

# KazakhGold Development strategy

**Moscow**

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- ✓ After the detailed analysis of KazakhGold assets, the management teams of Polyus and KazakhGold produced a development strategy of Kazakh assets of KazakhGold until 2020.
- ✓ The strategy provides two scenarios: base-case (BS) and optimistic (OS).
- ✓ The key elements of the new strategy are:
  - Modernization / reconstruction of existing producing assets with an increase of capacity from 0.97 mtpa to 1.3 mtpa
  - Construction of Central Metallurgical Plant (CMP) to decrease a discount given to existing semi-products of KazakhGold (installation of a smelting facility)
  - Exploration program in 2010 – 2011:
    - BS: An increase of mineable reserves base up to 8.4 m oz;
    - OS: An increase of mineable reserves base up to 11.5 m oz;
  - Construction of new plants at Aksu, Bestobe, Zholymbet of total capacity of 4.7 mtpa if BS occurs following exploration;
  - Construction of new plants at Aksu, Bestobe, Zholymbet of total capacity of 9.0 mtpa if OS occurs following exploration.
- ✓ The new strategy will allow to increase production from 74 k oz in 2009 to 500 k oz in base-case scenario in 2016 or to 600+ in optimistic scenario in 2016.
- ✓ The figures for each specific year are subject to the relevant financing and may be revised as part of the corresponding budgets.

- ✓ Exploration works are planned on the main KazakhGold deposits during 2010 – 2011.
- ✓ In base-case scenario it is expected to approve 11.2 m oz of gold of geological reserves, of which mineable – 8.4 m oz. Investments in exploration according to base scenario – US\$33 mln\*.
- ✓ In optimistic scenario it is expected to approve 14.2 m oz of gold of geological reserves, of which mineable – 11.5 m oz. Investments in exploration according to optimistic scenario – US\$39 mln\*.

Deposit	B+C1+C2 reserves, 01.01.2010 (m oz)	Expected reserves, 01/01/2012 (BS) (m oz)	Mineable reserves, 01/01/2012 (BS) (m oz)	Expected reserves, 01/01/2012 (OS) (m oz)	Mineable reserves, 01/01/2012 (OS) (m oz)
Aksu+Quarzite hills	1.27	5.29	3.39	7.23	5.22
Bestobe	0.95	2.65	2.28	3.37	3.20
Zholymbet	1.41	2.77	2.70	3.11	3.07
Akzhal	0.03	0.43	0.05	0.43	0.05
Kaskabulak	–	0.08	–	0.08	–
Tailings	0.37	–	–	–	–
<b>Total</b>	<b>4.03</b>	<b>11.22</b>	<b>8.43</b>	<b>14.22</b>	<b>11.54</b>

- ✓ Modernization / reconstruction of 3 existing producing assets will increase processing capacity from 0.97 mtpa to 1.3 mtpa, and average annual production from 74 k oz to 132 k oz of gold:
  - Aksu – to 0.5 mtpa and 39 k oz of gold per year
  - Bestobe – to 0.3 mtpa and 42 k oz of gold per year
  - Zholymbet – to 0.5 mtpa and 51 k oz of gold per year
  
- ✓ In addition it is planned to build Central metallurgical plant (CMP) on production site of Aksu. CMP will increase the level of production to Dore, current discount given to existing semi-products equals to 13% to spot prices.

Production parameters	Aksu	Bestobe	Zholymbet	KazakhGold
Current mill capacity, mtpa	0.33	0.24	0.40	0.97
Upgraded mill capacity, mtpa	0.5	0.3	0.5	1.3
Upgraded ore processed, mln tonnes*	4.6	2.8	4.7	12.1**
Upgraded gold production, k oz per annum*	39	42	51	132**

\* 2010-2020

\*\* Totals may not equal to the sum of components due to difference in mine life

- ✓ Payback period of the CapEx totaling US\$83 mln will be 5 years, IRR exceeds 30%

Capex, USD mln	Aksu	Bestobe	Zholymbet	KazakhGold
Modernization	43.6	6.3	4.1	54.0
Central metallurgical plant	11.1	7.0	11.1	29.2
Total capex	54.7	13.3	15.2	83.2

## Construction of new production facilities on existing production units of Kazakhgold is the essence of the proposed strategy

- ✓ Capacity of new mills and heap leaching units will depend on exploration results in 2010 – 2011 and approved mineral base:
  - ✓ BS: (mineral base 8.4 m oz) the following construction is planned:
    - Aksu – mill of 2.3 mtpa, HL of 1.2 mtpa
    - Bestobe – mill of 1.25 mtpa, HL of 0.5 mtpa
    - Zholymbet – mill of 1.15 mtpa, HL of 0.5 mtpa
    - Akzhal – HL of 0.3 mtpa
    - CapEx (ex. exploration) is US\$429 mln, total processing capacity is 8.2 mtpa\*, average production is 328 k oz of gold per annum.
  - ✓ OS: (mineral base 11.5 m oz) the following construction is planned:
    - Aksu – mill of 3.7 mtpa, HL of 2.1 mtpa
    - Bestobe – mill of 2.8 mtpa, HL of 1.2 mtpa
    - Zholymbet – mill of 2.6 mtpa, HL of 1.0 mtpa
    - Akzhal – HL of 0.3 mtpa
    - CapEx (ex. exploration) is US\$578 mln, total processing capacity is 14.7 mtpa\*, average production is 450 k oz of gold per annum.
- ✓ New mills will process only open pit ore and partly tailings (Zholymbet), modernized old mills will process underground ore. HL units will process oxidized ore and tailings.

	BS	OS
<b>Capex, USD mln</b>		
<b>Exploration</b>	<b>33</b>	<b>39</b>
<b>Capex</b>		
<b>Open-pit</b>	<b>51</b>	<b>91</b>
<b>Underground</b>	<b>135</b>	<b>153</b>
<b>New plant</b>	<b>191</b>	<b>244</b>
<b>HL</b>	<b>43</b>	<b>81</b>
<b>Other</b>	<b>9</b>	<b>9</b>
<b>Total Capex</b>	<b>429</b>	<b>578</b>
<b>Total Capex and exploration</b>	<b>462</b>	<b>617</b>
<b>New plant capacity, mtpa</b>	<b>4.7</b>	<b>9.0</b>
<b>HL capacity, mtpa</b>	<b>2.2*</b>	<b>4.3*</b>
<b>New mill launch</b>	<b>2015</b>	<b>2015</b>
<b>New mill full capacity</b>	<b>2017</b>	<b>2017</b>
<b>HL full capacity</b>	<b>2013</b>	<b>2014</b>
<b>New mill production, k oz</b>	<b>183</b>	<b>296</b>
<b>HL production, k oz</b>	<b>42*</b>	<b>58*</b>

\* Doesn't include capacities of Akzhal.

✓ Milestones schedule of new mills construction at Aksu, Bestobe, Zholymbet:

✓ **Aksu:**

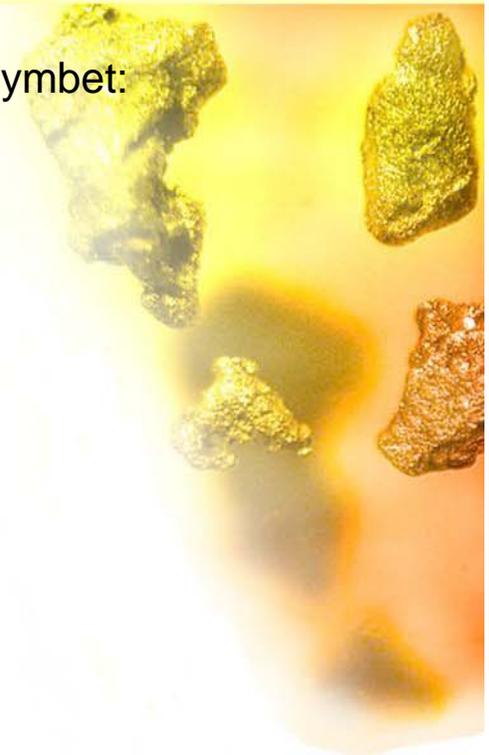
- Pre-Feasibility study – till 01.07.2011
- Board of Directors decision on engineering design start – till 27.01.2012
- Project overview and BD decision on construction – till 14.06.2013
- Start of open pit and mill construction – till 29.07.2013
- Start-up and pre-commissioning – till 25.12.2015

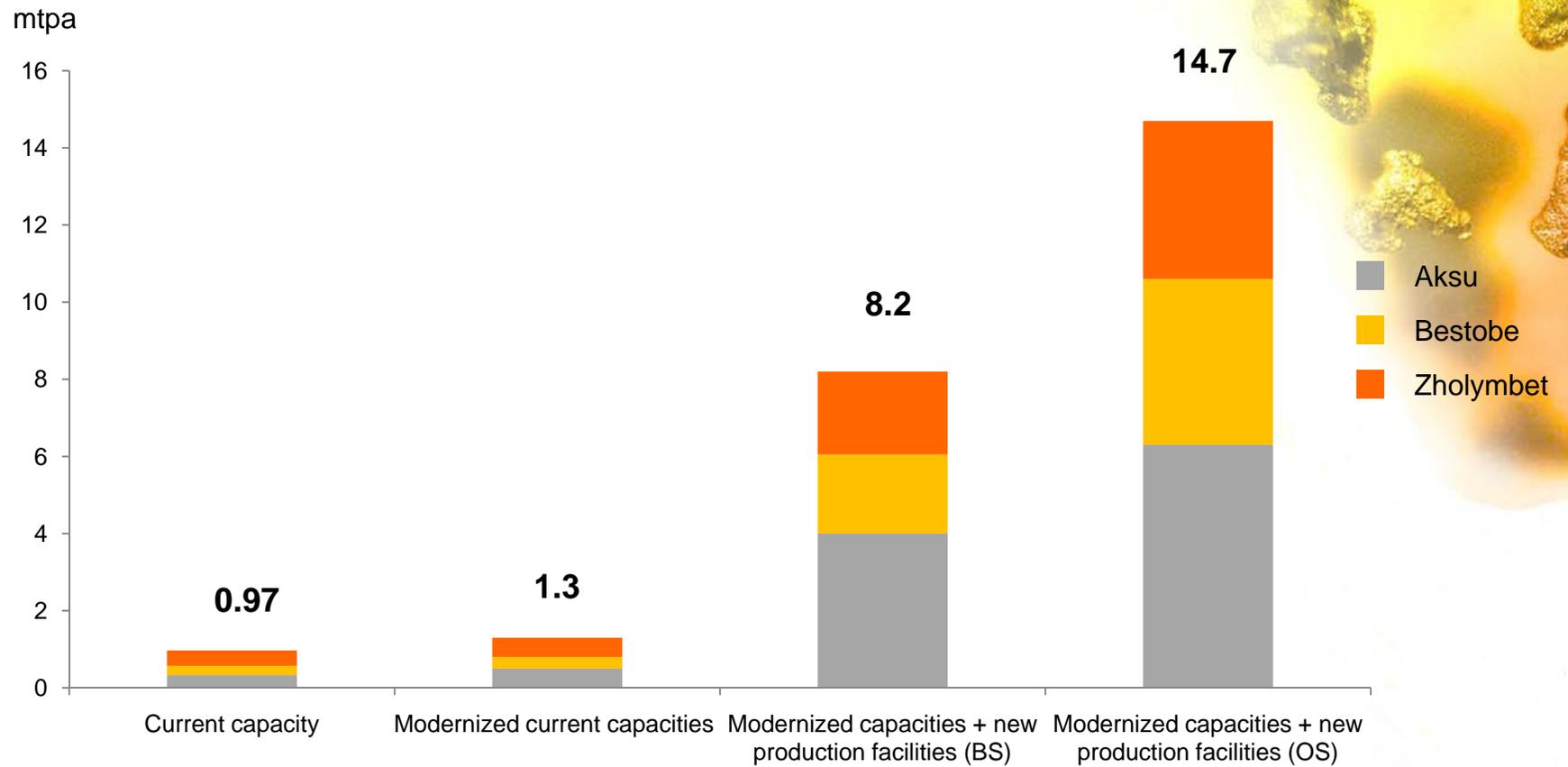
✓ **Bestobe:**

- Pre-Feasibility study – till 13.10.2011
- Board of Directors decision on engineering design start – till 10.05.2012
- Project overview and BD decision on construction – till 26.09.2013
- Start of open pit and mill construction – till 08.11.2013
- Start-up and pre-commissioning – till 07.04.2016

✓ **Zholymbet:**

- Pre-Feasibility study – till 13.01.2012
- Board of Directors decision on engineering design start – till 10.08.2012
- Project overview and BD decision on construction – till 27.12.2013
- Start of open pit and mill construction – till 10.02.2014
- Start-up and pre-commissioning – till 08.07.2016

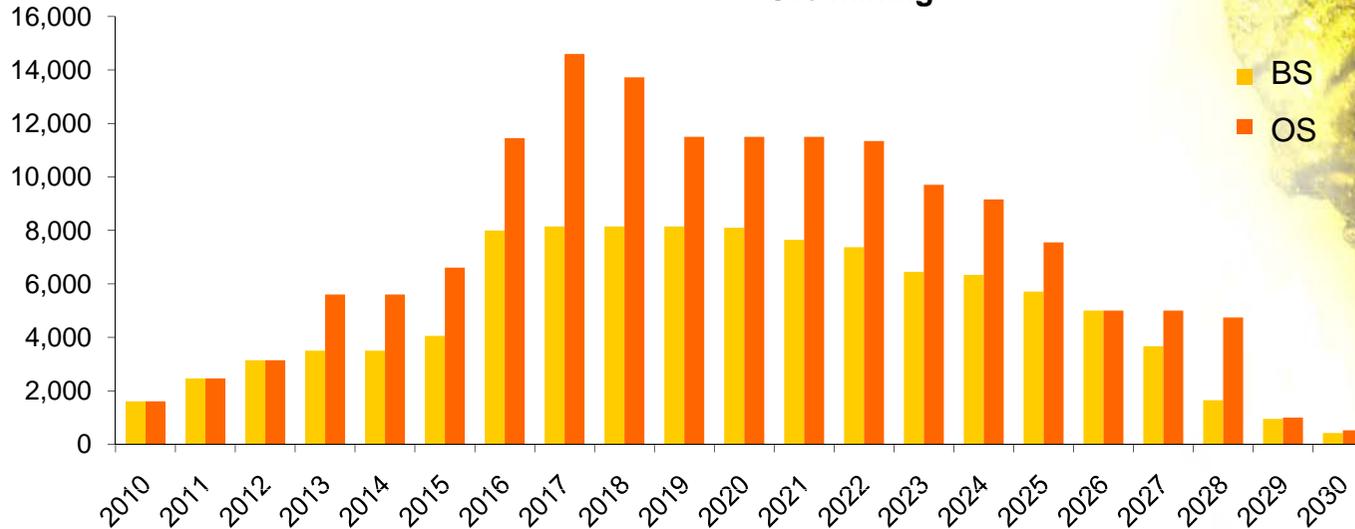




\* Doesn't include capacities of Akzhal.

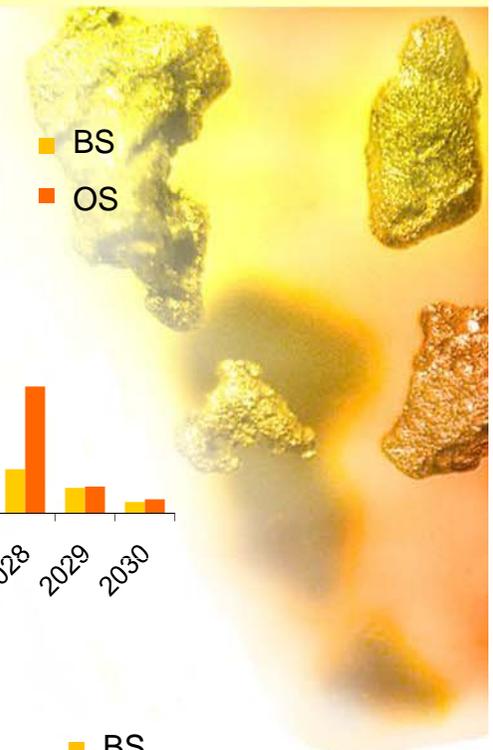
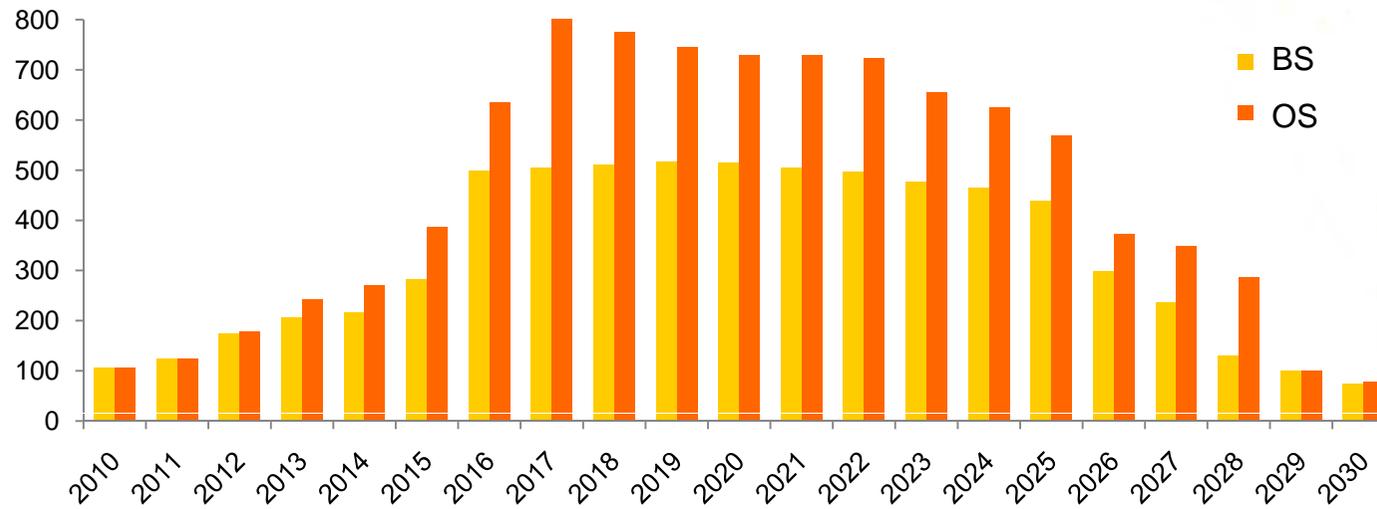
**K tonnes**

**Ore mining**



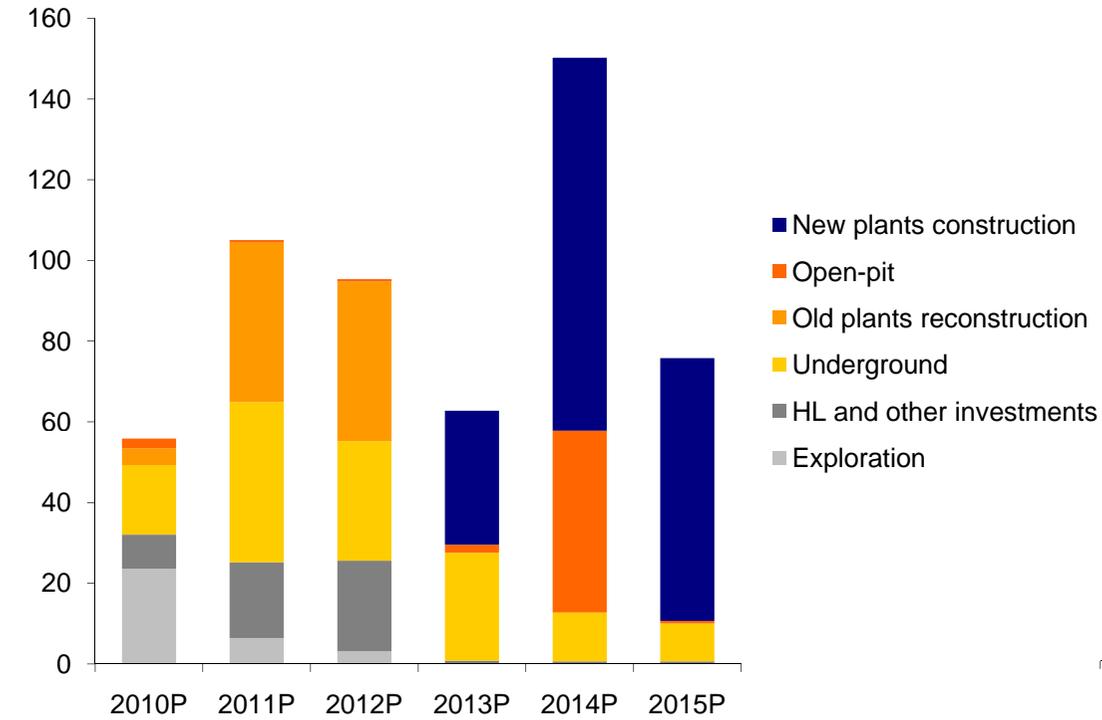
**K oz**

**Production**



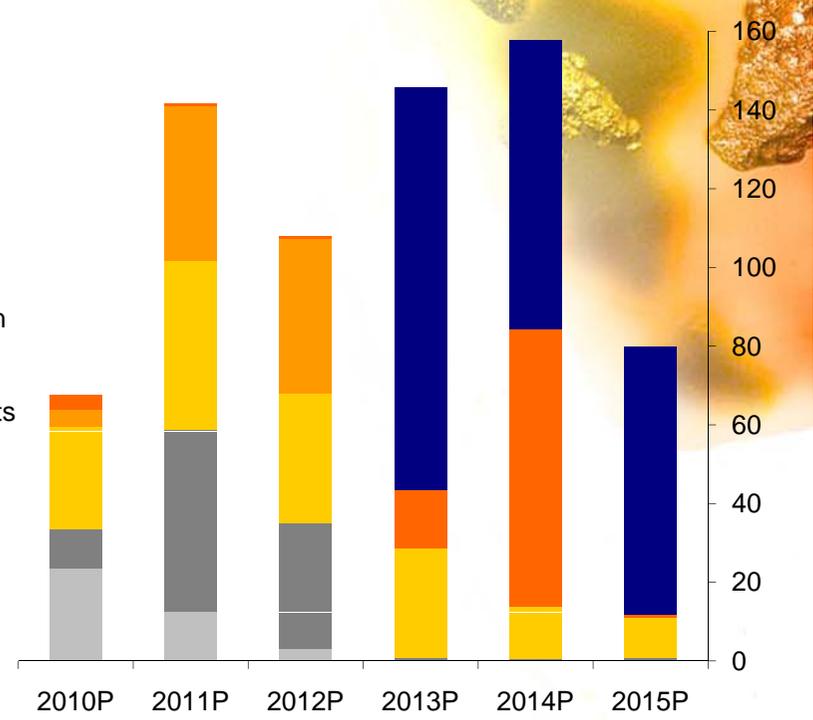
**BS**

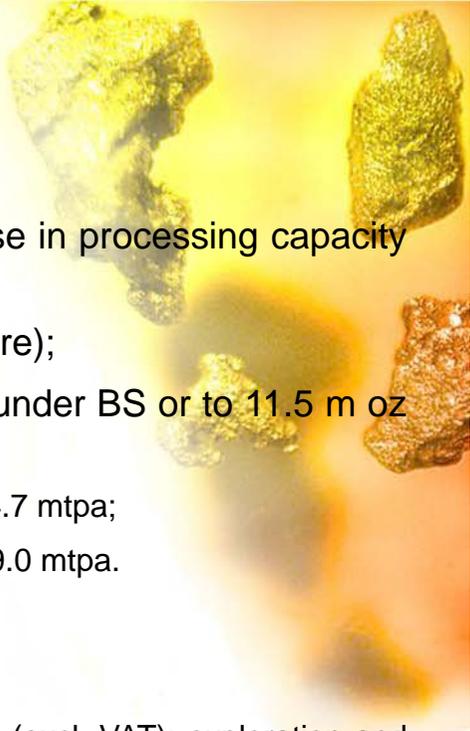
USD mln



**OS**

USD mln



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- ✓ The approved strategy of KazakhGold includes the following steps:
    - Modernization / reconstruction of existing production units including increase in processing capacity from 0.97 mtpa to 1.3 mtpa;
    - Construction of central metallurgical plant to reduce gold sales discount (Dore);
    - Exploration in 2010 – 2011 to increase mineable mineral base to 8.4 m oz under BS or to 11.5 m oz under OS. To actualize strategy on completion of exploration:
      - If BS realized, build new mills on Aksu, Bestobe, Zholymbet with total capacity of 4.7 mtpa;
      - If OS realized, build new mills on Aksu, Bestobe, Zholymbet with total capacity of 9.0 mtpa.
  
  - ✓ Total Capex subject to the results of exploration program:
    - ✓ BS: USD 545 million (modernization of existing capacities in the amount of US\$83 mln (excl. VAT); exploration and new mills construction in the amount of USD 462 mln (excl. VAT);
    - ✓ OS: USD 701 million (modernization of existing capacities in the amount of US\$83 mln (excl. VAT); exploration and new mills construction in the amount of USD 617 mln (excl. VAT).
  
  - ✓ Expected LOM TCC for KazakhGold in a range of 420-450 USD/oz, with higher levels in the period 2010-2013.