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**OJSC Polyus Gold achieves a 60% YoY production growth in 1Q 2011.**

OJSC Polyus Gold (RTS, MICEX and LSE - PLZL), Russia's leading gold producer, announces that the Group's dore gold production in the 1Q 2011 amounted to 323 thousand ounces<sup>1</sup> (or 10.1 tonnes), which is 60% more than in the 1Q2010 when the Company produced 204 thousand ounces (6.3 tonnes).<sup>1</sup>In 1Q 2011 gold sales revenue increased by 68% and amounted to USD 385 million.<sup>2</sup>

'At the end of last year we defined the increase of operational efficiency as one of the key priorities for this year', said Mikhail Prokhorov, General Director of OJSC Polyus Gold. 'In the first quarter we can already see the first results of our efforts. At this stage we managed not only to increase gold output at certain projects, but also to significantly improve the level of recovery almost at all the Group's operating mines. This resulted in a substantial growth of gold production in the first quarter of 2010', Mikhail Prokhorov noted.

It is important to point out that the growth in production volumes was achieved practically at all the business units of the Group.

**Mills 2&3 of the Olimpiada mine** that process sulfide ores of the Olimpiada deposit, produced 144 thousand ounces of gold, which is 31% more than the metal produced in the first quarter of 2010. At both plants substantial progress was made in terms of recovery rate. Average recovery in the 1Q 2011 amounted to 70%, compared to 64% in the 1Q 2010 and 66% for the FY 2010. Moreover, the trend during the quarter was positive, bringing the average recovery rate at the two plants in March to the level of 72.2%.

In 2010, following the transition to the deep horizons ores with high content of pyrrhotine the BIONORD<sup>®</sup> technology showed high sensitivity to the change in the material and mineralogical composition of ore, which led to the reduction in recovery. The Company began implementing a series of measures aimed at raising the efficiency of sulfide ore processing and improving the bio-leaching technology. In 1Q 2011 the implementation of those measures carried on and we are expecting further improvement in the recovery rate in the coming months.

Processing volumes at both plants also increased: from 1.6 million tonnes in the 1Q 2010 to 2 million tonnes in the 1Q 2011, showing a 23% increase.

**The Blagodatnoye mine** processed 1.6 million tonnes of ore at the recovery rate of 84.5% in the 1Q 2011. The average gold grade in the ore processed increased by almost 9% YoY to 2.11 g/tonne, compared to 1.94 g/tonne in the 1Q2010 and 1.98 g/tonne for the FY 2010. In the 1Q 2011 the Blagodatnoye mine produced 94 thousand ounces (2.9 tonnes).

**Mill 1 of the Olimpiada mine**, which processes ores of the Titimukhta deposit produced 29 thousand ounces, a 47% growth compared to the production in the 1Q 2010. Ore processing showed a 27% growth and amounted to 0.5 million tonnes, compared to 0.4 million tonnes in the 1Q 2010. The recovery rate increased from 71.0% to 83.5%.

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<sup>1</sup> Includes in 1Q 2011 27 k oz and in 1Q 2010 14 k oz of gold produced by the KazakhGold Group's subsidiaries in the form of flotation and gravitation concentrates and other semi-products.

<sup>2</sup> Unaudited preliminary estimate.

**The Kuranakh mine** produced 27 thousand ounces of gold, showing a 6% YoY growth. This was due to the increase in the ore processing volumes and improvement of the recovery rate (85.8% in 1Q 2011, compared to 83.9% in 1Q 2010).

**KazakhGold Group** was the growth leader, having increased gold output by more than 90% from 14 thousand ounces in 1Q2010 to 27 thousand ounces in 1Q2011. The growth in production was achieved due to launch of the Akzhal mine, as well as significant increase in recoveries at the plants (from 77% to 85%) and HL (heap-leaching) facilities (from 22% to 52%). The volume of ore processed increased from 191 thousand tonnes to 251 thousand tonnes.

Gold production at **the Irkutsk alluvial business unit** was insignificant due to seasonality inherent to alluvial gold mining. Normally the production season at alluvials starts in April and lasts till November.

**Table 1. Polyus Group's operating results for the 1Q 2011.**

	1Q 2011	1Q 2010	Change, %
<b>Olimpiada (Mills 2&amp;3)</b>			
Ore mined, k tonnes	2,087	2,888	-27.7%
Ore processed, k tonnes	2,021	1,639	23.3%
Average gold grade, g/tonne	3.49	3.60	-3.1%
Recovery rate, %	69.9	63.6	–
<b>Gold production, k oz</b>	<b>144</b>	<b>111</b>	<b>30.5%</b>
<b>Blagodatnoye</b>			
Ore mined, k tonnes	1,798	976	84.3%
Ore processed, k tonnes	1,608	904	77.9%
Average gold grade, g/tonne	2.11	1.94	8.8%
Recovery rate, %	84.5	65.6	–
<b>Gold production, k oz</b>	<b>94</b>	<b>29</b>	<b>230.0%</b>
<b>Titimukhta (Mill 1)</b>			
Ore mined, k tonnes	564	459	23.0%
Ore processed, k tonnes	515	404	27.5%
Average gold grade, g/tonne	2.08	2.33	-10.7%
Recovery rate, %	83.5	71.0	–
<b>Gold production, k oz</b>	<b>29</b>	<b>20</b>	<b>47.0%</b>
<b>Kuranakh</b>			
Ore mined, k tonnes	861	832	3.5%
Ore processed, k tonnes	780	765	2.0%
Average gold grade, g/tonne	1.25	1.28	-2.3%
Recovery rate, %	85.8	83.9	–
<b>Gold production, k oz</b>	<b>27</b>	<b>25</b>	<b>6.4%</b>
<b>KazakhGold</b>			
Ore mined, k tonnes	238	178	33.4%
Ore processed at plants, k tonnes	198	140	41.2%
Average gold grade, g/tonne	4.12	4.09	0.7%
Recovery rate, %	84.7	77.0	–
Ore processed at HL, k tonnes	53	51	4.6%

Average gold grade, g/tonne	1.02	1.03	-1.0%
Recovery rate, %	52.2	22.0	–
<b>Gold production, k oz</b>	<b>27</b>	<b>14</b>	90.4%
<b>Alluvials</b>			
Sands washed, thousand m <sup>3</sup>	70	28	150.0%
Average gold grade, g/m <sup>3</sup>	0.11	0.25	-54.6%
<b>Gold production, k oz</b>	<b>0.3</b>	<b>0.2</b>	14.4%
<b>Zapadnoye</b>			
Ore mined, k tonnes	60	149	-59.8%
Ore processed, k tonnes	131	136	-3.5%
Average gold grade, g/tonne	0.81	1.89	-57.1%
Recovery rate, %	49.6	67.2	–
<b>Gold production, k oz</b>	<b>2</b>	<b>5</b>	-66.7%
<b>Total gold production, k oz:</b>	<b>323</b>	<b>204</b>	<b>58.8%</b>

Gold sales, k oz	278.4	212.7	30.9%
Weighted-average gold selling price, USD/oz	1,380.90	1,075.36	28.4%
<b>Gold sales revenue (unaudited), USD million</b>	<b>385</b>	<b>229</b>	<b>68.1%</b>

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