



6 August 2010

### **Trading update for 1H 2010**

OJSC Polyus Gold (RTS, MICEX and LSE – PLZL) today releases its operating results for the first six months of 2010.

In the first six months of 2010 the Group produced 15.6 tonnes (503 k oz) of gold, compared to 14.9 tonnes (477 k oz) in the same period of the previous year.<sup>1</sup> The 5 % growth of production volumes resulted from enhanced capacities of the Titimukhta project launched in 2009, precommissioning at the Blagodatnoye mine and acquisition of operating assets in Kazakhstan in August 2009.

The volume of total rock moved throughout the Polyus Group in the first half of 2010 amounted to 27.3 million cubic meters, compared to 23.3 million cubic meters in the same period of last year.

In the reporting period the Polyus Group mined 11.5 million tonnes of ore, compared to 7.3 million tonnes mined in the first half of 2009. Increased volumes of ore mining were due to the launch of the Titimukhta, pre-commissioning at Blagodatnoye, enhanced ore mining at the Olimpiada mine, and acquisition of the Kazakshtan mines.

The volume of ore processing during the first six months of 2010 was 9.1 million tonnes as compared to 6.6 million tonnes in the same period of last year. Significant growth of ore processing was related primarily to commencement of operations at the Blagodatnoye mine in a precommissioning mode.

In the first half of 2010 the Polyus Group sold 16.3 tonnes (524 k oz) of gold, compared to 14.9 tonnes (477 k oz) in the first half of 2009.<sup>2</sup> According to preliminary estimates, the Group's revenue from gold sales in the reporting period amounted to USD 604 million (unaudited), compared to USD 442 million (unaudited) in the same period of the previous year. The 37% growth in revenue resulted from higher realized gold price and increased sales volumes. Weighted-average gold selling price in the first half of 2010 is estimated at USD 1154 per troy ounce compared to USD 926 per ounce in the first half of 2009.<sup>3</sup>

In the reporting period total volume of exploratory drilling amounted to 101.57 thousand meters compared to 71.68 thousand meters in the same period of the previous year. This included 71.12 thousand meters of drilling at the deposits located in the Russian Federation, which is approximately at the level of the first half of 2009. The increase in drilling volumes during the reporting period was mainly due to exploration works carried out in the Republic of Kazakhstan.

#### **Approval of the Natalka mine construction**

On August 4, 2010 the Federal State Expertise Committee of Russia (GlavGosExpertiza) issued the positive opinion on the project documentation and engineering survey results for the construction of the Natalka mine.

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<sup>1</sup> Production volumes include 456 k oz of refined gold produced by the Polyus Group's mines in Russia and 46 k oz of gold produced by KazakhGold Group in the form of sludge, flotation and gravitation concentrates and other semi-products.

<sup>2</sup> Sales volumes include 481 k oz of sold refined gold produced by the Polyus Group's mines in Russia and 43 k oz of gold produced and sold by KazakhGold Group in semi-products.

<sup>3</sup> Weighted-average gold selling price for refined gold produced by the Polyus Group's mines amounted to USD1168 per ounce. Lower selling price for the whole Polyus Group of USD1154 per ounce was due to KazakhGold Group's sale of semi-products at a considerable discount to gold market price.

In June 2010, international audit of the project documentation by SRK Consulting also started.

‘The approval of the Nataalka mine construction project is an important step which allows the company to start large-scale construction works as well as begin contracting mining equipment of prolonged manufacturing cycle, to make sure the mining at Nataalka begins in 2013’, – stated Polyus CEO Evgueni Ivanov.

### **The launch of the Blagodatnoye mine**

In July 2010 the Polyus Group successfully completed one of the largest projects within the long-term development strategy: the Blagodatnoye mine in the Krasnoyarsk region was commissioned. Construction of the mine took slightly more than 2.5 years. The construction team, as well as the equipment previously engaged in construction of Mill-3 of the Olimpiada mine, were involved in the Blagodatnoye project.

The designed mill capacity is 6 mtpa. The average gold output is expected at 12.8 tonnes (412 k oz) at designed recovery of 88.6%. The mine is expected to reach its designed capacity in 2011. Total capital expenditures for the project were USD 450 million. In the first half of 2010 main construction and assembling works at the pit and the mill were completed and a 24-MW power plant was launched. In 2010 the Group plans to finalize construction of warehouses, garage-repair shop, diversion facilities and tailing dam in line with the schedule and within the approved budget.

During the precommissioning operations in the first half of 2010 2,302 thousand tonnes of ore were mined and 2,250 thousand tonnes were processed. The volume of refined gold output in the reporting period amounted to 80 k oz.

*Blagodatnoye gold deposit is located in the Severo-Eniseysk district of the Krasnoyarsk region 25 km to the north of the Olimpiada mine. Due to proximity of the deposit to the Olimpiada mine the Company has a unique opportunity to use available social and repair infrastructure. Proved and probable reserves (P&P) according to JORC standards equal 9.9 mln oz (306.7 tonnes), the average gold grade is 2.27 g/t.*

### **Commencement of HL production at Akzhal**

In the first half of 2010 exploration works were implemented at the Akzhal deposit in Eastern Kazakhstan. Oxidized ore pit quarrying began, construction of pit roads was underway.

In April 2010 a 0.3-mtpa pilot heap leaching facility was launched to model the technology of oxidized ore processing. The HL facility produces gold-bearing sorbent which is further processed at an in-house plant in Ust-Kamenogorsk (maximum processing capacity up to 5 tonnes of 160 k oz of Dore gold per annum) to produce Dore gold. In April – June 2010 gold production from the ore of the Akzhal deposit amounted to 2.4 k oz.

### **Polyus Group’s operating results for the first half of 2010**

<b>Refined gold production (k oz)</b>	<b>1H 2010</b>	<b>1H 2009</b>	<b>Change</b>	<b>FY2009</b>
<b>Olimpiada mine</b>				
<b>Olimpiada deposit</b>	<b>233</b>	<b>341</b>	<b>-32%</b>	<b>839</b>
<b>Titimukhta</b>	<b>39</b>	<b>17</b>	<b>129%</b>	<b>39</b>
<b>Blagodatnoye mine</b>	<b>80</b>	<b>-</b>		<b>-</b>
<b>Kuranakh mine</b>	<b>56</b>	<b>74</b>	<b>-24%</b>	<b>135</b>
<b>Zapadnoye mine</b>	<b>12</b>	<b>11</b>	<b>9%</b>	<b>24</b>
<b>Alluvials</b>	<b>36</b>	<b>34</b>	<b>6%</b>	<b>194</b>

<b>KazakhGold Group, including*</b>	<b>46</b>	<b>-</b>	<b>30</b>
<b>Aksu</b>	<b>12</b>	<b>-</b>	<b>7</b>
<b>Bestobe</b>	<b>13</b>	<b>-</b>	<b>11</b>
<b>Zholymbet</b>	<b>20</b>	<b>-</b>	<b>12</b>
<b>Akzhal</b>	<b>2</b>	<b>-</b>	<b>-</b>

<b>Total gold production</b>	<b>503</b>	<b>477</b>	<b>5%</b>	<b>1,261</b>
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\*KazakhGold Group's operating results for 2009 only include results for the last five months of the year.  
Totals may not add due to the rounding error.

<b>Total rock moved (thousand m<sup>3</sup>)</b>	<b>1H 2010</b>	<b>1H 2009</b>	<b>Change</b>	<b>FY2009</b>
<b>Olimpiada mine</b>				
<b>Olimpiada deposit</b>	<b>11,545</b>	<b>11,728</b>	<b>-2%</b>	<b>24,055</b>
<i>including stripping</i>	9,577	10,294	-7%	20,084
Stripping ratio (m <sup>3</sup> /tonne)	1.8	2.7		1.9
<b>Titimukhta deposit</b>	<b>3,570</b>	<b>3,208</b>	<b>11%</b>	<b>5,003</b>
<i>including stripping</i>	3,129	2,815	11%	4,296
Stripping ratio (m <sup>3</sup> /tonne)	2.9	3.2		2.7
<b>Blagodatnoye mine</b>	<b>5,032</b>	<b>2,156</b>	<b>133%</b>	<b>7,740</b>
<i>including stripping</i>	4,179	2,156	94%	7,519
Stripping ratio (m <sup>3</sup> /tonne)	1.8	-		12.6
<b>Kuranakh mine</b>	<b>4,647</b>	<b>4,749</b>	<b>-2%</b>	<b>8,606</b>
<i>including stripping</i>	3,659	3,693	-1%	6,589
Stripping ratio (m <sup>3</sup> /tonne)	2.1	2.0		1.8
<b>Zapadnoye mine</b>	<b>1,013</b>	<b>847</b>	<b>20%</b>	<b>1,733</b>
<i>including stripping</i>	892	603	48%	1,305
Stripping ratio (m <sup>3</sup> /tonne)	2.7	0.9		1.1
<b>Verninskoye</b>	<b>967</b>	<b>645</b>	<b>50%</b>	<b>1,340</b>
<i>including stripping</i>	955	645	48%	1,198
Stripping ratio (m <sup>3</sup> /tonne)	-	-		3.12
<b>KazakhGold Group*</b>				
<b>Aksu</b>	<b>136</b>	<b>-</b>	<b>-</b>	<b>35</b>
<i>including stripping</i>	50	-		11
Stripping ratio (m <sup>3</sup> /tonne)	0.4	-		0.2
<b>Bestobe</b>	<b>116</b>	<b>-</b>	<b>-</b>	<b>73</b>
<i>including stripping</i>	25	-		10
Stripping ratio (m <sup>3</sup> /tonne)	0.2	-		0.1
<b>Zholymbet</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>45</b>
<i>including stripping</i>	44	-		26
Stripping ratio (m <sup>3</sup> /tonne)	0.6	-		0.6
<b>Akzhal</b>	<b>153</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>including stripping</i>	111	-		-
Stripping ratio (m <sup>3</sup> /tonne)	1.1	-		-
<b>Total rock moved, KazakhGold Group</b>	<b>521</b>	<b>-</b>	<b>-</b>	<b>153</b>
<b>Total stripping, KazakhGold Group</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>47</b>
<b>Total rock moved</b>	<b>27,295</b>	<b>23,333</b>	<b>17%</b>	<b>48,630</b>
<b>Total stripping</b>	<b>22,621</b>	<b>20,206</b>	<b>12%</b>	<b>41,038</b>

<b>Ore mining (thousand tonnes)</b>	<b>1H 2010</b>	<b>1H 2009</b>	<b>Change</b>	<b>FY2009</b>
<b>Olimpiada mine</b>				

<b>Olimpiada deposit</b>				
Ore mined	5,312	3,826	39%	10,603
Average gold grade (g/t)	3.07	2.53		3.03
<b>Titimukhta deposit</b>				
Ore mined	1,063	884	20%	1,618
Average gold grade (g/t)	2.01	2.25		2.11
<b>Blagodatnoye mine</b>				
Ore mined	2,302	-		595
Average gold grade (g/t)	2.00	-		2.15
<b>Kuranakh mine</b>				
Ore mined	1,757	1,889	-7%	3,606
Average gold grade (g/t)	1.34	1.49		1.39
<b>Zapadnoye mine</b>				
Ore mined	328	659	-50%	1,155
Average gold grade (g/t)	1.74	1.79		1.78
<b>Verninskoye</b>				
Ore mined	32	-		384
Average gold grade (g/t)	2.00	-		2.71
<b>KazakhGold Group*</b>				
<b>Aksu</b>				
Ore mined	214	-		121
Average gold grade (g/t)	2.37	-		2.60
<b>Bestobe</b>				
Ore mined	200	-		188
Average gold grade (g/t)	2.74	-		2.29
<b>Zholymbet</b>				
Ore mined	162	-		123
Average gold grade (g/t)	4.85	-		4.08
<b>Akzhal</b>				
Ore mined	104	-		-
Average gold grade (g/t)	1.44	-		-
<b>Total, KazakhGold Group</b>	<b>681</b>	<b>-</b>		<b>432</b>

<b>Total ore mined</b>	<b>11,475</b>	<b>7,258</b>	<b>58%</b>	<b>18,393</b>
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Ore processing (thousand tonnes)	1H 2010	1H 2009	Change	FY2009
<b>Olimpiada mine, including</b>				
<b>Olimpiada deposit</b>	<b>3,537</b>	<b>4,371</b>	<b>-19%</b>	<b>8,877</b>
<i>Sulfide ore</i>	3,537	3,557	-1%	7,398
<i>Mixed type ore</i>	-	498		1,163
Olenye deposit	-	316		316
<b>Average gold grade (g/t)</b>				
Olimpiada deposit				
<i>Sulfide ore</i>	3.68	3.46	5%	3.60
<i>Mixed type ore</i>	-	5.80		6.24
Olenye deposit	-	4.60		4.60
<b>Recovery (%)</b>				
Olimpiada deposit				
<i>Sulfide ore</i>	63.7	73.3		73.1
<i>Mixed type ore</i>	-	78.7		79.7
Olenye deposit	-	81.3		75.4

**Titimukhta deposit**

Ore processed	<b>759</b>	<b>232</b>	<b>227%</b>	<b>602</b>
Average gold grade (g/t)	2.21	2.86	-24%	2.84
Recovery (%)	79.6	82.2		76.3
<b>Blagodatnoye mine</b>				
Ore processed	<b>2,250</b>	-		
Average gold grade (g/t)	1.93	-		
Recovery (%)	72.8	-		
<b>Kuranakh mine</b>				
Ore processed	<b>1,646</b>	<b>1,798</b>	<b>-8%</b>	<b>3,463</b>
Average gold grade (g/t)	1.33	1.52		1.40
Recovery (%)	85.1	84.0		84.2
<b>Zapadnoye mine</b>				
Ore processed	<b>298</b>	<b>237</b>	<b>26%</b>	<b>505</b>
Average gold grade (g/t)	1.86	2.20		2.18
Recovery (%)	70.2	70.1		69.1
<b>KazakhGold Group*</b>				
<b>Aksu</b>				
<b>Ore processed at plant</b>	<b>126</b>	-		<b>132</b>
Average gold grade (g/t)	2.9	-		2.71
Recovery (%)	81.6	-		69.0
<b>Ore processed at HL</b>	<b>50</b>	-		-
Average gold grade (g/t)	1.1	-		-
<b>Bestobe</b>				
<b>Ore processed at plant</b>	<b>58</b>	-		<b>158</b>
Average gold grade (g/t)	5.80	-		2.62
Recovery (%)	83.4	-		83
<b>Ore processed at HL</b>	<b>133</b>	-		-
Average gold grade (g/t)	1.0	-		-
<b>Zholymbet</b>				
<b>Ore processed at plant</b>	<b>140</b>	-		<b>106</b>
Average gold grade (g/t)	3.80	-		4.39
Recovery (%)	77.3	-		75
<b>Akzhal</b>				
<b>Ore processed at HL</b>	<b>106</b>	-		-
Average gold grade (g/t)	1.45	-		-
<b>Total, KazakhGold Group</b>	<b>612</b>	-		<b>397</b>
<b>Total ore processed</b>	<b>9,102</b>	<b>6,638</b>	<b>37%</b>	<b>13,844</b>
<b>Sand washing (Alluvials)</b>				
Sands washed (mln m <sup>3</sup> )	<b>2.4</b>	<b>2.5</b>	<b>-4%</b>	<b>9.0</b>
Average gold grade (g/m <sup>3</sup> )	0.71	0.60		0.66

\* KazakhGold Group's operating results for 2009 only include results for the last five months of the year.

### *Business units operating results for the 1H 2010*

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

##### *Processing of Olimpiada deposit ores*

In the first half of 2010 Olimpiada mine produced 233 k oz of refined gold from Olimpiada deposit ores as compared to 341 k oz in the same period of the previous year. The decline in gold output resulted from the decreased volumes of ore processing from 4,371 thousand tonnes in the first half of

2009<sup>4</sup> to 3,537 thousand tonnes in the first half of 2010, and the decreased recovery rate. The volume of sulfide ores processed remained approximately at the level of the first half of 2009.

In the reporting period modernization program at the Olimpiada mine went on. A number of measures were undertaken to raise operational efficiency of the mine. The second cone crusher was assembled. Installation of metalware of the fourth hydrocyclone unit for classification of ground ore was underway. Additional equipment was installed at oxidation and sorption operations in the hydrometallurgical workshop. Bio-pulp thickener reactor was reconstructed, additional hydrocyclone equipment assembled. Construction and assembly of gravitation equipment for hydrocyclone sands were implemented. Lime department reconstruction commenced. Implementation of these measures will increase the Olimpiada sulfide ores processing efficiency.

### ***Processing of Titimukhta deposit ores***

In the first half of 2010 Olimpiada mine produced 39 k oz of refined gold from Titimukhta deposit ores.

At Mill-1 of the Olimpiada mine adjustment of processing technology for the ores of Titimukhta continued. By the end of the reporting period the mill reached its designed recovery ratio.

By the end of the reporting period the balance of work-in-progress at the refinery, OJSC Krastsvetmet, amounted to approximately 18 k oz. Besides, significant volumes of unrefined gold produced in the first half of 2010 by the Krasnoyarsk business unit (Olimpiada mine and Blagodatnoye mine), were left as unshipped goods at the Olimpiada mine storage.

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

In the first half of 2010 gold output of the Group's alluvial enterprises amounted to 36 k oz, compared to 34 k oz in the same period of the previous year.

Early commencement of mine preparation works enabled to achieve higher gold grade in the sands washed. This resulted in a 6% growth of gold output.

### **Kuranakh mine (Republic of Sakha (Yakutia))**

In the reporting period the Kuranakh mine produced 56 k oz of refined gold. The decline in production volumes resulted from the decreased volumes of ore processing. Poor state of the pit roads in the spring period hindered stable supply of the ore mined to the plant. Due to on-going modernization of the Kuranakh mine the recovery rate remained stable despite the decrease of the gold grade in the ore processed. In the first half of 2010 implementation of measures aimed at increasing the plant's processing capacity from 3.6 to 4.5 mtpa continued.

### **Zapadnoye mine (Irkutsk region)**

In the reporting period the mine produced 12 k oz of gold, giving a 9% increase over 11 k oz produced in the first half of 2009. Processing of stockpiled ore resulted in a planned decrease in the volumes of ore mining. The decrease of gold grade in the ore processed was offset by 26% growth in the volumes of ore processing.

### ***Projects development in the 1H 2010***

#### **Verninskoye deposit (Irkutsk region)**

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<sup>4</sup> Includes insignificant volumes of processed ores from Olenye deposit

In June 2010 the Subsoil Usage Agency of the Irkutsk Region granted the permission to commence mining operations at the Verninskoye pit.

In the first half of 2010 capital mining operations at the Verninskoye deposit went on. In the first six months of 2010 32 thousand tonnes of ore were mined, 967 thousand cubic meters of rock were moved.

In the reporting period frame and walling of the main building were assembled, electric power objects were constructed and heat network laid. Construction works on the forth camp, laundry, oil products storage and tailing facilities continued. During the reporting period 10 units of mining transport were purchased.

Launch of the Verninskoye mine is expected on schedule in 2011.

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

In the first half of 2010 additional geological engineering survey was carried out at the Natalka deposit. Construction of access roads and preparation of sites for future facilities is underway. Exploratory works at the Omchak ore cluster were implemented to calculate inferred resources and reserves. Seismological zoning and operational exploration is planned for 2010 to define precise pit bounds.

Technological tests were carried out at the Pilot plant to optimize grinding and classification processes. In the second quarter testing of removal of the carbonaceous sludge before flotation started. In the first half of 2010 24 tonnes of ore were mined at the experimental pit. During testing works 11 thousand tonnes of ore were processed, 215 oz of associated gold was produced.

### **KazakhGold Group**

In the first half of 2010 repair works were implemented at the operating mines of KazakhGold Group in Northern Kazakhstan to stabilize the production process and ensure gradual output growth. In particular, at the Bestobe mine a new mill №8 was installed, a new press-filter assembled and construction of a new sludge line was on. Construction of a new flotation shop commenced. Plant metalware was reinforced at the Aksu mine. Overhaul of the mills, water conduit and power transmission lines was performed. At the Zholymbet mine repair works were carried on the mills, thickeners, sorption and desorption equipment. The central compressor house was reconstructed. Besides, works on enhancement of heap leaching production capacities were performed at Aksu and Bestobe. Surface exploratory drilling was implemented at the Aksu, Zholymbet and South Karaultube deposits.

In the reporting period oxidized ore reserves were calculated at the Kaskabulak deposit in Eastern Kazakhstan. Exploration works at the deposit are planned for the second half of 2010.

In May 2010 KazakhGold Group's Board of Directors approved the development strategy for the Kazakhstan assets of the company until 2020. The strategy includes modernization of the existing production facilities, exploration program, construction of new plants at Aksu, Bestobe and Zholymbet, and construction of the Central Metallurgical plant to produce Dore gold. The strategy provides base-case and optimistic scenarios, which will form the basis for further development subject to the results of geological exploration. The new strategy will allow to increase gold output from 73 k oz in 2009 to 500 k oz in base-case scenario or to over 600 in optimistic scenario in 2016.