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Polymetal International plc

Kutyn construction approval

Polymetal announces that the Board of Directors has approved construction of the US\$ 80 million Kutyn project.

“After thorough evaluation the Board has concluded that Kutyn belongs in Polymetal’s asset portfolio. The key factors behind this decision are quick and capital-light path to significant free cash flows as well as potential for a long mine life as a part of the Albazino hub”, said Vitaly Nesis, CEO of Polymetal.

PROJECT HIGHLIGHTS

- JORC-compliant Ore Reserves for Kutyn (using US\$ 1,300/oz gold price) as at 1 October 2019 are estimated at 8.4 Mt of oxide ore with an average grade of 3.0 g/t containing 0.812 Moz of gold (please see our recent press release for more details at the [link](#)).
- Conventional open-pit mining will commence with pre-stripping in Q3 2021, with first ore mined in Q1 2022. The average life-of-mine (LOM) stripping ratio is 8 t/t. Ore will be processed through the 1.3 Mtpa heap leach facility followed by the Merrill-Crowe process. Average LOM gold recovery is 71%.
- LOM gold production is expected to comprise 575 Koz. Average annual output from 2023 to 2028 is estimated at roughly 90 Koz with an average AISC of US\$ 590/oz. First gold is expected to be produced in Q2 2023.
- Polymetal acquired the asset in February 2011 for US\$ 65.5 million in shares (when the gold price stood at US\$ 1,400/oz). The Company subsequently spent US\$ 55 million on exploration and site infrastructure in 2012-1H 2020. Remaining initial project capital expenditures (from 2H 2020) are estimated at US\$ 80 million.
- Project IRR (net of sunk costs) stands at 29% at US\$ 1,200/oz rising to 42% at US\$ 1,500/oz. NPV is estimated at US\$ 79 million and US\$ 157 million at US\$ 1,200/oz and US\$ 1,500/oz gold price respectively.
- Mineral Resources of Kutyn (additional to Ore Reserves) as at 1 October 2019 amount to 6.6 Mt of oxide and refractory ore for both open-pit and underground mining with an average grade of 3.7 g/t representing 0.785 Moz of gold contained.
- Detailed in-house metallurgical studies confirmed viability of processing refractory ore from Kutyn at the Albazino concentrator with subsequent POX at Amursk. JORC-compliant estimate of refractory reserves is planned for Q1 2023 following completion of the extensive drilling campaign of 50 km and preparation of the feasibility study.
- The asset’s production and financial results will be reported as a part of Albazino-Amursk segment.
- The development of Kutyn will not result in changes to the current production and CapEx guidance. Incremental production from Kutyn will compensate for the decline at Albazino. Geotechnical conditions at Albazino underground are challenging and the management decided not to proceed with the project to double underground mining capacity to 1.2 Mtpa. CapEx reduction stemming from this decision will balance increased spending at Kutyn. Albazino mill will continue to have 100% utilization thanks to the introduction of low-grade historic stockpiles into the feed.

ABOUT KUTYN

Kutyn deposit is located in the Tugur-Chumikan District of the Khabarovsk Territory, Far East Russia, 114 km north-west of the Albazino mine. The Kutyn site can be accessed using a winter road from Albazino or by sea through the seasonal port of Ulban on the Sea of Okhotsk. The combined mining and exploration license covers an area of 120 km².

Tugur-Chumikan District has a population of more than 2,500 people including 1,579 people of Indigenous Minorities of the North. The project will have positive social impacts in the region of operation as more than 300 new jobs covered by collective agreement will be created. Polymetal is also committed to contribute towards development of local communities via investments in infrastructure, running education programmes, sport and cultural events.

Kutyn will employ dry stacking of tailings, which is the safest tailings storage technology.

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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