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Trading update for 1H 2009

OJSC Polyus Gold (RTS, MICEX and LSE – PLZL), Russia's leading gold producer, today releases the operating results for the first six months of 2009.

During the period under review the Group produced 14.9 tonnes (477 k oz) of refined gold, compared to 17.4 tonnes (559 k oz) of the metal in the same period of the previous year. The 14% decrease in production resulted from the reduction in the average gold grade of sulphide ore processed at the Olimpiada mine from 4.1 g/t to 3.5 g/t while processing of this type of ores increased from 1.9 million tonnes in the first six months of 2008 to 3.6 million tonnes in the same period of 2009.

The Company retains its production target for the year 2009 at 40 tonnes (1.3 m oz), which gives approximately 5% year-on-year increase.

In the first half of 2009 the Group's production units moved 23.2 million cubic meters of total rock, compared to 24.4 million cubic meters of total rock moved in the same period of 2008.

During the period under review Polyus' business units mined 7,258 thousand tonnes of ore, which is a 121-% year-on-year increase (3,286 thousand tonnes in 1H 08). Ore processing in the first six months of 2009 demonstrated a 33-% year-on-year growth – from 4,994 thousand tonnes in 1H 2008 to 6,638 thousand tonnes in 1H 2009.

According to preliminary estimates, the Company's gold sales revenues in accordance with IFRS in the first six months of 2009 amounted to USD 440 million (unaudited), compared to USD 506 million (unaudited) in 1H 2008. The reduction in gold sales revenues was a result of decreased production and sales volumes of gold. In the first six months of 2009 sales volumes amounted to 14.9 tonnes (477 k oz), compared to 17.4 tonnes (559 k oz) in the same period of the previous year. Weighted-average gold selling price amounted to USD 922.5 per oz, compared to USD 908.7 per oz in 1H 2008.

Successful completion of the Titimukhta project

In the period under review, as it was planned, another project of the Company's long-term production facilities development programme was successfully completed: the development of the production facilities to mine the Titimukhta deposit in the Krasnoyarsk region.

On January 20th, 2009, the positive opinion of GlavGosExpertiza (Federal State Enterprise Senior Department of State Expertise) was received, and in April 2009 Mill-1 of the Olimpiada mine began the processing of the ores from the Titimukhta deposit. In April – June 2009 the mill processed 231.8 thousand tonnes of Titimukhta's ores. The refined gold production from these ores amounted to 0.54 tonnes (17 k oz).

The Titimukhta deposit is located 9 km to the North-West of the Olimpiada mine. JORC proved and probable reserves of the deposit amount to 2.2 million ounces at 3.3 g/t. Due to the immediate proximity of the deposit to the Olimpiada mine, the Company has a unique opportunity to use available production capacities of Olimpiada to mine the Titimukhta deposit. For this purposes, in 2008 the Company carried out the reconstruction of Mill-1 of Olimpiada. The projected capacity was increased to 2.2 million tonnes of ore per annum with a projected recovery rate of 88%. The total approved budget for capital expenditures into the project equals to RUR 2.6 billion. As at the end of the reporting period almost 70% of this amount has been drawn in line with the approved capital expenditures program. In 2009-2010 the Group plans to complete construction of the camp, drain system of the pit, tailing dam, as well as the modernization of power grids within the bounds of the budget.

Group's operating results for 2008 - 1H 2009

	1H 2009	1H 2008	FY 2008
Total rock moved (thou m³)			
Operating mines			
Olimpiada mine	11,727.5	15,714.8	30,622.4
including stripping	10,293.5	15,396.3	30,061.2
Stripping ratio (m ³ /tonne)	2.7	17.9	19.8 ¹
Tikimukhta	3,208.2	1,141.7	2,848.9
including stripping	2,815.4	1,141.7	2,755.0
Stripping ratio (m ³ /tonne)	3.2	-	13.0
Kuranakh mine	4,749.0	5,694.0	11,084.0
Including stripping	3,693.0	4,589.0	8,875.0
Stripping ratio (m ³ /tonne)	2.0	2.4	2.3
Zapadnoye mine	847.0	1,032.2	1,916.8
Including stripping	603.0	854.3	1,565.1
Stripping ratio (m ³ /tonne)	0.9	1.8	1.6
Total rock moved, operating mine	20,531.7	23,582.7	46,472.1
Mines under construction			
Blagodatnoye	2,156.4	51.7	1,660.1
Verninskoye	644.8	789.7	2,627.0
Total rock moved, mines under construction	2,801.2	841.4	4,287.1
Total rock moved	23,332.9	24,424.1	50,729.2
Ore mined (thou tonnes)			
Olimpiada mine			
Ore mined			
<i>Olimpiada deposit</i>	<i>3,826</i>	<i>599</i>	<i>1,254</i>
<i>Olenye deposit</i>	<i>-</i>	<i>261</i>	<i>261</i>
	3,826	860	1,515
Titimukhta	884	-	211
Average grade, g/t			
<i>Olimpiada deposit</i>	<i>2.5</i>	<i>3.5</i>	<i>2.6</i>
<i>Olenye deposit</i>	<i>-</i>	<i>3.1</i>	<i>3.1</i>
<i>Titimukhta deposit</i>	<i>2.3</i>	<i>-</i>	<i>1.5</i>

¹ The substantial increase in the stripping ratio in 2008 is due to the reconstruction of the Vostochny pit.

Kuranakh mine			
Ore mined	1,889	1,945	3,899
Average grade, g/t	1.5	1.3	1.4
Zapadnoye mine			
Ore mined	659	480	950
Average grade, g/t	1.8	1.8	1.8
Total, ore mine	7,258	3,286	6,575
Ore processing (thou tonnes)²			
Olimpiada mine			
<i>Olimpiada deposit</i>			
<i>Oxidized ore</i>	-	414	414
<i>Sulphide ore</i>	3,557	1,864	4,801
<i>Mixed-type ore</i>	498		
<i>Olenye deposit</i>	316	647	1 408
	4,371	2,924	6,623
Titimukhta	232		
Average grade, g/t			
<i>Olimpiada deposit</i>			
<i>Oxidized ore</i>	-	14.6	14.6
<i>Sulphide ore</i>	3.5	4.1	3.9
<i>Mixed-type ore</i>	5.8	-	-
<i>Olenye deposit</i>	4.6	5.7	6.3
<i>Titimukhta</i>	2.9	-	-
Recovery (%)			
<i>Olimpiada deposit</i>			
<i>Oxidized ore</i>	-	96.9	96.9
<i>Sulphide ore</i>	74.3	69.0	76.0
<i>Mixed-type ore</i>	80.6	-	-
<i>Olenye deposit</i>	75.4	82.7	86.0
<i>Titimukhta</i>	82.2	-	-
Kuranakh mine			
Ore processing	1,798	1,826	3,696
Average grade, g/t	1.5	1.4	1.4
Recovery (%)	84.0	84.7	84.6
Zapadnoye mine			
Ore processing	236.5	244	495
Average grade, t/t	2.2	2.2	2.2
Recovery (%)	70.1	76.0	74.4
Total, ore processing	6,638	4,994	10,814
Sands washed (alluvials)			
Sands washed (million m ³)	2.5	2.1	9.7
Average grade (g/m ³)	0.6	0.6	0.6
Refined gold (k oz)			
Olimpiada mine	341	449	873
Titimukhta	17	-	-
Kuranakh mine	74	68	144

² The gold grade of ore processed may differ from that of ore mined at the respective deposit, as some portions of ore are supplied to mills from stock-piles.

Zapadnoye mine	11	11	25
Alluvials	34	31	181
Total, refined gold (k oz)	477	559	1,222

Group's units' operating results for 1H 2009

Olimpiada mine (Krasnoyarsk region)

The refined gold production from ores mined at the Group's key production unit – the Olimpiada mine in the Krasnoyarsk region, during the first six months of 2009 amounted to 10.6 tonnes (342 k oz), compared to 14.0 tonnes (449 k oz) in the same period of 2008. The decrease in production is related to fact that 1.2 tonnes of Dore gold had been delivered to the refining plant and had not been refined in the reporting period. As of June 30, 2009 the balance of non-refined gold was equal to 1.242 tonnes (39.9 k oz). The decrease in production was also due to the reduction of average gold grade, which resulted from the completed switch to processing of sulphide ores.

Kuranakh mine (the Republic of Sakha (Yakutia))

During the period under review 2.3 tonnes (74 k oz) of refined gold were produced from ores of the Kuranakh group of deposits, as compared to 2.1 tonnes (68 k oz) in the first six months of 2008. The growth of production resulted from the increase in gold grade of the ore processed.

In the period under review the reconstruction continued at the Kuranakh mine, aimed at increasing the plant's ore processing capacity from 3.6 to 4.5 million tonnes per annum. The reconstruction is expected to be completed in the 3Q 2009.

Zapadnoye mine (Irkutsk region)

During the first six months of 2009 the Zapadnoye mine's production was at the same level as in 1H 2008 – 0.34 tonnes (11 k oz).

Alluvials (Irkutsk region)

The 10% increase in production at alluvial deposits in the Irkutsk region resulted from the increase in volumes of sands washed, which, in its turn, was due to ahead-of-schedule completion of seasonal repair works and early start of the operations.

Project development in 1H 2009

Blagodatnoye deposit (Krasnoyarsk region)

In the period under review the construction of one of the Group's largest new production units – the Blagodatnoye mine – carried on. As at the end of the period, the readiness of all key plant's facilities exceeded 60%.

During the reporting period equipment assembling continued in the main building and the hydrometallurgical workshop of the future mill, the construction of the coal power plant and other production entities was carried on. Mine equipment supply continued. Particularly, six CAT-785 trucks have been supplied to the site. Preparatory mining works continued, total rock moved amounting to 2,156.4 thousand m³.

Verninskoye deposit (Irkutsk region)

In May 2009 the positive opinion from GlavGosExpertiza (The Federal State Enterprise Senior Department of State Expertise) was received for the construction of the gold mine on the Verninskoye deposit in the Irkutsk region. The construction works, which had been suspended at the end of 2008, were recommenced following the receipt of the opinion. The mine launch is planned for 2011.

Natalkinskoye deposit (Magadan region)

In March 2009 the Board of Directors of OJSC Polyus Gold approved a new project to develop the Group's largest gold deposit – Natalkinskoye – which consists of 3 stages of the mine's development. In April 2009 a consortium of engineering designing companies, headed by St.Petersburg-based company PeterGORProject,, began updating of the project documentation.

A pilot plant was launched at the deposit, in order to develop the processing technology of the future Natalkinskoye mine. On May 7th of 2009 the first gold was smelted at this pilot plant.