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Polymetal International plc

Q1 2022 production results and guidance update

Polymetal reports solid production results for the first quarter of 2022 and updated production and cost guidance.

“Devastating war in Ukraine and immense sanctions put tremendous pressure on Polymetal in Q1. The Company continues to operate safely and profitably and is fully focused on ensuring business continuity and long-term viability. It is with these objectives in mind that the Board was forced to postpone dividend decision and rationalize investment plans”, said Vitaly Nesis, Group CEO of Polymetal. “The Board and management continue to actively explore options to adjust company asset ownership structure to preserve shareholder value and address the needs of other stakeholders”.

HIGHLIGHTS

- No fatal accidents occurred among Group workforce and contractors in Q1 2022. Lost time injury frequency rate (LTIFR) among the Group’s employees stood at 0.10, a 60% decrease over Q1 2021 as there were three incidents recorded (seven in Q1 2021) resulting in minor lost-time injuries.
- The Company reconfirms its FY 2022 production guidance of 1.7 Moz GE (1.2 Moz in Russia, 0.5 Moz in Kazakhstan).
- Q1 gold equivalent production (“GE”) decreased by 6% year-on-year (y-o-y) to 372 Koz as planned grade decline at Albazino and Svetloye more than offset first material contribution from Nezhda. Sales were lower by 50 Koz primarily due to concentrate inventory accumulation at Nezhda and Kyzyl.
- Revenue for the quarter grew by 4% y-o-y to US\$ 616 million underpinned by higher gold prices and on the back of large historical sales/production gap in Q1 2021.
- Net debt rose to roughly US\$ 2.0 billion on the back of higher working capital needs. The Company moved swiftly to increase stocks of critical consumables and spares to address supply chain issues related to sanctions. Seasonal concentrate inventory accumulation and the need to blend materials to comply with Chinese import restrictions on arsenic also played a role.
- The Company revises its Total cash cost (TCC) guidance to US\$ 850-950/GE oz (US\$ 950-1,050/GE oz in Russia and US\$ 700-800/oz in Kazakhstan) compared with the previous guidance range of US\$ 850-900/GE oz. AISC guidance is revised to US\$ 1,200-1,300/GE oz (US\$ 1,350-1,450/GE oz in Russia and US\$ 900-1,000/oz in Kazakhstan) compared with the previous guidance range of US\$ 1,100-1,200/GE oz. Cost increases predominantly relate to various impacts of economic sanctions against Russia including domestic inflation, sharp escalation of logistical costs and the need to shift to suboptimal supply sources.
- POX-2 is likely to experience a 6-month slippage from the original schedule mostly due to supply chain challenges and now is expected to start production in Q2 2024. All other major projects (Kutyn, Prognoz, Urals flotation) are in the advanced stage of construction and will be continued according to the original plans.
- Following a thorough project review, the Company suspended indefinitely its Pacific POX project and is currently evaluating options to re-site the facility in Kazakhstan. Commencement of Veduga construction as well as a number of other smaller scale projects have also been delayed by 12-18 months. CAPEX guidance for the full-year 2022 is therefore revised to US\$ 650 million (US\$ 580 million in Russia and US\$ 70 million in Kazakhstan) reflecting both shrinking investment scope and inflationary pressures.
- Medium-term production guidance now stands at: 1.65 Moz for 2023, 1.7 Moz for 2024, 1.7 Moz for 2025, 1.8 Moz for 2026.
- The decision on 2021 final dividend was postponed until August 2022 as reported earlier.
- The Company will host its virtual Analyst & Investor Day today at 11:00 London time (13:00 Moscow time). Please follow the link to join <https://www.webcast-egs.com/polymetal20220425>.

OPERATING HIGHLIGHTS

	3 months ended Mar 31,		% change ¹
	2022	2021	
Waste mined, Mt	55.0	45.4	+21%
Underground development, km	23.9	23.0	+4%
Ore mined, Mt	4.3	3.8	+14%
Open-pit	3.3	2.8	+18%
Underground	1.0	1.0	+4%
Ore processed, Mt	4.1	3.6	+13%
Average GE grade processed, g/t	3.5	4.0	-13%
Production			
Gold, Koz	315	337	-6%
Silver, Moz	4.5	4.6	-2%
Gold equivalent, Koz ²	372	394	-6%
Sales			
Gold, Koz	268	280	-4%
Silver, Moz	4.4	3.7	+17%
Revenue, US\$m ³	616	593	+4%
Net debt, US\$m ⁴	1,978	1,647	+20%
Safety			
LTIFR (Employees) ⁵	0.10	0.25	-60%
Fatalities	0	0	NA

Notes: (1) % changes can be different from zero even when absolute numbers are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute numbers differ due to the same reason. This note applies to all tables in this release.

(2) Based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for 2021 restated accordingly (120:1 Au/Ag conversion ratio was used previously).

(3) Calculated based on the unaudited consolidated management accounts.

(4) Non-IFRS measure based on unaudited consolidated management accounts. Comparative information is presented for 31 December 2021.

(5) LTIFR = lost time injury frequency rate per 200,000 hours worked.

PRODUCTION BY MINE

	3 months ended Mar 31,		% change
	2022	2021	
<u>GOLD EQ. (KOZ)</u> ¹			
Kyzyl	82	89	-8%
Dukat	66	66	-1%
Varvara	57	60	-4%
Albazino	56	77	-27%
Omolon	40	47	-16%
Nezhda	30	-	NA
Voro	20	22	-10%
Svetloye	19	27	-30%
Mayskoye	3	6	-55%
TOTAL	372	394	-6%

Notes: (1) Based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for 2021 restated accordingly 120:1 Au/Ag conversion ratio was used).

CONFERENCE CALL AND WEBCAST

The management will discuss Q1 production results during the Analyst & Investor Day today at 11:00 London time (13:00 Moscow time). Please follow the link to join <https://www.webcast-egs.com/polymetal20220425>.

Enquiries

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Forward-looking statements

DUE TO THE RECENT MASSIVE DDOS ATTACKS, OUR WEBSITE MAY BE TEMPORARILY UNAVAILABLE, THOUGH WE WILL CONTINUE DISTRIBUTION AND PUBLISHING ALL OUR ANNOUNCEMENTS THERE. THEY WILL BE FULLY AVAILABLE WHEN THE SITE RETURNS TO NORMAL OPERATION.

This release may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements speak only as at the date of this release. These forward-looking statements can be identified by the use of forward-looking terminology, including the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or "should" or similar expressions or, in each case their negative or other variations or by discussion of strategies, plans, objectives, goals, future events or intentions. These forward-looking statements all include matters that are not historical facts. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the company's control that could cause the actual results, performance or achievements of the company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the company's present and future business strategies and the environment in which the company will operate in the future. Forward-looking statements are not guarantees of future performance. There are many factors that could cause the company's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements. The company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

KYZYL

	3 months ended Mar 31,		% change
	2022	2021	
<u>MINING</u>			
Waste mined, Mt	20.7	20.2	+2%
Ore mined (open-pit), Kt	584	556	+5%
<u>PROCESSING</u>			
Ore processed, Kt	551	563	-2%
Gold grade, g/t	4.8	6.0	-20%
Gold recovery	87.7%	88.8%	-1%
Gold in concentrate, Koz ¹	73	96	-24%
Concentrate shipped, Kt	10.8	27.0	-60%
Payable gold shipped, Koz	20	46	-57%
<u>Amursk POX</u>			
Concentrate processed, Kt	14	12	+13%
Gold recovery	94.6%	92.4%	+2%
Gold produced, Koz	62	43	+44%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	82	89	-8%

Note: (1) For information only; not considered as gold produced and therefore not reflected in the table representing total production. It will be included in total production upon shipment to off-taker or dore production at Amursk POX.

(2) To be further processed at Amursk POX.

In Q1, gold production at Kyzyl contracted by 8% as the mining was focused on the eastern part of the pit with lower grade (where historical underground workings are located), and due to concentrate stockpiling to form batches with sufficiently low arsenic content to be shipped to China. The inventory is expected to be drawn down in the following quarters.

DUKAT OPERATIONS

	3 months ended Mar 31,		% change
	2022	2021	
MINING			
Waste mined, Mt	0.9	0.4	+122%
Underground development, km	11.6	11.7	-1%
Ore mined, Kt	633	645	-2%
Open-pit	107	104	+3%
Underground	527	542	-3%
PROCESSING			
Omsukchan concentrator			
Ore processed, Kt	515	513	+1%
Grade			
Gold, g/t	0.7	0.5	+42%
Silver, g/t	249	252	-1%
Recovery ¹			
Gold	83.7%	83.2%	+1%
Silver	84.9%	86.8%	-2%
Production			
Gold, Koz	9	6	+42%
Silver, Moz	3.4	3.5	-4%
Lunnoye plant			
Ore processed, Kt	115	116	-0%
Grade			
Gold, g/t	1.9	1.5	+28%
Silver, g/t	185	252	-27%
Recovery ¹			
Gold	91.5%	91.7%	-0%
Silver	92.7%	92.2%	+1%
Production			
Gold, Koz	6	5	+26%
Silver, Moz	0.7	0.9	-24%
TOTAL PRODUCTION			
Gold, Koz	15	11	+35%
Silver, Moz	4.0	4.4	-8%

Notes: (1) Technological recovery, includes gold and silver within work-in-progress inventory.

Dukat Q1 gold production was above the plan as the Company reached high-grade ore blocks at the Dukat mine. Silver output was lower in line with the budget.

At Primorskoye, the Company will be stockpiling ore to ship it by sea to customers during the navigation period in H2 2022.

Waste mined jumped y-o-y due to mining of crown pillar at the Dukat open pit.

VARVARA

	3 months ended Mar 31,		% change
	2022	2021	
<u>MINING</u>			
Waste mined, Mt	11.0	9.5	+16%
Ore mined, Kt	957	1,056	-9%
<u>PROCESSING</u>			
Leaching			
Ore processed, Kt	769	764	+1%
Gold grade, g/t	1.7	1.7	+1%
Gold recovery ¹	89.6%	86.4%	+4%
Gold production (in dore), Koz	45	46	-2%
Flotation			
Ore processed, Kt	179	190	-6%
Gold grade, g/t	2.8	2.5	+12%
Recovery ¹	88.5%	84.6%	+5%
Gold in concentrate, Koz	11	13	-14%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	57	60	-4%

Note: (1) Technological recovery, includes gold and copper within work-in-progress inventory. Does not include toll-treated ore.

At Varvara, gold recovery at the leaching circuit improved by 4 p.p. y-o-y following flowsheet improvements. At the flotation plant, grade and recoveries increased driven by larger volumes and better quality of third-party ore.

Mine's gold production contracted y-o-y on the back of high base of Q1 2021 when significant work-in-progress was released.

ALBAZINO

	3 months ended Mar 31,		% change
	2022	2021	
<u>MINING</u>			
Waste mined, Mt	7.2	5.1	+41%
Underground development, km	4.6	3.3	+40%
Ore mined, Kt	772	495	+56%
Open-pit	569	308	+85%
Underground	203	187	+9%
<u>PROCESSING</u>			
Albazino concentrator			
Ore processed, Kt	453	427	+6%
Gold grade, g/t	3.2	4.3	-25%
Gold recovery ¹	86.7%	88.7%	-2%
Gold in concentrate, Koz ²	41	52	-22%
Amursk POX			
Concentrate processed, Kt	43.2	48.3	-11%
Gold grade, g/t	44.3	52.8	-16%
Gold recovery	96.5%	96.5%	-0%
Gold produced, Koz	56	77	-28%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	56	77	-28%

Notes: (1) To concentrate.

(2) For information only; not considered as gold produced and therefore not reflected in the table representing total production. Included in total production after Dore production at the Amursk POX.

At Albazino, production decreased by 28% y-o-y on the back of depletion of high-grade Anfisa pit as well as negative recovery rate dynamics attributable to the increase of share of oxidised ore from Ekaterina mine.

Waste and ore mining volumes were higher driven by Kutyn and Farida development. Underground development advanced due to ramping-up of Ekaterina and Anfisa underground mines.

Kutyn construction progressed on schedule, the project is 80% completed. The Company expects heap leaching to start-up in Q3 2022.

AMURSK POX

	3 months ended Mar 31,		% change
	2022	2021	
Concentrate processed, Kt	58	60	-4%
Albazino	43	44	-2%
Kyzyl	14	12	+13%
Nezhda	1	0	NA
Mayskoye	0	0	+1%
Veduga	0	4	-100%
Gold recovery	95.5%	94.9%	+1%
Average gold grade, g/t	64.9	69.6	-7%
Total gold produced ² , Koz	120	121	-1%
Albazino	56	67	-17%
Kyzyl	62	43	+44%
Mayskoye	2	1	+61%
Veduga	-	9	-100%
Nezhda	1	-	NA

Notes: (1) Purchased concentrates which are included in reportable production in the Albazino segment.

(2) For information only. Already accounted for in production at operating mines.

POX production was stable. The plant processed the first test batch of Nezhda's gold flotation concentrate demonstrating sufficient recoveries.

OMOLON OPERATIONS

	3 months ended Mar 31,		% change
	2022	2021	
<u>MINING</u>			
Waste mined, Mt	1.8	0.3	+466%
Underground development, Km	3.0	2.7	+13%
Ore mined, Kt	104	73	+43%
Open-pit	-	-	NA
Underground	104	73	+43%
<u>PROCESSING</u>			
Kubaka Mill			
Ore processed, Kt	212	212	+0%
Grade			
Gold, g/t	5.8	6.9	-16%
Silver, g/t	24	23	+5%
Recovery ¹			
Gold	92.9%	92.8%	+0%
Silver	75.8%	77.8%	-3%
Gold production, Koz	37	45	-18%
Silver production, Moz	0.1	0.1	-3%
Birkachan Heap Leach			
Ore stacked, Kt	-	45	-100%
Gold grade, g/t	-	1.0	-100%
Gold production, Koz	1	1	+146%
<u>TOTAL PRODUCTION</u>			
Gold, Koz	38	45	-16%
Silver, Moz	0.1	0.1	-1%

Note: (1) Technological recovery, includes gold and silver within work-in-progress inventory.

Gold production at Omolon decreased by 16% y-o-y on the back of the planned decline in grade processed.

Waste mine jumped as the development of Burgali open pit progressed, while ore mining there will recommence in Q3 2022. Underground ore mining was higher due to above-the-budget associated ore volumes.

NEZHDA

	3 months ended Mar 31,		% change
	2022	2021	
<u>MINING</u>			
Waste mined, Mt	4.9	5.3	-7%
Ore mined, Kt	604	346	+75%
<u>PROCESSING</u>			
Ore processed, Kt	484	-	NA
Grade			
Gold, g/t	3.7	-	NA
Silver, g/t	30.5	-	NA
Recovery ¹			
Gold	73.2%	-	NA
Silver	74.7%	-	NA
Gold in concentrate, Koz	42	-	NA
Silver in concentrate, Moz	0.4	-	NA
Concentrate shipped, Kt	1.1	-	NA
Payable gold in concentrate, Koz	26	-	NA
<u>Amursk POX</u>			
Concentrate processed, Kt	1.1	-	NA
Gold grade, g/t	39.6	-	NA
Gold recovery	88.1%	-	NA
Gold produced, Koz	1	-	NA
<u>TOTAL PRODUCTION</u>			
Gold, Koz	27	-	NA
Silver, Moz	0.2	-	NA

At Nezhda, first concentrate was shipped to off-takers. The concentrator achieved design throughput on planned grade. Recovery remained lower than design by 3-4 percentage points as the Company targeted higher improved market liquidity for its products against the backdrop of further tightening in Chinese arsenic restrictions

VORO

	3 months ended Mar 31,		% change
	2022	2021	
MINING			
Waste mined, Mt	3.4	0.6	+481%
Ore mined, Kt	76	11	+570%
PROCESSING			
CIP			
Ore processed, Kt	246	260	-5%
Gold grade, g/t	2.1	2.2	-3%
Gold recovery ¹	85.7%	83.9%	+2%
Gold production, Koz	18	20	-8%
Heap Leach			
Ore stacked, Kt	-	-	NA
Gold grade, g/t	-	-	NA
Gold production, Koz	1	2	-69%
TOTAL PRODUCTION			
Gold, Koz	19	22	-11%

Note: (1) Technological recovery, includes gold within work-in-progress inventory.

At Voro, quarterly gold production contracted due to lower volumes of third-party and Pesherny feedstocks as well as a decrease in volumes processed.

Voro flotation plant construction is 70% completed. Start-up is targeted for Q1 2023

SVETLOYE

	3 months ended Mar 31,		% change
	2022	2021	
MINING			
Waste mined, Mt	1.6	0.7	+144%
Ore mined (open pit), Kt	369	390	-5%
PROCESSING			
Ore stacked, Kt	312	282	+11%
Gold grade, g/t	1.9	4.8	-61%
Gold recovery	80.8%	82.1%	-2%
Gold production, Koz	19	27	-30%
TOTAL PRODUCTION			
Gold, Koz	19	27	-30%

Gold production at Svetloye recorded a 30% y-o-y decrease on the back of stacking of stockpiled low-grade ore from depleted Lyudmila main pit. Full-year grade is expected to normalize.

Waste mined increase is attributable to development of a new pit at Lyudmila (Nadezhda – launched in 2021), new pushback (Stage 3) at the Emmy pit.

MAYSKOYE

	3 months ended Mar 31,		% change
	2022	2021	
MINING			
Waste mined, Mt	1.0	0.9	+8%
Underground development, km	4.7	5.1	-7%
Ore mined, Kt	195	191	+2%
Open-pit	13	13	-1%
Underground	183	178	+3%
PROCESSING			
Ore processed, Kt	230	217	+6%
Gold grade, g/t	5.6	6.2	-9%
Gold recovery ¹	90.8%	92.5%	-2%
Gold in concentrate, Koz ²	38	40	-6%
Amursk POX			
Gold produced in dore from concentrate (POX), Koz	2	1	+61%
Gold produced in dore from carbon, Koz ³	1	5	-76%
TOTAL PRODUCTION			
Gold, Koz	3	6	-55%

Notes: (1) To concentrate.

(2) For information only; not considered as gold produced and therefore not reflected in the table representing total production. Included in total production upon sale to off-taker or dore production at Amursk POX.

(3) Gold produced from carbon at Amursk POX.

Gold in concentrate production at Mayskoye decreased on the back the planned grade decline. Full-year average grade is expected to be roughly stable y-o-y.

Mayskoye haulage project (ore transportation by conveyor) is on track for launch in Q3 2022. Paste backfill plant construction is postponed by one year due to supply chain challenges.

POX-2

At POX-2, construction of metal frameworks at the autoclave servicing area and slurry cooling section as well as sandwich panels' construction at the high bay area is in progress. Concentrate preparation equipment and vessels at slurry mixing neutralization areas are being installed. Thickener installation is ongoing. Foundation works for the CIL equipment and preparation for technological pipelines installation at the downstream section are in progress. Construction of 16 MW boiler house completed.

POX-2 is likely to experience a 6 month slippage from the original schedule mostly due to supply chain challenges and now is expected to fully ramp-up in Q2 2024.

SUSTAINABILITY, HEALTH AND SAFETY

No fatal accidents occurred among Group employees and contractors in Q1 2022 (none did in Q1 2021). Group's lost time injury frequency rate (LTIFR) decreased by 60% y-o-y to 0.10 (0.25 in Q1 2021). Three incidents resulting in lost time injuries occurred among Group employees and another three – among contractors, with all of the injuries classified as minor. Each incident was followed by proper investigations aimed at improving safety of workplaces.

In Q1, Polymetal published its Sustainability Performance Data 2021 (GRI and SASB) and climate report in accordance with TCFD, which accompanied the Integrated Annual Report 2021 for the year ended 31 December 2021.

Following the recent geopolitical developments, Sustainalytics has increased Polymetal's ESG Risk Rating from 15.9 (Low Risk) to 21.9 (Medium Risk), while MSCI ESG Ratings has downgraded Polymetal's ESG Rating from AA to B.