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Polymetal International plc

VTB invests in Veduga to streamline ownership structure and advance project development

VTB Bank (VTB), one of the Russia's largest banks, will invest US\$ 71 million in exchange for a 40.6% stake in Veduga, a gold deposit in the Krasnoyarsk region. Polymetal will retain 59.4% ownership and has been granted a call option to acquire VTB's stake in the future.

"This deal hands Polymetal full operational control of the asset and unlocks further project development. The creative transaction structure allows us to benefit from the financial strength of VTB without straining our own balance sheet. Crucially, Polymetal now has a clear path to 100% ownership", said Vitaly Nesis, Group CEO of Polymetal.

"VTB has a long-standing partnership with Polymetal – one of Russia's leading mining companies. We are fully committed to developing an innovative financing and advisory offering which will allow Polymetal to advance its long-term strategy. We believe that this arrangement will enable the fast tracking of the Veduga development, which is beneficial for both shareholders and the region", said Dmitry Snesar, Head of Client Coverage, Senior Vice President of VTB.

TRANSACTION DETAILS

- VTB will initially acquire a 25.7% stake in Amikan LLC (Amikan), the owner of Veduga gold project ("Project"), from the existing minority shareholders for cash consideration of US\$ 36 million. The implied Amikan equity transaction value is US\$ 140 million.
- VTB will invest a further US\$ 35 million in cash in exchange for newly issued Amikan share capital resulting in VTB holding a 40.6% stake in the asset. These cash-in proceeds will be used to fund the Project's ongoing exploration and development costs.
- VTB has been granted a put option to sell its stake in Amikan to Polymetal during the two-year option window between the 3rd and the 5th anniversary following signing at a fixed implied rate of return for VTB (subject to market conditions) with a customary cap in place.
- Polymetal has been granted a call option to acquire VTB's stake in Amikan any time during the 4 years and 9 months following signing at a fixed implied rate of return for VTB (subject to market conditions).
- Both put and call options are to be settled in Polymetal shares.
- Completion of the transaction is expected to occur before the end of April but in any event no later than 13 October 2020.
- Upon completion of the transaction, Polymetal's stake in Amikan will amount to 59.4%. Polymetal will maintain full operational control over the asset.
- VTB Capital, VTB's investment banking arm, acts as financial advisor to Polymetal in connection with the transaction.

STRATEGIC RATIONALE FOR THE TRANSACTION

Following more than a two-fold reserve increase at Veduga in 2019, Polymetal re-assessed the asset as core and discontinued the formal divestiture process.

The transaction brings significant advantages for the Group:

- Buyout of minority shareholders enabling further development of the asset with streamlined decision-making process and full shareholder alignment.
- Attractive valuation of US\$ 56/oz gold reserves. This compares favorably with the current valuation of Polymetal at US\$ 412/oz GE reserves.
- Decreased leverage and availability of funds for further exploration and project development.

- Limited value dilution compared to conventional equity financing due to capped rate of return for the financial partner.

ABOUT VEDUGA

Veduga is a high-grade refractory gold deposit located in the prolific Northern Yenisey gold belt in the Krasnoyarsk Region, the top gold producing region of Russia. The project comprises 4 license plots with the total area of 18 sq.km. The property is accessible by an all-year road and has direct access to the federal power grid.

In 2019, Polymetal more than doubled the deposit's Ore Reserves to 2.8 Moz of gold at an average grade of 4.6 g/t with further significant potential exploration upside.

Currently, mining at Veduga focuses on high-grade open pit with ore processed at other Polymetal's assets and concentrate subsequently treated at the Amursk POX.

The conceptual project timeline assumes a further reserve and resource upgrade in Q3 2021 which will enable potential investment decision in Q4 2021.

About VTB

JSC VTB Bank, its subsidiary banks and financial organisations (VTB Group) is an international financial group, offering a wide range of financial and banking services and products in Russia, the CIS, and select countries of Europe, Asia, and Africa. As of 31 December 2019, the Group was the second largest financial group in Russia by assets and by customer accounts. The Government of the Russian Federation is VTB Group's main shareholder and owns 60.9% of the voting shares through the Federal Property Management Agency.

About Polymetal

Polymetal International plc (together with its subsidiaries – "Polymetal", the "Company", or the "Group") is a top-10 global gold producer and top-5 global silver producer with assets in Russia and Kazakhstan. The Company combines strong growth with a robust dividend yield.

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