



**For immediate release**  
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**Polyus Gold shows almost 20% increase in production in the 1H 2008**

OJSC Polyus Gold (RTS, MICEX and LSE – PLZL), Russia's leading gold producer, today released the production results for 1H 2008. During the first six months of 2008 Polyus Gold produced 17.4 tonnes (559 k oz) of refined gold compared to 14.6 tonnes (470 k oz) during the same period last year. This almost 20% increase was achieved due to the following:

- Enhanced production at Olimpiada mine in Krasnoyarsk region relating to the commissioning the new sulfide ore processing plant - Mill-3;
- Putting into processing additional oxide ore, which was operationally accreted in Vostochny pit of Olimpiada mine;
- Putting into processing ore from Olenie deposit, which was mined in 2007.

During the period under review Polyus Gold's production units mined 3 286 k tonnes of ore, compared to 5 667 k tonnes in H1 2007. Ore processed in 1H 2008 amounted to 4 994 k tonnes compared to 4 614 k tonnes last year.

In the 1H 2008 the total volume of drilling in frameworks of exploration activity amounted to 100.5 km. During the last several years the Group was involved in large-scale exploration works in all areas of Polyus Gold's operations. Already in July 2008 Group's total proved and probable (P&P) reserves base reached 72.3 million ounces of gold (5th place in the World), which led to early execution of the company's strategy on P&P reserves base building-up.

According to preliminary estimations, the company's revenue in accordance with IFRS (unaudited) in 1H 2008 amounted to USD 508 million, comparing to USD 309 million in 1H 2007 (audited). More than 60% growth in revenue is a result of enhanced production and gold sales, as well as increased gold price and the company's non-hedging sales policy. In 1H 2008 the Company sold all refined gold it produced. Thus, the Group's refined gold sales volumes for the period amounted to 17.4 tonnes (559 k oz) compared to 14.6 tonnes (470 k oz) for the same period of last year. The weighted-average price of gold sold grew from USD 659.7 in 1H 2007 to USD 908.7 in 1H 2008.

*Polyus Gold 1H 2008 Operating Highlights*

	<b>1H 2008</b>	<b>1H 2007</b>	<b>FY 2007</b>
<b>Ore mining (in '000 tonnes or as noted)</b>			
<b>Olimpiada mine</b>			
Mining of ore			
<i>Oxidized ore</i>	-	834	928
<i>Sulfide ore</i>	599	2 290	3 545
<i>Ore from Olenie deposit</i>	261	-	-
	<b>860</b>	<b>3 124</b>	<b>4 473</b>

Average gold grade (g/tonne)			
<i>Oxidized</i>	-	14.1	14.2
<i>Sulfide</i>	3.5	5.4	5.3
<i>Ore from Olenie deposit</i>	3.1	-	-
<b>Kuranakh mine</b>			
Mining of ore	<b>1 945</b>	<b>2 151</b>	<b>4 154</b>
Average gold grade (g/tonne)	1.3	1.4	1.4
<b>Zapadnoye mine</b>			
Mining of ore	<b>480</b>	<b>392</b>	<b>750</b>
Average gold grade (g/tonne)	1.8	2.0	2.0
<b>Total ore mined</b>	<b>3 286</b>	<b>5 667</b>	<b>9 377</b>
<b>Ore processing (in '000 tonnes or as noted)</b>			
<b>Olimpiada mine</b>			
Processing of ore			
<i>Oxidized ore</i>	414	741	1 458
<i>Sulfide ore</i>	1 864	1 731	4 773
<i>Ore from Olenie deposit</i>	647	-	-
	<b>2 924</b>	<b>2 472</b>	<b>6 231</b>
Average gold grade (g/tonne)			
<i>Oxidized</i>	14.6	9.5	10.5
<i>Sulfide</i>	4.1	3.4	3.5
<i>Ore from Olenie deposit</i>	5.7	-	-
Recovery (%)			
<i>Oxidized</i>	96.9	95.5	95.4
<i>Sulfide</i>	69.0	82.2	75.9
<i>Ore from Olenie deposit</i>	82.7	-	-
<b>Kuranakh mine</b>			
Ore processed at the mill	<b>1 826</b>	<b>1 858</b>	<b>3 905</b>
Average gold grade (g/tonne)	1.4	1.4	1.4
Recovery (%)	84.7	86.4	85.6
<b>Zapadnoye mine</b>			
Ore processed	<b>244</b>	<b>284</b>	<b>518</b>
Average gold grade (g/tonne)	2.2	2.3	2.2
Recovery (%)	76.0	73.0	72.7
<b>Total ore processed</b>	<b>4 994</b>	<b>4 614</b>	<b>10 653</b>
<b>Alluvial deposits</b>			
Sands washed (million cubic meters)	2.1	2.5	9.1
Average gold grade (g/ m <sup>3</sup> )	0.6	0.6	0.6
<b>Gold production (k oz)</b>			
<b>Olimpiada mine</b>	<b>449</b>	<b>347</b>	<b>861</b>
<b>Kuranakh mine</b>	<b>68</b>	<b>69</b>	<b>142</b>
<b>Zapadny mine</b>	<b>11</b>	<b>16</b>	<b>32</b>
<b>Alluvials</b>	<b>31</b>	<b>37</b>	<b>179</b>
<b>Total gold production<sup>1</sup></b>	<b>559</b>	<b>470</b>	<b>1 214</b>

Note: 1 – The total gold production of the Group include insignificant volumes of the metal obtained as a result of waste clean-up at non-operational Nezhdaninskoye Mine.

### Olimpiada mine (Krasnoyarsk region)

Refined gold output at Polyus Gold's key production unit, Olimpiada Mine in Krasnoyarsk region, amounted to 14.0 tonnes (449 k oz) in 1H 2008, compared to 10.8 tonnes (347 k oz) for the same period last year. Enhanced production at Olimpiada mine is relative to the commissioning of new sulfide ore processing plant - Mill-3. This largest sulfide ore processing plant in Russia with a capacity of 5 million tonnes of ore per year was commissioned in July 2007. Besides this, increase in production was also achieved by putting into processing additional oxide ore, which was operationally accreted in Vostochny pit of Olimpiada mine, as well as by putting into processing ore from Olenie deposit, which was mined in 2007.

#### **Blagodatnoe and Titimukhta deposits (Krasnoyarsk region)**

In the first six month of the year 2008 the company was actively developing new projects in the Krasnoyarsk region. In frameworks of Blagodatnoe project development the company built camp for 987 workers, it was involved in construction of hydrometallurgy housing, main building, chemical agents' storage, spare parts and materials depot, high-voltage substation. The company was involved in development of the pit for coal power station, power grid, roads, water pipe and water intake facility. In frameworks of Titimukhta project development the company already constructed the road and the power grid of 7 km length, was involved in construction of the pit for high-voltage substation and crushing plant. Several units of mining equipment were delivered for the project of Titimukhta.

#### **Kuranakh mine (Republic of Sakha (Yakutia))**

Kuranakh mine in the Sakha Republic (Yakutia) produced 2.1 tonnes (68 k oz) of refined gold in the first six months of 2008, compared to 2.1 tonnes (69 k oz) for the same period last year. This insignificant reduction in production was caused by lower grades in the ore mined. Currently the company modernizes mill to increase its capacity from 3.6 million tones of ore per annum to 4.5 million tones of ore per annum. Main works on modernization to be completed by November 2008.

#### **Zapadnoye mine (Irkutsk region)**

Refined gold production at Zapadnoye Mine in H1 2008 amounted to 0.4 tonnes (11 k oz), compared to 0.5 tonnes (16 k oz) in the same period last year.

#### **Alluvials (Irkutsk region)**

Refined gold production at alluvial deposits in Irkutsk region in the first six months of 2008 amounted to 1.0 tonnes (31 k oz) of gold compared to 1.1 tonnes (37 k oz) in the same period last year.

#### **Verninskoe deposit (Irkutsk region)**

In the first half of 2008 the company was constructing main building, boiler house and camp for the project of Verninskoe. For this project the company ordered hardware, plant equipment and drilling rigs.

#### **Note for editors:**

Polyus Gold is the largest gold producer in Russia. In 2006 its gold output totaled 1.2 million ounces. Headquartered in Moscow, Polyus Gold's operating mines and development/exploration

projects are located in five major gold mining regions of Russia - Krasnoyarsk, Irkutsk, Magadan, Amur regions and the Republic of Sakha (Yakutia).

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