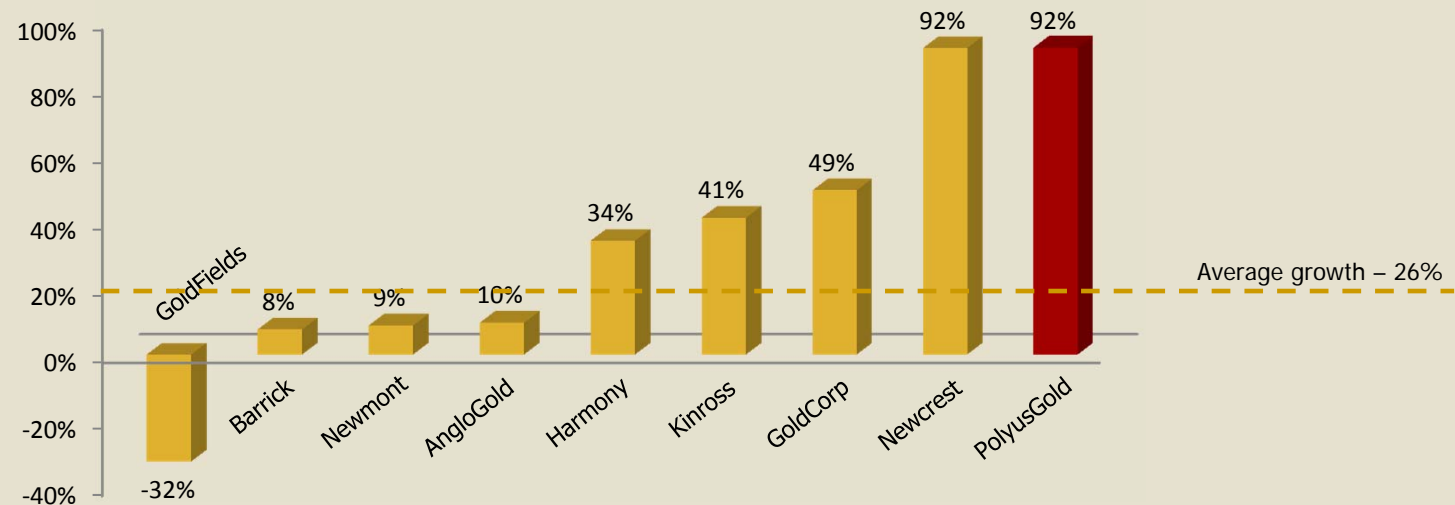


**Estimated capital expenditure, 2011 – 2020**



(1) Consolidated Polyus Group production and investments, excl. operating mines in Kazakhstan.

## Gold equivalent <sup>(1)</sup> production growth in 2010-2014, %<sup>(2)</sup>



**With the new strategy Polyus will grow 92% from 2010 to 2014 (18% CAGR), while “global golds” will grow just 26% in average for the same period.**

**Polyus to concentrate production on big mines (Olimpiada cluster – 10 mtpa, Natalka – 10 mtpa, Blagodatnoye – 8 mtpa, Kuranakh – 8 mtpa)**

(1) Gold/silver equivalent based on BAML assumptions on gold and silver price for each year

(2) Polyus – strategy July 2011, others – BAML estimates.