



14 October 2011

### **Trading update for 9 months ended 30 September 2011**

Polyus Gold International Limited (LSE – PLGL, OTC (US) - PLZLY), an international company, the leading gold producer in Russia and one of the major producers of gold in Kazakhstan, today releases its trading update for the nine months ended 30 September 2011.

#### **Highlights**

- Total gold production in the period increased by 16% year-on-year to 1,107 thousand ounces (nine months to 30 September 2010: 956 thousand ounces)
- Total gold production in the third quarter increased by 9% year-on-year to 496 thousand ounces (third quarter 2010: 454 thousand ounces)
- Blagodatnoye is now operating at the design capacity (6 MTPA, 85% recovery)
- Ongoing Mill-2,3 modernization resulted in higher recovery
- Construction of Verninskoye project is on schedule
- Increased production at alluvials resulting from favourable weather conditions

James Nieuwenhuys, COO of Polyus Gold commented:

*“I am pleased to report on our continued operational progress over the last nine months. The increases in production over the period have been impressive; with a 16% rise year on year including a 9% rise in the last quarter. These figures are testament to the hard work that the management and employees have put in as well as the successful ramp-up and optimization programs at our producing assets.”*

*“We continue to make advances on the Group’s development strategy announced in July 2011. We have made significant progress at our Verninskoye project, which is expected to be launched at the end of 2011, whilst development work continues at Natalka, where the detailed construction schedule is being finalized this month.”*

#### **Operating results**

During the nine months ended 30 September 2011 the Group’s operating units produced 1,107 thousand ounces of refined gold<sup>1</sup>, compared to 956 thousand ounces during the same period of the previous year. The 16% year-on-year increase was primarily the result of the ramp-up of the Blagodatnoye mine, launched in July 2010, as well as improved performance at most of the Group’s other production units due to the ongoing optimization programs. In the third quarter of 2011, the Group’s refined gold production amounted to 496 thousand ounces, compared to 454 thousand ounces in the comparative period of 2010.

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<sup>1</sup> Total gold production includes 1,018 thousand ounces of refined gold produced by the production units based in Russia and 89 thousand ounces of gold produced by the Kazakh business unit in sludge, float and gravity concentrates and other semi-products

The table below represents the production of refined gold in the reporting period.

**Table 1. Production of refined gold**

Production of refined gold, k oz	9 months ended 30 September		Change	3 months ended 30 September		Change
	2011	2010	%	2011	2010	%
<b>Olimpiada mine<sup>2</sup></b>	<b>406</b>	<b>389</b>	5%	<b>158</b>	<b>156</b>	2%
<b>Blagodatnoye mine</b>	<b>270</b>	<b>159</b>	70%	<b>118</b>	<b>79</b>	50%
<b>Titimukhta</b>	<b>81</b>	<b>69</b>	17%	<b>37</b>	<b>30</b>	22%
<b>Kuranakh</b>	<b>85</b>	<b>88</b>	-4%	<b>30</b>	<b>32</b>	-6%
<b>Zapadnoye<sup>3</sup></b>	<b>3</b>	<b>17</b>	-85%	<b>-</b>	<b>5</b>	-
<b>Pervenets pilot plant<sup>4</sup></b>	<b>11</b>	<b>-</b>	-	<b>3</b>	<b>-</b>	-
<b>Alluvials Kazakhstan operations</b>	<b>162</b>	<b>155</b>	4%	<b>117</b>	<b>119</b>	-2%
<b>Group total</b>	<b>1 107</b>	<b>956<sup>5</sup></b>	<b>16%</b>	<b>496</b>	<b>454<sup>5</sup></b>	<b>9%</b>

In the nine months ended 30 September 2011 the Group's production units moved 40.3 million cubic meters of rock, compared to 42.6 million cubic meters moved in the first nine months of 2010, demonstrating a 5% year-on-year reduction. In the third quarter of 2011 total rock moved amounted to 13.9 million cubic meters, compared to 15.3 million cubic meters in the comparative period. The decrease in total rock moved was a result of Vostochny pit optimization of Olimpiada mine and improving stripping ratio.

In the nine months ended 30 September 2011 the Group's operating units mined 16.0 million tonnes of ore, compared to 17.3 million tonnes in the same period of the previous year. Ore mined in the third quarter of 2011 amounted to 4.9 million tonnes, compared to 5.9 million tonnes in the third quarter of 2010. The decrease in ore mined was a result of scheduled balancing of mining and processing volumes (in the nine months ended 30 September 2011 the Group mined 16.0 million tonnes of ore and processed 16.1 million tonnes of ore).

Ore processing in the nine months of 2011 amounted to 16.1 million tonnes, compared to 14.8 million tonnes in the nine months of 2010, demonstrating a 9% year-on-year growth. The major contributor to the increase was the Blagodatnoye mine, operating now at the design processing capacity. Ore processing in the third quarter of 2011 amounted to 5.6 million tonnes, compared to 5.4 million tonnes in the third quarter of 2010.

In the nine months ended 30 September 2011 the Group sold 1,099 thousand ounces of gold, compared to 972 thousand ounces in the same period of the previous year<sup>6</sup>.

<sup>2</sup> In the 3Q11 WIP (gold-in-process) accrued in the reporting period had been laid out at Olimpiada mine for further put into production in the 4Q11 due to scheduled maintenance of the mill

<sup>3</sup> In April 2011 a decision was made to suspend operations at Zapadnoye mine due to depletion of reserves in the pit contour of Zapadnoye deposit

<sup>4</sup> Pervenets pilot plant processes ore from the Verninskoye deposit

<sup>5</sup> Group production in third quarter of 2010 includes 1 k oz produced at the Natalka pilot plant

<sup>6</sup> Sales volume includes 1,007 thousand ounces of refined gold sold in the reporting period produced by the Russian production units of Polyus. This does not include volumes of gold produced at Pervenets pilot plant out of the ores of Verninskoye deposit as these sales are not consolidated in the Group's revenue due to non-commercial scale of production. Sales volume also includes 92 thousand ounces of the metal produced and sold by Kazakhstan business unit in the form of semi-products.

The weighted average gold selling price for the Group is estimated at USD1,546 per troy ounce, compared to USD 1,186 in the nine months ended 30 September 2010.<sup>7</sup>

#### **Olimpiada mine (Krasnoyarsk region)**

In the nine months ended 30 September 2011, Olimpiada mine (Mill-2 and Mill-3) produced 406 thousand ounces of gold, compared to 389 thousand in the same period of the previous year.

Improved technological performance at Mill-2,3 was achieved due to the stage-by-stage realization of the optimization program aimed at increasing the processing efficiency for refractory sulphide ore from the Olimpiada deposit.

In the reporting period the optimization of Olimpiada's production processes was finalized following the completion of the installation of centrifuges. The Group expects that this measure will have an immediate positive effect. Recently the centrifuges were operating in a test mode, but the Group estimates that this installation will increase the recovery rate for the Olimpiada mine in the future.

In the third quarter of 2011 the Group made a decision to expand the bio-leaching facility with six additional oxidation tanks. This measure will allow the Group to increase the flotation concentrate mass pull resulting in the material which contains less sulfur and pyrrhotine and slightly more gold. The implementation of this measure is expected to result in further improvement of the mine's processing efficiency.

#### **Titimukhta (Krasnoyarsk region)**

In the reporting period Titimukhta produced 81 thousand ounces of gold, compared to 69 thousand in the nine months of 2010, which was a result of the continued efforts to bring the project's performance to the design parameters.

In the period under review the Group continued introduction of gravity concentration technology at the Titimukhta plant, which is expected to increase the recovery level from the current 84% to 86%. The commissioning of the gravity concentration technology is expected to be completed by the end of 2011.

In July 2011 a decision was made to expand the capacity of Mill-1 (processing the ores of Titimukhta) up to 2.4 million tonnes per annum. The expansion project is on schedule. The Group's 2012 production plan will be based on the Titimukhta capacity of up to 2.4 million tonnes per annum.

#### **Blagodatnoye mine (Krasnoyarsk region)**

In the reporting period Blagodatnoye mine produced 270 thousand ounces of gold, compared to 159 thousand in the same period of the previous year, reflecting the successful ramp-up of the project. The mine is now operating at the design capacity.

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

Gold production from the alluvial deposits of the Group amounted to 162 thousand ounces, compared to 155 thousand ounces in the nine months of 2010. The growth was a result of the mining fleet upgrade as well as early commencement of the alluvial mining season.

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<sup>7</sup> Weighted average gold selling price of refined gold produced by the Russian production units of Polyus Group amounted to USD 1,558 per ounce. The lower selling price for the Group of USD 1,546 per ounce is due to Kazakhstan business unit's sales of gold in semi-products at a discount to the gold spot price.

### Kuranakh mine (the Sakha Republic (Yakutia))

Kuranakh mine produced 85 thousand ounces of gold in the nine months ended 30 September 2011, compared to 88 thousand ounces in the similar period of the previous year, the decrease being caused mainly by challenging hydrogeological conditions at the Kuranakh ore field. A significant hydrogeological assessment and pit dewatering program have been initiated to overcome this problem.

### Zapadnoye mine (Irkutsk region)

Due to the depletion of reserves at the Zapadnoye deposit, a decision was made to suspend the mine's operations. In April 2011 ore mining and processing at the Zapadnoye mine was terminated.

### Kazakhstan operating units

In the reporting period, the Kazakhstan operating units produced 89 thousand ounces of gold in semi-products, compared to 78 thousand ounces in the same period of the previous year. The 14% year-on-year increase was achieved due to implementation of the investment program of upgrading existing operations.

The table below represents the total rock moved, ore mined and processed by the Group's operating units in the reporting period.

**Table 2. Total rock moved, ore mining and processing**

Total rock moved (in thousand m <sup>3</sup> )	9 months ended 30 Sep		Change	3 months ended 30 Sep		Change
	2011	2010	%	2011	2010	%
<b>Olimpiada mine</b>	<b>12 572</b>	<b>16 547</b>	-24.0%	<b>4 256</b>	<b>5 002</b>	-14.9%
<i>including stripping</i>	10 619	13 870	-23.4%	3 659	4 293	-14.8%
stripping ratio (m <sup>3</sup> /t)	2.0	1.9	4.9%	2.3	2.2	1.1%
<b>Titimukhta</b>	<b>7 752</b>	<b>5 964</b>	30.0%	<b>2 650</b>	<b>2 393</b>	10.7%
<i>including stripping</i>	7 105	5 255	35.2%	2 433	2 816	-13.6%
stripping ratio (m <sup>3</sup> /t)	4.1	3.0	35.9%	4.2	4.1	0.5%
<b>Blagodatnoye</b>	<b>9 969</b>	<b>8 552</b>	16.6%	<b>3 461</b>	<b>3 520</b>	-1.7%
<i>including stripping</i>	8 165	7 121	14.7%	2 964	2 941	0.8%
stripping ratio (m <sup>3</sup> /t)	1.6	1.8	-10.7%	2.1	1.9	15.8%
<b>Kuranakh mine</b>	<b>7 487</b>	<b>7 174</b>	4.4%	<b>2 610</b>	<b>2 527</b>	3.3%
<i>including stripping</i>	5 986	5 735	4.4%	2 115	2 076	1.9%
stripping ratio (m <sup>3</sup> /t)	2.3	2.2	1.6%	2.5	2.6	-6.2%
<b>Zapadnoye mine</b>	<b>77</b>	<b>1 822</b>	-95.8%	<b>-</b>	<b>809</b>	
<i>including stripping</i>	55	1 669	-96.7%	-	777	-
stripping ratio (m <sup>3</sup> /t)	0.9	4.0	-77.3%	-	9.0	-
<b>Verninskoye mine</b>	<b>1 349</b>	<b>1 505</b>	-10.4%	<b>436</b>	<b>538</b>	-19.0%
<i>including stripping</i>	1 149	1 455	-21.1%	385	500	-23.1%
stripping ratio (m <sup>3</sup> /t)	2.1	10.9	-80.4%	2.8	4.9	-43.5%
<b>Pervenets</b>	<b>202</b>			<b>124</b>	<b>10</b>	
<i>including stripping</i>	202	-	-	124	-	-
<b>Kazakhstan operating units</b>						

<b>Aksu, total</b>	<b>84</b>	<b>272</b>	<b>-69.2%</b>	<b>12</b>	<b>123</b>	<b>-90.4%</b>
including UG mining	37	59	-37.4%	12	13	-7.5%
including open pit mining	47	213	-77.9%	-	110	-
<i>including stripping</i>	28	98	-71.4%	-	48	-
stripping ratio (m <sup>3</sup> /t)	0.5	0.3	70.2%	-	0.3	-
<b>Bestobe, total</b>	<b>60</b>	<b>220</b>	<b>-72.6%</b>	<b>26</b>	<b>104</b>	<b>-74.6%</b>
including UG mining	60	50	21.0%	26	19	38.1%
including open pit mining	-	170	-	-	85	-
<i>including stripping</i>	-	50	-	-	25	-
<b>Zholymbet, total</b>	<b>534</b>	<b>239</b>	<b>123.8%</b>	<b>252</b>	<b>118</b>	<b>113.5%</b>
including UG mining	82	48	72.5%	27	6	398.9%
including open pit mining	452	191	136.6%	224	112	99.5%
<i>including stripping</i>	421	138	204.7%	206	95	117.5%
stripping ratio (m <sup>3</sup> /t)	6.4	1.1	469.7%	5.0	2.2	130.4%
<b>Akzhal, total</b>	<b>260</b>	<b>326</b>	<b>-20.4%</b>	<b>76</b>	<b>175</b>	<b>-56.4%</b>
open pit mining	260	326	-20.4%	76	175	-56.4%
<i>including stripping</i>	168	228	-26.1%	42	116	-64.2%
stripping ratio (m <sup>3</sup> /t)	0.8	0.9	-14.8%	0.5	0.8	-32.5%
<b>Total rock moved, Kazakhstan</b>	<b>938</b>	<b>1 057</b>	<b>-11.3%</b>	<b>366</b>	<b>520</b>	<b>-29.6%</b>
<b>Stripping, Kazakhstan</b>	<b>618</b>	<b>513</b>	<b>20.3%</b>	<b>247</b>	<b>284</b>	<b>-12.8%</b>
<b>Total rock moved, Group total</b>	<b>40 345</b>	<b>42 620</b>	<b>-5.3%</b>	<b>13 902</b>	<b>15 319</b>	<b>-9.2%</b>
<b>Stripping, Group total</b>	<b>33 899</b>	<b>35 619</b>	<b>-4.8%</b>	<b>11 926</b>	<b>13 688</b>	<b>-12.9%</b>

Ore mining (in thousand tonnes)	9 months ended 30 Sep		Change	3 months ended 30 Sep		Change
	2011	2010	%	2011	2010	%
<b>Olimpiada mine</b>	<b>5 275</b>	<b>7 226</b>	<b>-27.0%</b>	<b>1 613</b>	<b>1 914</b>	<b>-15.7%</b>
Average grade (g/t)	3.3	3.1	7.1%	3.4	3.2	5.1%
<b>Titimukhta</b>	<b>1 733</b>	<b>1 742</b>	<b>-0.5%</b>	<b>584</b>	<b>680</b>	<b>-14.1%</b>
Average grade (g/t)	2.1	2.0	4.8%	2.1	1.9	9.2%
<b>Blagodatnoye mine</b>	<b>4 996</b>	<b>3 890</b>	<b>28.4%</b>	<b>1 382</b>	<b>1 588</b>	<b>-13.0%</b>
Average grade (g/t)	2.1	2.0	4.9%	2.1	2.0	6.7%
<b>Kuranakh mine</b>	<b>2 620</b>	<b>2 550</b>	<b>2.7%</b>	<b>861</b>	<b>793</b>	<b>8.6%</b>
Average grade (g/t)	1.3	1.3	-5.3%	1.3	1.3	-3.6%
<b>Zapadnoye mine</b>	<b>60</b>	<b>414</b>	<b>-85.5%</b>	<b>-</b>	<b>86</b>	<b>-</b>
Average grade (g/t)	1.9	1.8	10.9%	-	1.8	-
<b>Verninskoye</b>	<b>539</b>	<b>134</b>	<b>302.6%</b>	<b>139</b>	<b>102</b>	<b>36.1%</b>
Average grade (g/t)	2.6	2.2	19.0%	2.9	2.3	26.2%
<b>Pervenets</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>-</b>
Average grade (g/t)	-	2.6	-	-	2.6	-
<b>Kazakhstan operating units</b>						
<b>Aksu</b>	<b>150</b>	<b>419</b>	<b>-64.2%</b>	<b>32</b>	<b>205</b>	<b>-84.2%</b>
Average grade (g/t)	2.9	2.1	42.4%	3.6	1.7	110.7%
<b>Bestobe</b>	<b>146</b>	<b>385</b>	<b>-62.1%</b>	<b>58</b>	<b>185</b>	<b>-68.8%</b>
Average grade (g/t)	8.4	2.7	207.3%	7.5	2.7	176.8%
<b>Zholymbet</b>	<b>261</b>	<b>221</b>	<b>18.4%</b>	<b>107</b>	<b>58</b>	<b>83.6%</b>

Average grade (g/t)	4.9	5.0	-0.6%	4.7	5.2	-9.6%
<b>Akzhal</b>	<b>222</b>	<b>256</b>	<b>-13.3%</b>	<b>80</b>	<b>152</b>	<b>-47.2%</b>
Average grade (g/t)	1.0	1.4	-25.7%	1.2	1.4	-13.1%
<b>Total, Kazakhstan</b>	<b>779</b>	<b>1 280</b>	<b>-39.1%</b>	<b>277</b>	<b>599</b>	<b>-53.8%</b>
<b>Ore mining, Group total</b>	<b>16 001</b>	<b>17 275</b>	<b>-7.4%</b>	<b>4 855</b>	<b>5 789</b>	<b>-16.1%</b>

Ore processing (in thousand tonnes)	9 months ended 30 Sep		Change	3 months ended 30 Sep		Change
	2011	2010	%	2011	2010	%
<b>Olimpiada mine, including</b>						
<i>Sulfide ore</i>	<b>6 118</b>	<b>5 572</b>	9.8%	<b>2 096</b>	<b>1 735</b>	20.8%
<i>Mixed ore</i>	-	<b>23</b>	-	-	<b>23</b>	-
<b>Average grade (g/t)</b>						
<i>Sulfide ore</i>	3.3	3.7	-10.7%	3.2	3.8	-15.6%
<i>Mixed ore</i>	-	6	-	-	6	-
<b>Recovery (%)<sup>8</sup></b>						
<i>Sulfide ore</i>	73.0	65.6	11.2%	73.3	67.9	8.0%
<i>Mixed ore</i>	-	76.7	-	-	76.7	-
<b>Titimukhta</b>	1 481	1 183	25.2%	521	424	23.1%
Average grade (g/t)	2.1	2.4	-11.5%	2.2	2.6	-14.2%
Recovery (%)	84.0	83.1	1.0%	83.7	88.6	-5.5%
<b>Blagodatnoye mine</b>	4 712	3 869	21.8%	1 685	1 619	4.0%
Average grade (g/t)	2.1	2.0	7.1%	2.1	2.0	4.5%
Recovery (%)	85.2	74.9	13.8%	84.8	77.2	9.8%
<b>Kuranakh mine</b>	2 501	2 487	0.6%	845	841	0.5%
Average grade (g/t)	1.3	1.3	-5.3%	1.3	1.3	-4.9%
Recovery (%)	85.2	85.5	-0.3%	85.1	86.1	-1.2%
<b>Zapadnoye mine</b>	155	433	-64.2%	-	135	-
Average grade (g/t)	0.8	2.0	60.0%	-	2.3	-
Recovery (%)	59.8	70.5	15.2%	-	70.3	-
<b>Pervenets</b>	113	34	234.1%	45	31	47.1%
Average grade (g/t)	2.8	2.6	6.1%	2.8	2.6	6.1%
Recovery (%)	72.7	79.0	- 8.0%	72.6	79.7	-8.9%
<b>Kazakhstan operating units</b>						
<b>Aksu</b>						
Ore processing at plant	267	222	20.5%	91	96	-5.8%
Average grade (g/t)	1.9	2.7	-29.6%	1.7	2.5	-32.4%
Recovery (%)	83.8	81.3	3.1%	77.6	80.8	-4.0%
Heap leaching	140	120	16.8%	93	70	33.3%
Average grade (g/t)	0.7	1.1	-34.2%	0.7	1.1	-34.8%
<b>Bestobe</b>						
Ore processing at plant	141	97	45.4%	56	39	41.5%
Average grade (g/t)	7.8	6.5	20.0%	7.2	7.5	-3.5%
Recovery (%)	88.2	86.6	1.8%	88.0	90.0	-2.2%
Heap leaching	-	256	-	-	123	-
Average grade (g/t)	-	1.0	-	-	1.1	-

<sup>8</sup> Technological recovery for Olimpiada mine, to account for building up of flotation concentrate.

<b>Zholymbet</b>						
Ore processing at plant	261	216	20.9%	98	76	29.1%
Average grade (g/t)	4.2	3.6	16.7%	4.3	3.1	37.4%
Recovery (%)	78.4	78.3	0.1%	75.2	74.0	1.6%
<b>Akzhal (heap leaching)</b>	196	250	-21.5%	69	143	-52.1%
Average grade (g/t)	1.1	1.4	-25.2%	1.2	1.4	-15.6%
Total, Kazakhstan	1 005	1 160	-13.3%	406	548	-25.9%
<b>Ore processing, Group total</b>	<b>16 085</b>	<b>14 762</b>	<b>9.0%</b>	<b>5 599</b>	<b>5 356</b>	<b>4.5%</b>

<b>Alluvials</b>						
Washing of sands (mln m <sup>3</sup> )	8 040	7 617	5.6%	5 395	5 231	3.1%
Average grade (g/m <sup>3</sup> )	0.70	0.70	-0.6%	0.72	0.70	2.6%

### ***Project development update***

#### **Natalka mine (Magadan region)**

In July 2011 the Group signed an agreement with CJSC PeterGOR project to prepare detailed construction schedule and necessary construction documentation. During October 2011 PeterGOR project is expected to complete the preparation of this schedule, which will incorporate detailed working documentation including design solutions, index maps of works and technical assignments for crushing and grinding equipment, an additional crushing unit, and the mining fleet (trucks, excavators, loaders). In addition, the Group initiated contracting work for the equipment supply.

In the reporting period the Group invested approximately USD 50 million dedicated to construction camp for 2,000 workers and required construction equipment. The construction camp will be in place by February 2012.

In April 2011 the second stage of pre-mining grade control drilling commenced with a goal of confirming additional high-grade material and outlay mining works during the first five years of operations.

On 17<sup>th</sup> August 2011 the new license for the Natalka deposit was obtained and its term was extended until 31<sup>st</sup> December 2036 (previously it was 31<sup>st</sup> December 2013). The new license presumes commissioning of the first stage of the plant by 31<sup>st</sup> December 2013.

In the third quarter of 2011 a leading international consulting company prepared a study reviewing work force requirements for the Natalka project. Based on this study the Group will start executing the program of hiring qualified managerial and operational staff.

In the reporting period, MagadanEnergo, in accordance to the earlier signed agreement, began the renewal of the grid, installing new 110 kV lines and replacing old wooden pylons.

#### **Verninskoye mine (Irkutsk region)**

The Verninskoye mechanical completion and commissioning preparation is on schedule and a detailed programme has been developed to ensure that any potential slippage is identified early. The current plan is to commence commissioning before the end of 2011.