Release time IMMEDIATE

Date 29 March 2016

Polymetal International plc

Preliminary results for the year ended 31 December 2015

Polymetal International plc (LSE, MOEX: POLY, ADR: AUCOY) (together with its subsidiaries – "Polymetal", the "Company", or the "Group") is pleased to announce the Group's preliminary results for the year ended 31 December 2015.

FINANCIAL HIGHLIGHTS

- Polymetal has delivered a solid set of operating and financial results. The original production guidance was exceeded by 4% while operating costs and capital expenditures for the year were below original guidance.
- Revenue for the year ending 2015 decreased by 15% to US$ 1,441 million ("year-on-year") as a result of average realised gold and silver prices decreasing by 8% and 17% respectively year-on-year. Gold sales were 864 Koz, down 8% year-on-year while silver sales were 31.2 Moz, up 6% year-on-year, in line with production volume dynamics.
- Group Total cash cost[1] ("TCC") was US$ 538/gold equivalent ounce ("GE oz"), down 15% from 2014 levels and below original guidance of US$ 575-625/GE oz driven by significant Russian Rouble depreciation against the US Dollar, which more than offset the combined negative impact of domestic inflation and change in the gold/silver price ratio. Total cash costs in the second half of the year decreased by 4% to US$ 529/GE oz versus the first half of 2015 driven by a strong operational performance at Dukat, Omolon and Albazino.
- All-in sustaining cash costs[1] ("AISC) decreased by 18% year-on-year to US$ 733/GE oz and were below original guidance of US$ 750-800/GE oz primarily as a result of decline in total cash costs during the period, and other expenditures significantly influenced by Rouble and Tenge's devaluation.
- Adjusted EBITDA[1] was US$ 658 million, a decrease of just 4% year-on-year despite the revenue decline which was largely offset by a strong cost performance. Adjusted EBITDA margin was 46% compared to 41% in 2014.
- Net earnings[2] were US$ 221 million versus a US$ 210 million loss in 2014. Underlying net earnings (adjusted for the after-tax amount of impairment charges/reversals and foreign exchange loss) were US$ 296 million (2014: US$ 282 million), up 5% year-on-year, driven by depreciation of local currencies.
- Capital expenditure was US$ 205 million, below the original guidance of US$ 240 million, as a result of currency devaluation .The Group is on track on construction at Kyzyl and Svetloye projects.
- The Company continued to generate significant free cash flow[1], which was US$ 263 million in 2015 (2014: US$ 306 million).
- On the back of robust cash flow generation for the year, the Company paid out US$ 127 million of special dividends to shareholders, bringing the total amount of dividends declared during 2015 to US$ 216 million.
- Net debt at 31 December 2015 was US$ 1,298 million, an increase of 4% year-on-year, mainly as a result of the net settlement of the Kyzyl put option in September 2015 and other cash-based acquisitions. The Group maintains a comfortable Net debt/ Adjusted EBITDA ratio of 1.97x.
- A final dividend of US$ 0.13 per share (approx. US$ 55 million) representing 30% of the Group's underlying net earnings for 2H 2015 is proposed by the Board, which, in accordance with the current dividend policy, has the discretion to declare regular dividend at the Net debt/Adjusted EBITDA ratio above 1.75.

[1] The definition and calculation of non-IFRS measures used in this report, including Adjusted EBITDA, Total cash costs, All-in sustaining cash costs, Underlying net earnings, Net debt, Free cash flow and the related ratios, are explained in the "Financial Review" section below.
[2] Profit/(loss) for the financial period.

OPERATING HIGHLIGHTS

- Polymetal reports another year of strong operational delivery. Gold equivalent production for the year (based on the new 1:80 Ag/Au conversion ratio[1]) comprised 1.27 Moz and exceeded the original production guidance for 2015 by 4%.
- Gold production was 861 Koz, down 9% year-on-year, while silver production was 32.1 Moz, an increase of 12% compared to 2014. Gold sales were 864 Koz, down 8% year-on-year while silver sales were 31.2 Moz, up 6% year-on-year, in line with production dynamics and volume.
- The Company's health and safety performance has deteriorated in 2015. In response, the Board has established a new Safety and Sustainability Committee, and both the Board and management are determined to improve this situation in 2016.
- The Company reconfirms its production guidance for 2016 (1.23 Moz of gold equivalent) and 2017 (1.30 Moz of gold equivalent). .
- Taking into account the continued volatility of both the Russian Rouble and Kazkah Tenge as well as commodity prices, total cash cost guidance for 2016 is maintained at US$ 525-575/GE oz and all-in sustaining cash costs of US$ 700-750/GE oz.

"I am pleased to report robust cost performance and cash flow generation in these volatile market conditions", said Vitaly Nesis, the Group CEO. "Our strong operational delivery and financial strength in the current environment allows us to focus on development of the next generation of assets, including Kyzyl and other longer-term projects, while generating free cash flow and paying substantial dividends to shareholders."

FINANCIAL HIGHLIGHTS	2015	2014	Change, %[2]
Revenue, US$m	1,441	1,690	-15%
Total cash cost, US$/GE oz	538	634	-15%
All-in cash cost, US$/GE oz	733	893	-18%
Adjusted EBITDA, US$m	658	685	-4%
Average realised gold price, US$/oz	1,127	1,231	-8%
Average realised silver price, US$/oz	14.7	17.7	-17%
Net earnings/(loss) for the year, US$m	221	(210)	NM
Underlying net earnings, US$m	296	282	+5%
Return on Assets, %	17%	13%	+4%
Underlying EPS, US$/share	0.70	0.71	-1%
Dividend declared during the period, US$/share[3]	0.51	0.36	+42%
Net debt, US$m	1,298	1,249	+4%
Net debt/Adjusted EBITDA	1.97	1.82	+8%
Net operating cash flow, US$m	490	518	-5%
Capital expenditure, US$m	205	210	-2%
Free cash flow, US$m[4]	263	306	-14%

Notes:

1) Given the persistent change in gold/silver market price ratio, Polymetal has decided to change the gold/silver ratio used in presenting gold equivalent (GE) production from 1/60 to 1/80. The comparative numbers for prior periods and production guidance were restated accordingly in this release.
2) Totals may not correspond with the sum of the separate figures due to rounding. % changes can be different from zero even when absolute amounts are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute amounts differ due to the same reason. This note applies to all tables in this release.
3) FY 2015: final dividend for FY 2014 declared in May 2015, interim dividend for the 1H 2015 declared in September 2015, and special dividend declared in December 2015.
   FY 2014: final dividend for FY 2013 declared in May 2014, interim dividend for the 1H 2014 declared in September 2014, and special dividend declared in December 2014.
4) Free cash flow is defined as net cash flows from operating activities less cash flows used in investing activities (excluding acquisition costs in business combinations and investments in associates and joint ventures).
5) NM = not meaningful.

PRESENTATION AND WEBCAST

Polymetal will hold a conference call and webcast on Tuesday, March 29, 2016 at 15:30 am London time (17:30 pm Moscow time).

8 10 800 204 140 11 access code 840470# (free from Russia), or
+44 (0) 20 3367 9462 (free from the UK), or
+1 855 402 7761 (free from the US), or

any of the above numbers (from outside the UK, the US and Russia) or follow the link:

http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=3453

Please be prepared to introduce yourself to the moderator or register.

Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=3453. A recording of the call will be available immediately after the call at +44 20 3367 9460 (from within the UK), +1 87 7642 3018 (from within the US) and +7 495 745 7948 (from within Russia), access code 300076#, from 17:30 Moscow time Tuesday, March 29, till 17:30 Moscow time Tuesday, April 5, 2016.

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CHAIRMAN’S STATEMENT

Ensuring sustainable value for the future

Dear fellow stakeholders

I am delighted to report that, despite the challenges in end markets for our products and currency volatility, Polymetal has again delivered a solid set of operating and financial results.

While depressed commodity prices and geopolitical pressures continued to dominate in 2015, making market conditions ever-more difficult for the global gold mining industry, Polymetal’s fundamental strengths have enabled us to continue making good progress.

The price of gold declined by 8% in 2015. The silver price was 18% lower. The price of copper and other non-precious minerals remained depressed suggesting an end of the commodity super-cycle.

The rapid decline in the price of oil had a major impact on the economies of both Russia and Kazakhstan, where Polymetal operates, resulting in currency devaluation, recession and increased inflation levels. The devaluation itself had a positive effect on the business, significantly reducing our Rouble and Tenge-denominated costs. However, greater macroeconomic instability did impact our operations and created challanges for local governments and our own employees as consumers.

Our Group Chief Executive, Vitaly Nesis, reports in more detail about our performance on the following pages.

Dividends

Strong free cash flow generation remains a key differentiator for Polymetal. Generating a healthy free cash flow of US$ 263 million during the year coupled with a strong balance sheet, we continued to translate this into cash returns for our investors.

The Company paid out US$ 127 million in special dividends in 2015. This brings the total amount of dividends declared during 2015 to US$ 216 million, an increase of almost 25% on last year’s total of US$ 173 million. Despite global and local challenges, Polymetal remains fully committed to deliver value to its shareholders.

Increased focus on health and safety is vital

I am extremely sad to report that we lost six of our colleagues at our operations during 2015. I would like to offer my personal condolences, along with those of the Board, to all their families and friends.

With the increased scope of underground mining across our operating mines and the geotechnical complexities that this entails, we must intensify our focus on improving the safety of underground operations and preventative risk management. With this objective, the Board has now established a dedicated Safety & Sustainability Committee. We are determined to turn the situation around in 2016 and the Committee has already begun an in-depth review of the safety and environmental management systems, along with the measures and incentives currently in place for better safety performance.

Capital discipline secures future

The Board upholds the principles of good corporate governance with clear and accountable reporting practices that ensure proper balance sheet management and an appropriate approach to leverage by the Company. The capital discipline we impose on all investment and operational decisions has enabled us – even in a depressed commodity cycle – to be confident about the business choices we make. In the current complex macroeconomic conditions, we remain committed to maintaining a healthy dividend stream whilst continuing to pursue value creating growth opportunities and maintaining appropriate leverage levels.

The Kyzyl project is a prime example of our business fundamentals. The feasibility study confirmed both the robust economics and development approach of the project. The Board approval was unequivocal and our task now is to ensure the timely construction of Kyzyl within the approved budget.

We are also well positioned to take advantage of new opportunities as they arise. One such opportunity is the recently formed joint venture with Polyus Gold for the development of the Nezhdaninskoye deposit. With Polymetal’s management approach, this is another undertaking set to be characterised by low capital intensity.

A distinctive investment opportunity

Polymetal retains a distinctive name in our sector: known for our high-grade assets, technological expertise and capital discipline that result in both growth and dividends through the cycle. By playing to our competitive strengths (selective mining, processing refractory ores, trading precious metals concentrates) and with our sound knowledge of the precious metals mining space in Russia and the Former Soviet Union, we have been able to pursue further attractive opportunities.

The Company’s business model enables us to deliver dual value to our shareholders. We are committed to maintaining a robust free cash flow that ensures sustainable, through-the-cycle cash returns in the form of dividends for our shareholders. At the same time, the development of a strong portfolio of next-generation assets offers a long-term investment that will help us sustain growth and create future wealth.

Bobby Godsell
Chairman

GROUP CEO STATEMENT

Today's resilient performance underpins future growth

Although currency movements were generally favourable for us during 2015, we still had to contend with continued pressure from depressed commodity prices in the gold mining sector. We retained our focus on preparing for the next growth stage and fulfilled expectations with a year of strong operational delivery.

The start of 2016 saw a moderate upturn in the global gold market and, while we are unlikely to see prices peak at 2011 levels, gold is certainly being viewed as a safe haven for investors during the continuing economic and political upheaval. Looking to the future, the gradual depletion of higher grade reserves worldwide and the suspension of costly expansion projects will become more evident, with the reduction in supply serving to boost the gold price.

Dynamic performance reaps rewards

Polymetal's gold equivalent production for 2015 (based on 1:80 Ag/Au conversion ratio) comprised 1.27 Moz. This was 4% above the original production guidance for the year and the fourth year in a row in which we have exceeded our annual estimates.

Whilst all our operations delivered in line with expectations, the gold equivalent production at Dukat made a significant contribution, increasing by 14% year-on-year. The Amursk pressure oxidation (POX) plant delivered a stable operating performance. It has become a flagship operation, producing 220 Koz of gold in 2015.

Kyzyl – the highlight of the year

Our top priority is clearly the launch of Kyzyl, one of the highest grade and largest untapped gold deposits in the world. Our confidence in Kyzyl as an investment that matched our strategic growth priorities, whilst leveraging our core strengths, was fully validated by our audited feasibility study.

The feasibility study confirmed the economic viability of the project, which is now set to become one of the highest grade and largest development projects in the sector globally. It also endorsed Polymetal's capabilities for handling complex refractory ores and the proposed low-capital intensity approach, maximizing the return on invested capital.

Following Board approval, construction work is now under way and we are on track to bring Kyzyl into production in 2018, ramping it up to full capacity in 2019. Kyzyl is set to become a substantial free cash flow contributor for Polymetal.

Safety and sustainability at the forefront

Reviewing and reinforcing our health and safety procedures continues to be a matter of urgency following the loss of six of our colleagues during 2015. The establishment of the new Safety and Sustainability Committee and the in-depth study of our risk and environmental management systems is part of a concerted effort to improve this situation. Management at all levels are committed to radically improving the Company's safety performance with zero fatalities still very much our aim.

The increase in underground mining across our operations has brought with it a heightened level of risk and we are working hard to alleviate this. At Mayskoye, one of our major underground mining sites, we have initiated a change to the mining method that aims to reduce geotechnical hazards.

We are very mindful of our duty of care towards all employees and to the communities in which we operate, particularly given the currently depressed general economic climate. We take our social and environmental responsibilities very seriously and were honoured to receive recognition from two auspicious bodies during 2015. We were integrated into the Euronext Vigeo Emerging 70 Index, comprised of the top 70 emerging market companies with the most advanced corporate social responsibility programmes. We were also included in both the FTSE4Good Global Index and FTSE4Good Europe Index for the first time; companies selected for both indices must meet stringent environmental, social and governance criteria.

Investing in future growth

Our resilient financial performance today allows us the flexibility to develop our focused pipeline of future projects. During the year we expanded our portfolio of near-mine advanced exploration projects through the acquisition of Primorskoye, a silver-gold site 215 km from our Omsukchan concentrator, and by increasing our interest in Lichkvaz in Armenia. Initial exploration drilling at Lichkvaz has begun and a JORC-compliant resource estimate is expected in 2016; drilling at Primorskoye will begin later in the year with audited reserve estimate due by December 2016.

At the end of 2015 we announced an exciting new joint venture with Polyus Gold at Nezhdaninskoye, the fourth largest gold deposit in Russia based on the Russian reserves and reporting system (GKZ) resources. Nezhdaninskoye fits perfectly with Polymetal's proven capabilities in developing remote assets, selective underground mining and refractory ore processing. Given the size of the deposit, there is significant potential for high-grade and a long mine life operation.

Looking further ahead, we are actively engaged in putting together a portfolio of long-life projects with high-option value, like that of Kyzyl, which will allow us to reap the benefit of major contributions to cash flow in the future. However, this in no way detracts from our firm commitment of delivering considerable value to our shareholders through substantial dividend payments out of free cash flow.

Our achievements to date are a testament to the quality, skills and commitment of our management and employees. I would like to thank them for all their efforts and I look forward to their continuing support and enthusiasm in helping Polymetal realise the next phase in its strategic plan.

Vitaly Nesis
Group CEO

OPERATING REVIEW

Production highlights

In 2015, Polymetal continued to deliver a consistent operating performance against a backdrop of depressed commodities prices and global macro-economic volatility. The Company reported another year of strong operational delivery with gold equivalent production for the year reaching 1.27 Moz, which exceeded the original production guidance for 2015 of 1.22 Moz by 4%[1].

Gold production was 861 Koz, a 9% year-on-year decrease, mainly as a result of scheduled production declines at mature mines, including Voro, Omolon hub and Varvara. Meanwhile, silver production increased by 12% reaching 32.1 Moz, driven mainly by the excellent grade and throughput at the Dukat hub. 827 Kt of copper were produced at our Varvara mine.

Gold sales were 864 Koz, down 8% year-on-year while, at 31.2 Moz, silver sales were up 6% year-on-year, in line with production dynamics and volume.

Key operating highlights

	2015	2014	Change, %
Stripping, Kt	65,345	77,458	-16%
Underground development, m	73,079	61,417	+19%
Ore mined, Kt	12,679	13,706	-7%
Open-pit	9,626	11,046	-13%
Underground	3,053	2,660	+15%
Ore processed, Kt	10,821	11,300	-4%
Average grade in ore processed (gold equivalent, g/t)	4.6	4.7	-1%
Production			
Gold, Koz	861	945	-9%
Silver, Moz	32.1	28.7	+12%
Copper, Kt	0.827	1.631	-49%
Gold equivalent, Koz	**1,267**	**1,312**	-3%
Sales			
Gold, Koz	864	943	-8%
Silver, Moz	31.2	29.3	+6%
Copper, Kt	1.488	1.029	+45%
Gold equivalent, Koz	**1,278**	**1,372**	-7%
Average headcount	9,292	8,853	+5%
Health and safety			
LTIFR	0.20	0.13	+54%
Fatalities	6	3	+100%

Analysis of production results

Mining

Stripping volumes in 2015 were 65.3 Mt of rock moved, a decrease of 16% year-on-year due to the completion of open-pit mining on several deposits, including Dalneye, Sopka and Tsokol (Omolon hub) and Khakanja (Okhotsk hub). At Varvara, there was a decrease in the amount of ore mined while processing stockpiles and with the temporary shutdown of the flotation circuit. At the same time, due to favourable economic conditions, we resumed open-pit mining at Birkachan and commenced mining at Oroch (Omolon hub) and Svetloye.

Underground development increased by a further 20% to more than 73 km, with increased capacity to match processing volumes at the Dukat hub underground mines and a change in the mining method at Mayskoye. The

[1] Given the persistent change in gold/silver market price ratio, Polymetal has decided to change the gold/silver ratio used in presenting gold equivalent (GE) production from 1/60 to 1/80. All gold equivalent production numbers for current and prior periods in this report have been restated accordingly.

underground development also continued at an active pace at Albazino, and Tsokol (Omolon hub), where first ore from stopes was mined.

Ore mined decreased by 7% year-on-year to 12.7 Mt as we continued de-stockpiling at some of our operations, in particular Omolon and Okhotsk. We had to slow down ore mining at Mayskoye in the second half of the year due to a change in the mining method, which necessitated additional underground development.

Processing

Ore processed decreased by 4% to 10.8 Mt, mainly as a result of the copper circuit shutdown at Varvara in the first half of the year and the temporary shutdown of Mayskoye concentrator in Q4 as a result of a change in the mining method. Average gold equivalent grade in ore processed remained strong at 4.6 g/t and ensured a robust economic performance despite depressed commodity prices.

Production and sales dynamics

While most of the sales are comprised of refined metals, we continue to sell concentrates from Dukat (gold-silver), Varvara (gold-copper) and Mayskoye (refractory gold) to offtakers in Kazakhstan, Japan, Bulgaria, Belgium and China. Offtake allows us to maximise our margins, compared with the cost of processing these materials in-house. In 2015, we continued to diversify our offtaker base in China and Europe in order to achieve an optimal combination of transportation costs and treatment charges/recoveries. Offtake concentrate trading was pioneered by Polymetal in the Russian gold sector and has now clearly become one of our core competencies. This will be leveraged further in our approach to the initial development of the Kyzyl project.

Gold equivalent production by mine (Koz)

	2015	2014	Change, %
Dukat	393	344	+14%
Okhotsk	114	119	-4%
Voro	141	159	-11%
Varvara	72	106	-32%
Omolon	188	213	-12%
Albazino/Amursk	220	227	-3%
Mayskoye	138	143	-3%
Total production	1,267	1,312	-3%

Exploration

Our sustained investment in both greenfield and brownfield exploration, despite the current weak commodity price levels, is one of the key components of our strategy, and one that will ensure the extension of the mine life at existing operations and achieve further production growth through greenfield projects. Our exploration activities are focused on five regions in Russia – Khabarovsk, Magadan, Chukotka, Karelia and Ekaterinburg – as well as on Kazakhstan.

Polymetal currently has 79 licences for geological studies and gold, silver, copper and platinum group metals (PGM) mining, covering a total area of more than 9,000 km^2. Of these licenses, 45 currently involve active exploration activities.

Our key exploration objectives in 2015 included:

- ongoing brownfield exploration activities aimed at extending mine lives at our existing operations: Okhotsk hub (currently the shortest mine life), Dukat, Omolon, Albazino and Voro;
- extending life-of-mine by resource-to-reserve conversion at Kyzyl through in-fill drilling;
- estimating hard-rock PGM resources at our Viksha project in Karelia, sufficient for a standalone mining operation;
- resource estimates for newly acquired exploration projects, including Lichkvaz (Armenia) and Dolinnoye (Kazakhstan);
- completion of reserve and resource estimates for gold-copper deposits in the Urals (including North Kaluga and Tarutin) for further processing at either Voro or Varvara; and
- further greenfield exploration for new precious metals deposits with a potential resource base sufficient in grade and size to justify the construction of a standalone mine.

In 2015, our drilling volumes decreased by 9% year-on-year to 243 km, mainly as a result of the completion of major drilling at Tarutin, Viksha and Albazino during 2014. Additional drilling volumes were allocated to new deposits, including Lichlvaz, Dolinnoye and Kyzyl. The total capital expenditure on exploration decreased by 34% to US$ 47 million on the back of the substantial devaluation of the Russian Rouble, which had a direct impact on drilling costs.

As a result of our exploration efforts, meaningful resource-to-reserve conversions were achieved during the year, along with maiden reserve-and-resource estimates completed for several projects. These included:

- upgrade of resource quality at Tamunier with current estimate of 626 Koz GE at 4.1 g/t;
- an initial resource estimate at Primorskoye (Dukat hub) acquired in 2015 (+21.3 Moz silver);
- an initial reserve estimate at Khrustalny zone (Dukat) of 11.5 Moz silver and 23 Koz gold (+167 Koz GE); and
- initial resources at Irbychan, Yolochka, Neverenkan (Omolon hub) which, combined, added 298 Koz of gold equivalent.

In 2016, we plan to further expand our brownfield exploration activities at all processing hubs and to continue to pursue new greenfield exploration targets through the acquisition of new licenses in key regions, including Karelia (for PGMs), Urals, Armenia and Kazakhstan.

Reserves and resources

In 2015, our reserves remained almost unchanged as we were largely able to compensate for the depletion of existing mines by new reserve additions. Gold reserves decreased by 1% to 17.7 Moz; silver reserves decreased by 2% to 207 Moz; while copper reserves increased by 7% to 85.4 thousand tonnes. Gold equivalent reserves decreased by 4% to 20.8 Moz, mainly as a result of change in the gold/silver price ratio.

The increase in reserves due to revaluation and new discoveries (a combined increase by 1.4 Moz gold equivalent) almost matched the depletion at existing operations. These increases included an upgrade of reserves at Kyzyl to 7.3 Moz (following the results of the feasibility study), initial reserve estimates at Perevalny and Khrustalny (Dukat hub), Tarutin (Varvara) and underground reserves at Burgali and Tsokol (Omolon hub). We have also revalued upwards reserves at Birkachan, Dukat and Lunnoye due to cut-off grade revisions on the back of the Russian Rouble devaluation.

Mineral resources (additional to ore reserves) decreased by 12% in 2015 to 12.8 Moz of gold equivalent. Key drivers were the change in gold/silver price ratio and conversion of resources into reserves, including Kyzyl, Perevalny, and Tarutin. A more conservative approach has also been taken for the Oroch, Svetloye and Goltsovoye resources. Key brownfield resource additions during the year include initial resource estimates at Primorskoye deposit (acquired in 2015), Khrustalny zone (Dukat hub) and Irbychan, Yolochka, Neverenkan (Omolon hub), as well as the newly discovered Farida zone at Albazino.

Average reserve grade decreased to 4.2 g/t gold equivalent, mainly due to the change in the gold/silver price ratio, but continues to be one of the highest in our sector. Average resource grade increased by 15% to 4.8 g/t gold equivalent as a result of high-grade resource additions. We continued to use conservative gold and silver price assumptions, of US$ 1,100/oz and US$ 15/oz respectively, in both reserve and resource estimates in 2015 (2014: US$ 1,200/oz and US$ 17/oz).

In 2016, we plan to complete independent audits of the initial resource estimates at our PGM project in Karelia (Viksha) and at the newly acquired assets: Lichkvaz in Armenia and Dolinnoye in Kazakhstan.

Ore Reserves and Mineral Resources summary[1]

	1 January 2016	1 January 2015	Change, %[2]
Ore Reserves (Proved + Probable), gold equivalent Moz	**20.8**	**21.6**	**-4%**
Gold, Moz	17.7	17.8	-1%
Silver, Moz	207.2	210.7	-2%
Copper, Kt	85.4	79.8	7%
Mineral Resources (Measured + Indicated + Inferred), gold equivalent Moz	**12.8**	**14.6**	**-12%**
Gold, Moz	11.3	12.6	-10%
Silver, Moz	48.6	50.3	-3%
Copper, Kt	132.0	152.6	-13%

1) Mineral Resources and Ore Reserves are reported in accordance with the JORC Code (2012). Mineral Resources are additional to Ore Reserves.
2) Differences are due to rounding.

Ore Reserves reconciliation, gold equivalent, Koz

Ore Reserves, 01.01.2015	Gold/silver price ratio change	Depletion	Revaluation	Initial reserve estimates	Ore Reserves, 01.01.2016
21.6	-0.8	-1.5	1.0	0.4	20.8

Outlook for 2016

In 2016 Polymetal will focus on consistent operational delivery with a focus on safety at our existing mines, as well as moving the Kyzyl development towards meeting our first production target date in 2018.

Management will progressively concentrate its efforts on Kyzyl where construction is on track to start in Q2 2016, and pre-stripping will also commence. We take confidence in our development approach, with low capital intensity and conventional processing technology, which ensures a lower degree of operational risk during the construction and ramp-up period.

We will also focus on our new projects, including exploration drilling at the Nezhdaninskoye (a new joint venture with Polyus Gold) and the operational turnaround at the newly acquired Kapan mine in Armenia.

The Company is on track to produce 1.23 Moz of gold equivalent for 2016 and 1.30 Moz of gold equivalent for 2017[1]. First gold will be produced from the Svetloye heap leaching operation and ensure sustained production levels at the Okhotsk hub. We anticipate a continued strong performance at Dukat, Albazino, Voro and Omolon, and an improvement at Mayskoye and Varvara after the temporary production declines in the second half of 2015.

Importantly, in 2016, we will continue to be focused on health and safety performance, in particular at our underground mines, and our aim is to substantially improve our safety record.

[1] Guidance restated at the new gold/silver price ratio of 1/80

FINANCIAL REVIEW

MARKET SUMMARY

Precious metals

In 2015, gold and silver markets were again driven mostly by demand dynamics. Physical demand for gold fell by 2%, due largely to weakening jewellery fabrication and retail investment. This was partially offset by demand from central banks wishing to strengthen reserves. Nevertheless, total investment demand declined by a further 2%. ETF outflows continued in 2015, down 22% compared to 2014. Demand pressures are mainly attributed to investors' expectations of further strengthening of monetary policy in the US. Total gold supply decreased by 2% in 2015, while mine production and scrap supply remained stable. Net hedging supply was the biggest contributor to the gold supply drop. The mine supply of gold remained flat, although in Q4 2015 an estimated 4% drop in mine output was recorded, the largest quarterly reduction since 2008, which is the first sign of a supply-side response to a prolonged price downturn.

As a result, both gold and silver prices continued to decline in 2015. The average price decreased by 8% year-on-year – from US$ 1,266/oz to US$ 1,160/oz. The closing price for the year was US$ 1,062/oz, with the lowest price of US$ 1,050/oz recorded in December. That was 12% less than at the beginning of year. Throughout 2015, the silver price dynamics followed gold, although the silver price fell more sharply in the second half of the year. The closing price for the year of US$ 13.82/oz was 13% lower compared with US$ 15.97/oz at the end of 2014. The average price for 2015 was US$ 15.7/oz, down 18% compared with 2014. Given the relatively larger decline in the silver price, the gold/silver price ratio reached 77:1 compared with 75:1 at the beginning of the year; the average ratio in 2015 was 74:1 versus 68:1 in 2014.

Foreign exchange

The Group's revenues and the majority of its borrowings are denominated in US Dollars, while the majority of the Group's costs are denominated in Russian Roubles. As a result, changes in exchange rates affect its financial results and performance.

The Russian economy, heavily reliant on crude oil exports, was hit by plummeting oil prices. During 2015, the Russian Rouble remained weak against the US Dollar on the back of a further decline in the oil price.

Following the oil price dynamics, from 1 January to 31 December 2015 the Russian Rouble depreciated against the US Dollar by 29.5% from 56.3 RUB/US$ to 72.9 RUB/US$, and the average rate was down 37% year-on-year from 38.42 RUB/US$ in 2014 to 60.96 RUB/US$ in 2015. The devaluation of the Rouble had a positive effect on the dollar value of the Group's Rouble-denominated operating costs and Adjusted EBITDA, which was partially offset by the negative effect on the Group's net earnings in 2015 due to the effect of the retranslating of its US Dollar debt.

In August 2015, Kazakhstan opted to set the tenge free following devaluations by Russia and China, its neighbours and two biggest trading partners. As a result, Kazakh tenge devalued by 46% during 2015, falling from about 182 KZT/US$ to 339 KZT/US$. Average rate was 222 KTZ/US$, 18% down year-on-year.

OPERATING RESULTS

	Year ended 31 December,		Change, %
	2015	**2014**	
Waste mined, Kt	65,345	77,458	-16%
Underground development, m	73,079	61,417	+19%
Ore mined, Kt	**12,679**	**13,706**	-7%
Open-pit	9,626	11,046	-13%
Underground	3,053	2,660	+15%
Ore processed, Kt	**10,821**	**11,300**	-4%
Average grade processed, GE g/t	**4.6**	**4.7**	-1%
Production			
Gold, Koz	861	945	-9%
Silver, Moz	32.1	28.7	+12%
Copper, Kt	0.827	1.631	-49%
Gold equivalent, Koz[1]	**1,267**	**1,312**	-3%
Sales			
Gold, Koz	864	943	-8%
Silver, Moz	31.2	29.3	+6%
Copper, Kt	1.488	1.029	+45%

Gold equivalent, Koz[2]	**1,278**	**1,372**	-7%
Headcount[3]	9,299	8,853	+5%
Safety			
LTIFR[4]	0.20	0.13	+54%
Fatalities	6	3	+100%

Notes:

1) Based on 1:80 Ag/Au and 5:1 Cu/Au conversion ratios (Polymetal previously used 1:60 Ag/Au ratio). Comparative data for 2014 restated accordingly.
2) Based on actual realised prices.
3) Average for the period
4) LTIFR is lost time injury frequency rate per 200,000 hours worked

REVENUE

		2015	2014	Change, %
Sales volumes				
Gold	Koz	864	943	-8%
Silver	Moz	31.2	29.3	+6%
Copper	Kt	1.488	1.029	+45%
Gold equivalent sold[1]	**Koz**	**1,278**	**1,372**	**-7%**

1) Based on actual realised prices

Sales by metal *(US$ mln unless otherwise stated)*		2015	2014	Change, %	Volume variance, US$ mln	Price variance, US$ mln
Gold		**974**	**1,161**	**-16%**	**(98)**	**(89)**
Average realised price	*US$/oz*	1,127	1,231	-8%		
Average LBMA closing price	*US$/oz*	1,160	1,266	-8%		
Share of revenues	*%*	68%	69%			
Silver		**460**	**520**	**-12%**	**33**	**(93)**
Average realised price	*US$/oz*	14.7	17.7	-17%		
Average LBMA closing price	*US$/oz*	15.7	19.1	-18%		
Share of revenues	*%*	32%	31%			
Copper		**7**	**7**	-9%		
Share of revenues	*%*	0%	0%			
Total metal sales		**1,441**	**1,689**	**-15%**	**(116)**	**(132)**
Other revenue		0	2	-77%		
Total revenue		**1,441**	**1,690**	**-15%**		

In 2015, revenue decreased by 15% year-on-year to US$ 1,441 million driven mainly by an 8% decline in the average realised gold price and a 17% decline in average silver price. Gold equivalent volume sold decreased by 7%, mainly driven by the decline in silver price versus gold. Gold sales volumes decreased by 8%, while silver sales volumes increased by 6% year-on-year, both following the production dynamics.

The average realised price of gold was US$ 1,127/oz in 2015, down 8% from US$ 1,231/oz in 2014, and slightly below the average market price of US$ 1,160/oz. The average realised silver price was US$ 14.7/oz, down 17% year-on-year, and 6% below the average market price of US$ 15.7/oz due to larger share of sales recorded in the second half of the year when market prices were lower.

The share of gold sales as a percentage of total revenue was 68% and remained almost flat compared to the 2014 share of 69%.

Copper sales resumed but were limited due to the continuing weakness in the copper concentrate market, which had resulted in a temporary shutdown of the flotation circuit at Varvara in 2014. The copper circuit was restarted in June 2015, after positive feedback was received from a European copper concentrate offtaker based on a trial product shipped in Q1. Currently the circuit processes low-grade stockpiled copper-gold ore. Mining will be re-directed towards the float feed on a stable basis once a long-term offtake contract has been secured.

Analysis by segment	Revenue, *US$ mln*			Gold equivalent sold, *Koz (silver for Dukat)*		
	2015	**2014**	**Change, %**	**2015**	**2014**	**Change, %**
Dukat	440	486	-9%	30,103	27,783	+8%
Albazino/Amursk	255	299	-15%	220	236	-7%
Omolon	224	277	-19%	193	219	-12%
Voro	163	204	-20%	141	160	-12%
Mayskoye	133	145	-8%	136	141	-3%
Okhotsk	129	158	-18%	112	125	-11%
Varvara	96	120	-20%	84	95	-11%
Other	0	1	n/a	n/a	n/a	n/a
Total revenue	**1,441**	**1,690**	**-15%**	**1,278**	**1,372**	**-7%**

The decline in gold and, notably, silver prices during the period affected revenues at all operating mines. Dukat experienced a physical sales volumes increase of 8% year-on-year, where gold and silver production grew by 12% and 15%, respectively. At all other operating mines, physical sales volumes generally followed production reduction dynamics.

COST OF SALES

Cost of sales (excluding write-downs/reversals of metal inventories) *(US$ mln)*	**2015**	**2014**	**Change, %**
On-mine costs	268	391	-32%
Smelting costs	261	363	-28%
Purchase of ore from third parties	5	2	+248%
Mining tax	97	110	-12%
Total cash operating costs	**630**	**866**	**-27%**
Depreciation and depletion of operating assets	154	292	-47%
Rehabilitation expenses	(2)	3	NM
Total costs of production	**782**	**1,161**	**-33%**
Increase in metal inventories	(27)	(142)	-81%
Write-down of non-metal inventories to net realisable value	5	4	+29%
Total change in metal inventories	**(22)**	**(138)**	**-84%**
Idle capacities and abnormal production costs	6	-	NM
Cost of other sales	0	0	-85%
Total cost of sales	**766**	**1,023**	-25%

Cash operating cost structure	**2015, US$ mln**	**2015, % of total**	**2014, US$ mln**	**2014, % of total**
Consumables and spare parts	182	29%	258	30%
Services	214	34%	323	37%
Labour	128	20%	169	19%
Other expenses	4	1%	5	1%
Purchase of ore from third parties	5	1%	2	0%
Mining tax	97	15%	110	13%
Total cash operating costs	**630**	**100%**	**866**	**100%**

Total cost of sales decreased by 25% in 2015 to US$ 766 million, mainly on the back of the oil price decline and consequent Russian Rouble devaluation during 2015, more than offsetting domestic inflation in Russia (12.9%). Another significant cost reduction driver was the decrease in depreciation charges across the portfolio as the Group's mining assets are accounted for in Roubles and Tenge (see below).

The cost of consumables and spare parts and the cost of services decreased by 30% and 34%, respectively, compared with 2014 and driven mostly by the Rouble devaluation and decrease in the price of diesel fuel which is a significant component of transportation services costs.

The total cost of labour within cash operating costs in 2015 was US$ 128 million, a 24% decrease, mainly stemming from Rouble devaluation and the decline in the average number of employees at Okhotsk operations and Omolon, which collectively offset the annual salary increase (tracking Russian CPI inflation) and additional labour costs at the new Kyzyl asset.

Mining tax decreased by 12% year-on-year to US$ 97 million mainly due to the decrease of average realised prices.

Depreciation and depletion was US$ 154 million, down 47% year-on-year. The decrease was mainly attributable to Rouble and Tenge devaluation. The specific decreases are attributable to Omolon, where mineral rights attributable to Sopka and Dalneye were fully depreciated in 2014, and to Albazino due to an increase of JORC reserves which serve as the depreciation basis. An amount of US$ 3 million of depreciation and depletion expenses in 2015, related to ore and concentrate stockpiles, was included in metal inventories as at 31 December 2015.

In 2015 a net metal inventory increase of US$ 27 million was recorded (excluding write-downs to net realisable value), mainly represented by concentrate produced but not yet sold at Dukat and Albazino, and ore stockpiles at Okhotsk operations and Varvara. In the second half of the year, the Company successfully progressed with scheduled stockpile reductions, with total gold equivalent sales exceeding production by 40 Koz. De-stockpiling was mainly driven by concentrate shipments from Mayskoye.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$ mln)	**2015**	**2014**	**Change, %**
Labour	88	93	-5%
Services	14	17	-16%
Depreciation	5	5	+5%
Share based compensation	4	2	+60%
Other	16	14	+15%
Total	**127**	**131**	**-3%**

General, administrative and selling expenses were quite stable at US$ 127 million as compared to 2014. Despite the meaningful impact of the Russian Rouble devaluation, the labour costs within general, administrative and selling expenses decreased only moderately by 5%, mainly due to the increased headcount at Kyzyl and Svetloye where most employee costs are included in general, administrative and selling expenses prior to the start-up of production. The increase in share-based compensation is related to an increase in the number of option programme participants and outstanding share option tranches under the current long-term incentive programme (LTIP) and deferred share award (DSA).

OTHER EXPENSES

(US$ mln)	**2015**	**2014**	**Change, %**
Exploration expenses	24	51	-52%
Taxes, other than income tax	12	22	-48%
Mining taxes, VAT, penalties and accrued interest	(4)	20	-119%
Social payments	8	9	-16%
Housing and communal services	4	7	-42%
Loss on disposal of property, plant and equipment	1	4	-72%
Business acquisition related costs	-	4	-100%
Allowance for doubtful debts	7	(0)	NM
Change in estimate of environmental obligations	(4)	(1)	NM
Other expenses	4	16	-76%
Total	**51**	**132**	**-61%**

Other operating expenses decreased by 61% to US$ 51 million in 2015 mainly due to decrease in exploration expenses written off during the period. Cash-based exploration expenses in 2015 were US$ 12.6 million (2014: US$ 16 million). Taxes, other than income tax, and additional mining tax charges and VAT exposures recognised in 2014 were recorded by the Company in relation to tax exposure at Varvara with respect to the commercial discovery bonus; at Omolon and Dukat with respect to the calculation of technical loss exempt from the mineral extraction tax; as well as tax penalties related to a previously identified tax exposure at Magadan Silver. In 2015 the Group released several mining tax provisions at Magadan Silver following the completion of the tax audits, and paid US$ 12.6 million in early 2016 to settle these cases. For more information refer to Note 10 of the condensed consolidated financial statements.

TOTAL CASH COSTS BY MINE

Total cash costs per gold equivalent ounce [1]	**Cash cost per GE ounce, US$/oz**			**Gold equivalent sold, Koz** (silver for Dukat)		
	2015	**2014**	**Change, %**	**2015**	**2014**	**Change, %**
Dukat (SE oz) [2]	6.4	8.7	-26%	30,103	27,783	+8%
Voro	336	376	-11%	141	160	-12%
Khakanja	573	704	-19%	112	125	-11%
Varvara	818	705	+16%	84	95	-11%
Omolon	555	570	-2%	193	219	-12%
Albazino	460	625	-26%	220	236	-7%
Mayskoye	752	966	-22%	136	141	NM
Total	**538**	**634**	**-15%**	**1,278**	**1,372**	**-7%**

In 2015 the total cash costs per gold equivalent ounce sold (“TCC”) were US$ 538/GE oz, down 15% year-on-year. The recent depreciation of the Russian Rouble had a meaningful positive impact on cost levels reported in US Dollars, which was supported by the robust operating performance across most operations.

The table below summarises major factors that have affected the Group’s TCC dynamics year-on-year:

Reconciliation of TCC movements	**US$/oz**	**Change, %**
Total cash cost per gold equivalent ounce – 2014	**634**	
Domestic inflation	72	11%
US$ rate change	(207)	-33%
Au/Ag ratio change	18	3%
Change in average grade processed by mine	10	2%
Mining tax change – Au&Ag price	(12)	-2%
Other	22	4%
Total cash cost per gold equivalent ounce – 2015	**538**	**-15%**

Total cash cost by mine:

- Dukat’s total cash cost per silver equivalent ounce sold decreased by 26% year-on-year to US$ 6.4/oz. Beyond the major effect of the Rouble depreciation, this decrease in cash costs has been achieved as a result of stronger grades and continuing debottlenecking at both the Omsukchan and Lunnoye plants.
- Voro continues to be our lowest cost operation. Cash costs decreased further by 11% compared to 2014, to US$ 336/GE oz. The key driver of cost dynamics was significant devaluation of Russian Rouble offsetting the impact of scheduled decline in the average grades processed and a related decline in CIP recoveries.

[1] Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down/reversal of inventory to net realisable value and certain other adjustments, including addition of treatment and refinery charges related to concentrate offtake) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as total cash costs divided by total gold equivalent unit ounces sold.

[2] Dukat’s total cash cost per gold equivalent was US$ 496/GE oz (2014: US$ 621/GE oz) and was included in the Group TCC calculation.

- Khakanja's TCC was US$ 573/GE oz, a 19% decrease year-on-year. This cost performance was supported by the significant devaluation of the Russian Rouble, which offset the scheduled decline in average gold and silver grade processed.
- At Varvara, TCC was US$ 818/GE oz, growing by 16% year-on-year. The increase mainly stemmed from lower average grades. The Tenge devaluation happened only late in the year, thus limiting the positive impact of exchange rate dynamics.
- At Omolon, TCC amounted to US$ 555/GE oz, a 2% decrease year-on-year, thanks to Russian Rouble devaluation offsetting the lower head grades processed at the Kubaka mill compared to 2014.
- At Albazino/Amursk, TCC was US$ 460/GE oz, down 26% compared to 2014. Beyond the strong support by the Rouble devaluation, this improvement was achieved on the back of steady mine performance and increased throughput at Albazino.
- Total cash costs at Mayskoye were US$ 752/GE oz, a 22% decrease year-on-year, as larger share of gold was produced at the lower-cost in-house Amursk POX facility.

Analysis of 2H 2015 versus 1H 2015 performance:

Total cash costs per gold equivalent ounce	**Cash cost per GE ounce, US$/oz**			**Gold equivalent sold, Koz** (silver for Dukat)		
	2H 2015	**1H 2015**	**Change, %**	**2H 2015**	**1H 2015**	**Change, %**
Dukat (SE oz)	5.9	6.9	-15%	16,350	13,753	+19%
Voro	333	340	-2%	75	66	+14%
Khakanja	595	545	+9%	64	47	+36%
Varvara	759	867	-12%	39	45	-12%
Omolon	518	600	-14%	109	84	+29%
Albazino	426	502	-15%	121	99	+22%
Mayskoye	748	775	-3%	119	18	NM
Total	**529**	**552**	**-4%**	**741**	**537**	**+38%**

In 2H 2015, total cash costs decreased by 4% compared to the 1H 2015 driven mainly by strong operational delivery at Dukat, Omolon and Albazino, coupled with continuing Russian Rouble devaluation during the second half of 2015.

Total cash cost by mine:

- At all operating mines except for Khakanja, significant Russian Rouble devaluation during 2H 2015 outweighed the negligible effect of other operating factors resulting in decreased total cash costs half-on-half. The devaluation of Kazakh Tenge in August 2015 also had a major positive impact on Varvara's cash costs compared to 1H 2015.
- At Khakanja, TCC was US$ 595/GE oz and increased by 9% half-on-half following the seasonal switch to processing of the higher cost ore shipped from Avlayakan in the second half of the year.

ALL-IN SUSTAINING CASH COSTS[1]

	Total, US$ mln			**US$/GE oz**		
	2015	**2014**	**Change, %**	**2015**	**2014**	**Change, %**
Total cash costs	**683**	**864**	**-21%**	**538**	**634**	**-15%**
SG&A and other operating expenses not included in TCC	89	165	-46%	70	121	-42%
Capital expenditure excluding new projects	104	138	-25%	82	101	-19%
Exploration expenditure (capital and current)	54	51	+7%	43	37	+15%
All-in sustaining cash costs	**930**	**1,218**	**-24%**	**733**	**893**	**-18%**

[1] All-in sustaining cash costs comprise total cash costs, all selling, general and administrative expenses for operating mines and head office not included in TCC (mainly represented by head office SG&A), other expenses (excluding write-offs and non-cash items, in line with the methodology used for calculation of Adjusted EBITDA), and current period capex for operating mines (i.e. excluding new project capex, but including all exploration expenditure (both expensed and capitalised in the period) and minor brownfield expansions).

Finance cost	84	46	+84%	67	34	+98%
Income tax expense	55	72	-24%	43	53	-18%
After-tax All-in cash costs	**1,069**	**1,336**	**-20%**	**842**	**980**	**-14%**
Development capital	66	34	+94%	52	25	+109%
SG&A and other expenses for development assets	35	40	-11%	28	29	-5%
All-in costs	**1,171**	**1,410**	**-17%**	**922**	**1,034**	**-11%**

All-in sustaining cash costs amounted to US$ 733/GE oz in 2015 and decreased by 18% year-on-year, with the decrease in total cash costs and reduction of per ounce other operating costs and capital expenditure.

All-in sustaining cash costs by mines were represented as follows:

All-in sustaining cash cost per ounce, US$/oz

	2015	2014	Change, %
Dukat	7.8	10.9	-28%
Voro	391	515	-24%
Khakanja	621	909	-32%
Varvara	1,092	1,049	+4%
Omolon	732	722	+1%
Albazino	667	901	-26%
Mayskoye	935	1,134	-18%
Total	**733**	**893**	**-18%**

IMPAIRMENT CHARGES/REVERSALS OF METAL INVENTORIES

	2015	2014
Metal inventories	(13)	39
Total impairment (charges)/reversals	**(13)**	**39**

The net write-down of metal inventories of US$ 13 million recognised in 2015 is related to the low-grade material at Varvara mined before re-starting the copper circuit and the low grade ore stockpiled for the heap leaching at Birkachan. Reversals recorded in 2014 were related to ore in heap leaching piles, work-in-progress and metal for refinery previously impaired, which was further processed or determined to be economic for further processing. The reversals were mainly driven by the decline in unit cash costs required to bring the work-in-progress stockpiles into saleable metal.

ADJUSTED EBITDA AND EBITDA MARGIN[1]

Reconciliation of Adjusted EBITDA *(US$ mln)*	**2015**	**2014**	**Change, %**
Profit/(loss) for the year	221	(210)	NM
Finance cost (net)	76	37	+105%
Income tax expense	55	72	-24%
Depreciation and depletion	156	260	-40%
EBITDA	**508**	**159**	**+219%**
Write-down/(reversal) of metal inventory to net realisable value	13	(39)	NM
Share-based compensation	4	2	+60%
Allowance for bad debt	7	(0)	NM
Net foreign exchange losses	133	559	-76%
Change in fair value of contingent liability	(4)	(23)	-81%
Rehabilitation costs	(2)	2	NM
Write-down of non-metal inventory to net realisable value	5	4	+29%
Gain on disposal of subsidiary	(1)	-	NM
Additional mining taxes, VAT, penalties and accrued interest	(4)	20	NM
Adjusted EBITDA	**658**	**685**	**-4%**

Adjusted EBITDA by segment *(US$ mln)*	**2015**	**2014**	**Change, %**
Dukat	239	230	+4%
Voro	115	141	-18%
Khakanja	49	60	-19%
Varvara	25	45	-43%
Omolon	111	142	-22%
Albazino/Amursk	153	133	+15%
Mayskoye	34	28	+24%
Kyzyl	(14)	(3)	NM
Corporate and other and intersegment operations	(55)	(91)	-39%
Total	**658**	**685**	**-4%**

In 2015, Adjusted EBITDA was US$ 658 million, 4% lower year-on-year, resulting in an Adjusted EBITDA margin of 46%. The decrease was mainly driven by an 8% reduction in the average realised gold price and 17% reduction in the average realised silver price, which was substaintially offset by an 15% decrease in TCC. Adjusted EBITDA increased at Dukat, Albazino and Mayskoye, while at other operating segments it declined year-on-year on the back of a price driven revenue decrease.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange loss in 2015 of US$ 133 million compared with US$ 559 million in 2014. These unrealised non-cash losses represent the appreciation of the Group's predominantly the US-Dollar denominated borrowings against the Russian Rouble, the functional currency of the Group's operating companies other than for Varvara and Kyzyl (which is the Tenge). The Group's average gross debt during 2015 was US$ 1,336 million, fully denominated in US Dollars, while the US Dollar appreciated against the Russian Rouble by 29.5% during the period, from 56.3 RUB/US$ at 31 December 2014 to 72.9 RUB/US$ as at 31 December 2015. Since 2015, the functional currency of the Group's top holding companies is the US Dollar, therefore the part of debt that is borrowed at the top holding company level and not pushed down to the operating company level, is no longer generating these non-cash gains or losses.

[1] The Company defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation and amortisation, impairment of non-current assets, write-downs and reversals of inventory to net realisable value, share-based compensation, rehabilitation expenses, gains and losses on acquisitions and disposals of subsidiaries, foreign exchange gains or losses, change in fair value of contingent consideration, finance income, finance costs, income tax expense and other tax exposures accrued within other operating expenses. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue. The figures presented above have been rounded and accordingly may not sum to the total shown.

The Company does not use any hedging instruments for managing foreign exchange risk, other than a natural hedge arising from the fact that the majority of the Group's revenue is denominated or calculated in US Dollars. Though income statement volatility may arise in the financial reporting, Polymetal believes that the underlying matching of revenue cash flows against debt repayments and related interest represents an economically effective hedging strategy.

The exchange differences resulting from the translation of the financial statements of the Group entities from their functional currencies to the presentation currency are included in equity and presented as movements relating to the effect of translation to the Group's presentation currency within the Translation reserve.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net income of US$ 221 million in 2015 versus US$ 210 million loss in 2014. The underlying net earnings (excluding an after-tax impact of impairment charges/reversals and foreign exchange losses) were US$ 296 million, compared to US$ 282 million in 2014. The increase in underlying net earnings was mainly driven by stable EBITDA and the decrease of other Rouble-denominated expenses (mainly, depreciation charges).

Basic earnings per share were US$ 0.52 per share compared to US$ 0.53 loss per share in 2014. Underlying basic EPS was US$ 0.70 per share, compared to US$ 0.71 per share in 2014.

In accordance with the Company's dividend policy, the Board is proposing to pay a final dividend of US$ 0.13 per share (giving a total expected dividend of US$ 55 million) representing approximately 30% of the Group's underlying net earnings for the period. During 2015, Polymetal paid a total of US$ 216 million in dividends, representing final dividends for FY 2014, interim dividends for the 1H 2015 and special dividends for 2015 paid on the back of strong free cash flow generation and a comfortable leverage level.

CAPITAL EXPENDITURE

(US$ mln)	**2015**	**2014**	**Change, %**
Dukat	28	25	+12%
Mayskoye	21	18	+19%
Varvara	15	14	+8%
Khakanja	26	14	+89%
Amursk/Albazino	20	13	+49%
Omolon	8	7	+7%
Voro	3	7	-57%
Kyzyl	32	1	NM
Corporate and other	5	15	-63%
Exploration	47	72	-34%
Capitalised stripping	16	31	-50%
Capitalised interest	4	5	-29%
	224	**223**	**+1%**

1) Total capital expenditure includes amounts payable at the end of the period. On a cash basis, capital expenditure was US$ 205 million in 2015 (2014: US$ 210 million).

In 2015, total capital expenditure remained flat compared with the prior period at US$ 224 million. Capital expenditure excluding stripping costs was US$ 209 million in 2015 (2014: US$ 192 million).

The major capital expenditure items in 2015 were:

- Across all mature open-pit mines, except for Okhotsk operations and Albazino, capital expenditures remained almost unchanged or slightly deviated year-on-year and were mainly represented by mining fleet upgrades/replacements and maintenance expenditure at the processing facilities;
- Capital expenditure at Okhotsk operations was US$ 26 million, almost two-fold increase year-on-year, and was mostly represented by the construction of the Svetloye mine. In 2015, the Company obtained a full set of construction permits for the Svetloye project. Summer navigation started on time, and the construction is progressing on schedule. Open pit mining was suspended due to very heavy snowfall with the equipment diverted to construction activities. Mining was resumed in Q1 2016.
- US$ 20 million was invested at Albazino/Amursk, mostly related to commencement of underground development at the Olga zone and start of underground mining.

- At Dukat and Mayskoye, the increased capital expenditure is mainly related to larger volumes of capitalised underground development.
- At Kyzyl, capital expenditure in 2015 comprised US$ 32 million mainly representing project design costs, minor infrastructure and mining equipment. Major mining equipment contracts were agreed for trucks (BELAZ from Belarus) and electric shovels (OMZ from Russia), with equipment expected to arrive on site in the first half of 2016. Site activities progressed as planned with the focus on the construction of external infrastructure, including an access road, coal-fired boiler house, and water pipeline. Polymetal is on track to start full-scale construction in Q2 2016.
- The Company continues to invest in standalone exploration projects. Capital expenditure on exploration in 2015 was US$ 47 million compared to US$ 72 million in 2014 due to decrease in Rouble-denominated drilling costs on the back of Rouble devaluation while the drilling volumes remained largely stable. The exploration programme was focused, in addition to near-mine properties, mostly on Kyzyl, Svetloye and PGM assets;
- Capitalised stripping costs totalled US$ 16 million in 2015 (2014: US$ 31 million) and are attributable to operations with stripping ratios exceeding their life of mine (“LOM”) averages during the period, including most importantly Varvara, Voro and Albazino. The decline is mainly related to the completion of major stripping campaigns at Omolon and Varvara last year.
- Total capital expenditure in 2015 includes US$ 4 million of capitalised interest (2014: US$ 5 million) mainly related to small-scale growth projects.

CASH FLOWS

(US$ mln)	**2015**	**2014**	**Change, %**
Operating cash flows before changes in working capital	504	617	-18%
Changes in working capital	(14)	(99)	-86%
Total operating cash flows	**490**	**518**	**-5%**
Capital expenditure	(205)	(210)	-2%
Kyzyl acquisition	(68)	(315)	-79%
Other	(29)	(3)	NM
Investing cash flows	**(302)**	**(527)**	**-43%**
Financing cash flows			
Net increase in borrowings	27	202	-87%
Dividends paid	(300)	(65)	+363%
Total financing cash flows	**(274)**	**137**	**-300%**
Net decrease/increase in cash and cash equivalents	**(86)**	**127**	**-167%**
Cash and cash equivalents at the beginning of the year	157	66	+140%
Effect of foreign exchange rate changes on cash and cash equivalents	(20)	(36)	-45%
Cash and cash equivalents at the end of the year	**52**	**157**	**-67%**

Operating cash flows in 2015 were under pressure from declining commodity prices. Operating cash flows before changes in working capital decreased by 18% year-on-year to US$ 504 million as a result of decrease in adjusted EBITDA and increase in cash tax payments by Albazino and Omolon, where previously tax losses carried forward were available. Net operating cash flows were US$ 490 million, compared to US$ 518 million in 2014. This was also slightly affected by an increase in working capital in 2015 of US$ 14 million.

Total cash and cash equivalents decreased by 67% compared to 2014 and comprised US$ 52 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 490 million;
- Investment cash outflows totalled US$ 302 million, down 43% year-on-year, and are represented by capital expenditure (almost unchanged from prior year at US$ 205 million) and other investing cash flows mainly represented by the net settlement of the put option for Kyzyl acquisition (US$ 68 million);
- Payment of regular and special dividends for 2014 and 1H 2015 amounting to US$ 300 million; and
- The net increase in borrowings of US$ 27 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	**31-Dec-15**	**31-Dec-14**	**Change, %**
Short-term debt and current portion of long-term debt	287	509	-44%
Long-term debt	1,063	814	+31%
Dividends payable	-	84	-100%
Gross debt	**1,350**	**1,407**	**-4%**
Less: cash and cash equivalents	52	157	-67%
Net debt	**1,298**	**1,249**	**+4%**
Net debt / adjusted EBITDA	**1.97**	**1.82**	**+8%**

The Group aims to maintain a comfortable liquidity and funding profile in the current turbulent market environment.

The Group's net debt increased slightly to US$ 1,298 million as of 31 December 2015, representing a Net debt / adjusted EBITDA (over the last 12 months) ratio of 1.97. The increase is mainly attributable to the net settlement of the Kyzyl put option in September 2015.

The proportion of long-term borrowings comprised 79% as at 31 December 2015 (58% as at 31 December 2014).

In addition, as at 31 December 2015 the Group had US$ 1.2 billion (31 December 2014: US$ 1.0 billion) of available undrawn facilities, of which US$ 1.0 billion is committed, from a wide range of lenders. This ensures that Polymetal maintains its operational flexibility in the current environment.

The average cost of debt remained low at 4.06% in 2015 (2014: 3.5%), supported by low base interest rates and the ability to negotiate competitive premiums given the solid financial position of the Company and Polymetal's excellent credit history. The increase in absolute finance costs (including capitalised interest) from US$ 41 million to US$ 81 million is mainly related to the notional accrual of interest on the put option liability on the Kyzyl transaction which expired in October 2015. Despite challenges in the credit markets in Russia and globally, the Group is confident in its ability to refinance the existing borrowings as they fall due.

2016 OUTLOOK

While we recognise that our financial performance is heavily dependent on the RUB/US$ exchange rate, inflation in Russia, and oil price dynamics, Polymetal expects to deliver resilient financial performance at current price levels which will be driven by the following factors:

- The Company is fully on track to deliver on its production guidance of 1.23 Moz of gold equivalent for 2016 (after restatement of the gold/silver price ratio to 1/80);
- In 2016, Polymetal expects total cash costs of US$ 525-575/GE oz and all-in sustaining cash costs of US$ 700-750/GE oz at the current exchange rates;
- At the current exchange rates, capital expenditure in 2016 is expected to total approximately US$ 340 million (including exploration, capitalised stripping and construction of the Kyzyl project) in line with previous guidance;
- As a result, the Company expects to continue to generate meaningful free cash flow with the capacity to make further dividend payments in 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results.

The principal risks and uncertainties of the Group are listed below:

- Market risk;
- Production risks;
- Construction and development risk;
- Tax risks;
- Exploration risks;
- Health and safety risk;
- Environmental risks;
- Legal risk;
- Political risk;
- Currency risk;
- Liquidity risk;
- Interest rate risk.

A detailed explanation of these risks and uncertainties can be found on pages 62 to 65 of the 2014 annual report which is available at www.polymetalinternational.com. Further updates will be presented in the full annual financial report for 2015.

GOING CONCERN AND LONGER-TERM VIABILITY STATEMENT

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2015, the Group held US$ 52 million of cash and had net debt of US$ 1,298 million, with US$ 1,196 million of undrawn facilities of which US$ 980 million are considered committed. Debt of US$ 287 million is due for payment within one year and certain committed but undrawn facilities expire within that period, but the Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities, assuming necessary rollovers, but could secure additional financing if and when needed.

The Board is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2015.

Based on key drivers and measures of success used within the business, the Board assessed the prospects of the Group, taking account of potential impact of the principal risks to the Group's business model and ability to deliver its strategy, including solvency and liquidity risks during the reasonably reliable lookout period of three years. The Board confirms that taking into account the Group's current position and based upon the robust assessment of the principal risks facing the Group and stress-testing based assessment of Group's prospects, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

Directors' responsibility statement

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS). The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK and Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

Bobby Godsell

Chairman of the Board of Directors

Vitaly Nesis

Chief Executive

28 March 2015

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2015 000'$	Year ended 31 December 2014 000'$
Revenue	4	1,441,093	1,690,391
Cost of sales	5	(766,252)	(1,023,219)
(Write-downs)/ reversals of metal inventories to net realisable value	17	(12,976)	39,174
Gross profit		**661,865**	**706,346**
General, administrative and selling expenses	9	(127,486)	(131,293)
Other operating expenses	10	(51,221)	(131,901)
Share of loss of associates and joint ventures		(4,099)	(7,139)
Operating profit		**479,059**	**436,013**
Gain on disposal of subsidiary	2	1,205	-
Net foreign exchange losses		(132,870)	(559,266)
Change in fair value of contingent consideration liability		4,246	22,788
Finance income		4,889	3,216
Finance costs	12	(80,704)	(40,626)
Profit/ (Loss) before income tax		**275,825**	**(137,875)**
Income tax expense	13	(54,830)	(71,965)
Profit/ (Loss) for the financial year		**220,995**	**(209,840)**
Profit/ (Loss) for the year attributable to:			
Equity shareholders of the Parent		220,995	(209,840)
		220,995	**(209,840)**
		US$	**US$**
Profit/ (Loss) per share			
Basic		0.52	(0.53)
Diluted		0.52	(0.53)

	Year ended 31 December 2015 Cents per share	Year ended 31 December 2014 Cents per share	Year ended 31 December 2015 000'$	Year ended 31 December 2014 000'$
Final dividend proposed in relation to the year (Note 14)	13	13	55,205	54,994
Interim dividend (Note 14)	8	8	33,885	33,665
Special dividend (Note 14)	30	20	127,395	84,164
			216,485	**172,823**

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2015 000'$	Year ended 31 December 2014 000'$
Profit/ (Loss) for the financial year	220,995	(209,840)
Items that will not be reclassified subsequently to profit or loss		
Translation to presentation currency	-	(683,063)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(582,191)	(1,185)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(58,413)	66,490
Total comprehensive loss for the financial year	**(419,609)**	**(827,598)**

	Year ended 31 December 2015 000'$	Year ended 31 December 2014 000'$
Total comprehensive loss for the financial year attributable to:		
Equity Shareholders of the Parent	(419,609)	(827,598)
	(419,609)	**(827,598)**

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 December 2015	31 December 2014 restated*
		000'$	000'$
Assets			
Property, plant and equipment	15	1,359,844	1,964,508
Goodwill	16	13,871	17,970
Investments in associates and joint ventures		1,709	2,107
Non-current loans and receivables		12,669	12,890
Deferred tax asset	13	56,734	61,787
Non-current inventories	17	99,357	114,227
Total non-current assets		**1,544,184**	**2,173,489**
Current inventories	17	352,800	468,731
Current VAT receivable		59,885	55,367
Trade and other receivables		39,405	55,485
Prepayments to suppliers		25,084	20,531
Income tax prepaid		8,333	9,410
Cash and cash equivalents		51,798	157,224
Total current assets		**537,305**	**766,748**
Total assets		**2,081,489**	**2,940,237**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities		(77,110)	(160,735)
Share repurchase obligation	2	-	(275,838)
Current borrowings	18	(286,861)	(508,811)
Income tax payable		(22,126)	(38,306)
Other taxes payable		(32,149)	(44,139)
Environmental obligations		(324)	(4,183)
Current portion of contingent consideration liability		(2,455)	(1,783)
Total current liabilities		**(421,025)**	**(1,033,795)**
Non-current borrowings	18	(1,062,685)	(813,824)
Contingent consideration liability		(23,703)	(17,506)
Deferred tax liability	13	(50,071)	(157,154)
Environmental obligations		(32,927)	(41,520)
Other non-current liabilities		(4,528)	(6,954)
Total non-current liabilities		**(1,173,914)**	**(1,036,958)**
Total liabilities		**(1,594,939)**	**(2,070,753)**
NET ASSETS		**486,550**	**869,484**
Stated capital account		1,969,125	1,939,084
Share-based compensation reserve		5,991	2,387
Translation reserve		(1,465,198)	(824,594)
Repurchase obligation for shares issued for business acquisition	2	-	(218,722)
Accumulated loss		(23,368)	(28,671)
Total equity		**486,550**	**869,484**

**Restated following determination of the final fair value of the assets acquired and the liabilities assumed as at the acquisition date in respect of the Kyzyl business combination. Refer to Note 2.*

Notes on pages 31 to 56 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 28 March 2016 and signed on its behalf by:

Vitaly Nesis	Bobby Godsell
Chief Executive	Chairman of the Board of Directors

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
		000'$	000'$
Net cash generated by operating activities	22	490,044	518,156
Cash flows from investing activities			
Purchases of property, plant and equipment	15	(205,426)	(209,751)
Net cash outflow on business combinations	2	-	(314,344)
Acquisitions of JV and associate		(7,194)	-
Kyzyl put option exercise	2	(67,718)	-
Loans advanced, net		(22,143)	(3,356)
Other investing activities		1,516	1,744
Contingent consideration payment		(1,246)	(1,722)
Proceeds from disposals of subsidiary net of cash disposed		484	-
Net cash used in investing activities		**(301,727)**	**(527,429)**
Cash flows from financing activities			
Borrowings obtained	18	722,663	453,991
Repayments of borrowings	18	(696,126)	(252,455)
Dividends paid	14	(300,438)	(64,823)
Net cash (used in) /generated by financing activities		**(273,901)**	**136,713**
Net decrease/increase in cash and cash equivalents		(85,584)	127,440
Cash and cash equivalents at the beginning of the financial year		157,224	65,567
Effect of foreign exchange rate changes on cash and cash equivalents		(19,842)	(35,783)
Cash and cash equivalents at the end of the financial year		**51,798**	**157,224**

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Number of Polymetal International shares outstanding	Stated capital account	Share-based compensation reserve	Translation reserve	Share purchase obligation	Retained earnings	Total equity
Balance at 1 January 2014		**389,472,865**	**1,664,170**	**143,524**	**(206,836)**	**-**	**186,632**	**1,787,490**
Total comprehensive income			-	-	(617,758)	-	(209,840)	(827,598)
Share based compensation			-	2,387	-	-	-	2,387
Transfer to retained earnings				(143,524)			143,524	-
Issue of shares in exchange for business acquisitions	2	31,347,078	274,914	-	-	-	-	274,914
Put option issued for business acquision recognised on equity	2	-	-	-	-	(218,722)	-	(218,722)
Dividends	14		-	-	-	-	(148,987)	(148,987)
Balance at 31 December 2014 (restated)		**420,819,943**	**1,939,084**	**2,387**	**(824,594)**	**(218,722)**	**(28,671)**	**869,484**
Total comprehensive income, net of income tax		-	-	-	(640,604)	-	220,995	(419,609)
Share based compensation		-	-	3,809	-	-		3,809
Shares alloted to employees		36,089	205	(205)	-	-		-
Issue of shares to acquire non-controlling interest	20	1,746,692	12,978				(12,978)	-
Issue of shares in exchange for asset acquisitions	2	1,618,154	13,240	-	-	-	-	13,240
Issue of shares to acquire share in joint venture	2	429,260	3,618				-	3,618
Share purchase obligation exercise	2	-	-	-	-	218,722	13,560	232,282
Dividends	14	-	-	-	-		(216,274)	(216,274)
Balance at 31 December 2015		**424,650,138**	**1,969,125**	**5,991**	**(1,465,198)**	**-**	**(23,368)**	**486,550**

1. GENERAL

Corporate information

Polymetal Group (the Group) is a leading gold and silver mining group, operating in Russia and Kazakhstan.

Polymetal International plc (the Company) is the ultimate parent entity of Polymetal Group. The Company was incorporated on 29 July 2010 as a public limited company under Companies (Jersey) Law 1991 and is domiciled in Cyprus. Its shares are traded on the London and Moscow stock exchanges.

Significant subsidiaries

At 31 December 2015 the Company held the following significant mining and production subsidiaries:

			Effective interest held, %	
Name of subsidiary	**Deposits**	**Country of incorporation**	**31 December 2015**	**31 December 2014**
JSC Gold of Northern Urals	Vorontsovskoye	Russia	100	100
LLC Okhotskaya Mining and Exploration Company	Ozernoe Avlayakan	Russia	100	100
Svetloye LLC	Svetloye	Russia	100	100
JSC Magadan Silver	Dukat Lunnoe Arylakh Goltsovoye	Russia	100	100
Mayskoye Gold Mining Company LLC	Mayskoye	Russia	100	100
Omolon Gold Mining Company LLC	Birkachan Tsokol Dalneye Sopka Kvartsevaya	Russia	100	100
Albazino Resources Ltd	Albazino	Russia	100	100
Amur Hydrometallurgical Plant LLC	N/A	Russia	100	100
JSC Varvarinskoye	Varvarinskoye	Kazakhstan	100	100
Bakyrchik Mining Venture LLP	Bakyrchik	Kazakhstan	100	100
JSC Inter Gold Capital	Bolshevik	Kazakhstan	100	100

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2015, the Group held US$ 51.8 million of cash and had net debt of US$ 1,297.8 million, with US$ 1,195.8 million, of which US$ 979.7 million were considered committed.

The Board is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2015.

While assessing the Group's longer-term viability, the Board confirms that taking into account the Group's current position and based upon the robust assessment of the principal risks facing the Group and stress-testing based assessment of Group's prospects, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018. Please refer to Longer-term viability statement on page 24.

Basis of presentation

The Group's annual condensed consolidated financial statements for the year ended 31 December 2015 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments and share-based payments which are measured at fair value.

The accounting policies have been applied in preparing the condensed consolidated financial statements for the year ended 31 December 2015.

Amended accounting standards adopted by the entity

The following new accounting pronouncements which became effective in the current reporting period:

Annual Improvements to IFRSs 2010-2012 cycle;

Annual Improvements to IFRSs 2011-2013 cycle;

Amendments to IAS 19 *Employee Benefits: Defined Benefit Plans* – Employee Contributions.

The adoption of these new accounting pronouncements has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group.

New accounting standards issued but not yet effective

IFRS 15 *Revenue from Contracts with Customers.* In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), which covers principles that an entity shall apply to report information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Group is in the process of determining the impact of IFRS 15 on its consolidated financial statements and does't expect it to have a material impact on its consolidated financial statements.

IFRS 9 *Financial instruments***.** In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" ("IFRS 9"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments. IFRS 9 also includes a substantially reformed approach to hedge accounting. The Group is in the process of determining the impact of IFRS 9 on its consolidated financial statements.

IFRS 16 *Leases.* IFRS 16 replaces the following standards and interpretations: IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The new standard provides a single lessee accounting model for the recognition, measurement, presentation and disclosure of leases. IFRS 16 applies to all leases including subleases and requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The Group is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations.* The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 *Business Combination* and state that the relevant principles on accounting for business combinations in IFRS 3 and other standarts should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint venture. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. Entities should apply the amendments prospectively to acquisitions of interest in joint operations occurring from the beginning of annual periods beginning on nor after 1 January 2016.

Amendments to IAS 1 *Presentation of Financial Statements: Disclosure*. Initiative provides guidance on the use of judgement in presenting financial statement information, including: the application of materiality; order of notes; use of subtotals; accounting policy referencing and disaggregation of financial and non-financial information.

Amendments to IFRS *10 Consolidated Financial Statements and IAS 28 Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture remove an inconsistency between the two standards on the accounting treatment for gains and losses arising on the sale or contribution of assets by an investor to its associate or joint venture. Following the amendment, such gains and losses may only be recognised to the extent of the unrelated investor's interest, except where the transaction involves assets that constitute a business.

2. ACQUISITIONS AND DISPOSALS

(a) Year ended 31 December 2015

Business combinations and asset acquisitions

Kyzyl purchase price allocation

As described below, on 4 September 2014 the Group acquired 100 per cent of the share capital of Altynalmas Gold Ltd (AAG), the holding company for the Kyzyl gold project in Kazakhstan.

As at 31 December 2014, purchase price allocation for the acquisition of Kyzyl was not completed and mineral rights were accounted for on a provisional basis. The Group completed the purchase price allocation review during the year ended 31 December 2015 and retrospectively adjusted the provisional amounts (Note 2b) recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjusted fair values of the identifiable assets and liabilities of Kyzyl as at the date of acquisition are presented in the following table:

	Provisional amount previously reported US$'000	Adjustments US$'000	Adjusted amounts US$'000
Assets acquired and liabilities recognised at the date of acquisition			
Cash and cash equivalents	4,156	-	4,156
Mineral rights	853,600	(56,156)	797,444
Property, plant and equipment	6,144	(260)	5,884
Other assets	1,583	(525)	1,058
Environmental obligations	(16,346)	8,589	(7,757)
Contingent liablities	(5,627)	-	(5,627)
Deferred tax liability	(166,325)	48,352	(117,973)
Other liablities	(1,507)	-	(1,507)
Net assets acquired	**675,677**	**-**	**675,677**

As a result of the determination of the final fair value of the assets acquired and the liabilities assumed as at the acquisition date as discussed above, the figures for the consolidated financial statements for the year ended 31 December 2014 have been restated. Fair value adjustments recognised had no significant impact on the consolidated income statement for the year ended 31 December 2014 and no consequent change in the consolidated equity was recognised.

The impact of the fair value adjustment is presented in the table below.

	31 December 2014 (previously stated) US$'000	Fair value adjustments US$'000	31 December 2014 (restated) US$'000
Property, plant and equipment	2,020,924	(56,416)	1,964,508
Trade and other receivables	56,010	(525)	55,485
Deferred tax liability	(205,506)	48,352	(157,154)
Environmental obligations	(54,292)	8,589	(45,703)
Change in equity		**-**	

Settlement of the Kyzyl put option

In accordance with Kyzyl acquisition terms, the Seller (Sumeru Gold B.V.) was entitled to a put option giving it a right to require Polymetal to acquire or procure acquirers for the consideration shares, described below, by notice to Polymetal during the one month period immediately following the first anniversary of completion at a price per consideration share equal to US$ 9.57027. On completion Polymetal recognised the repurchase obligation at the net present value of maximum repayment of US$ 300 million, which approximated to US$ 273 million, with a corresponding decrease in equity. At the same time the Group recognised the seller put option fair value in amount of US$ 54.6 million within consideration transferred with corresponding increase in equity.

The put option had an exercise period from 4 September to 4 October 2015.

In September 2015 the Group agreed to the following settlement mechanism for the put option:

- Polymetal settled the full contractual put option liability to the Seller and delivered a cash payment in the amount of US$ 300 million;
- Simultaneously, Polymetal transfered the right to receive consideration shares to Otkritie Investments Cyprus Limited in exchange for a cash consideration of US$ 232 million. The cash consideration payable by Otkritie to Polymetal represented the average closing price of the Polymetal shares for the agreed quotation period being one month ended five business days before the date of signing the assignment agreement, which was US$ 7.41 per share, multiplied by the number of Consideration Shares.

As a result the net amount of US$ 67.7 million was paid by Polymetal and the consideration shares remained in issue. On the put option being exercised, both the liability of US$ 300 million and the corresponding balance in equity of US$ 218.7 million were derecognised. After the cash payment has been taken into account, the balancing figure of US$ 13.6 million was recognised within retained earnings.

Primorskoye

In July 2015 Polymetal purchased a 100% interest in Primorskoye LLC, the company holding the licence for the Primorskoye silver-gold property located in the Magadan region of Russia from Decamor Investments Limited. The consideration for the acquisition comprised the initial consideration of US$ 4.1 million payable by issuing 533,301 new Polymetal International plc shares and the deferred conditional cash consideration payable in February 2017. The deferred consideration will be determined as the higher of US$ 13,333 per tonne of contained silver equivalent (translating into US$ 0.415 per silver equivalent ounce) based on the audited reserves estimate of the deposit, and US$ 8 million. On acquisition, the contingent consideration was valued at US$ 6.9 million. As of 31 December 2015 contigent consideration was valued at US$ 7.2 million.

Primorskoye does not meet the definition of a business pursuant to IFRS 3, as it represents acquisition of mining license though a non-operating corporate entity, and thus it was accounted for as an acquisition of a group of assets. The Group purchased mineral rights of US$ 11.1 million and other current liabilities of US$ 0.1 million.

LV Gold Mining

In April 2015 the Group purchased a 25% stake in CJSC LV Gold Mining, the company owning the Lichkvaz exploration and mining licence in Armenia (including related shareholder loans). The consideration comprised 429,260 shares equal to US$ 3.6 million. Polymetal has also entered into an “earn-in” agreement for financing of exploration, metallurgical testing and a JORC-compliant feasibility study in exchange for a right to increase its share in the project up to 50% after the completion of these tasks. The arrangements constituted a joint venture and the investment was accounted for using the equity method at cost of US$ 3.6 million as of 30 June 2015.

On 11 November 2015, Polymetal signed an agreement to purchase the remaining 75% of LV Gold mining shares. The purchase price comprised 1,047,756 Polymetal International plc shares and a deferred consideration in an amount equal to 2% of value of precious metals in the ore extracted from the Lichkvaz deposit in the future during the life of mine. Under the contract the seller has also assigned to Polymetal an intercompany loan receivable of US$ 0.3 million in exchange for additional 37,097 Polymetal International plc shares. Total consideration payable in shares was valued at US$ 9.1 million and the contingent consideration was valued at US$ 5.4 million.

LV Gold Mining does not meet the definition of a business pursuant to IFRS 3, as it represents acquisition of mining license though a non-operating corporate entity, thus it was accounted for as an acquisition of a group of assets. The acquisition was achieved in stages and accounted for at cost which is the total of the cost of the original 25% interest and of the additional 75% interest. The Group purchased mineral rights of US$ 20.2 million and other current liabilities of US$ 0.1 million.

Disposal of subsidiary

Khakandjinskoye LLC

On 26 October 2015 the Group sold its subsidiary Khakandjinskoye LLC, which holds the Khakanja licence, for the cash consideration of US$ 0.5 million to an unrelated party. Total net assets disposed of amounted to US$ (0.7) million, resulting in a gain on disposal of subsidiary amounting to US$ 1.2 million.

(a) (b) Year ended 31 December 2014

In the prior year, the following transactions took place:

Kyzyl acquisition

On 4 September 2014 the Group acquired 100 per cent of the share capital of Altynalmas Gold Ltd (AAG), the holding company for the Kyzyl gold project in Kazakhstan.

The initial consideration for this acquisition comprised US$ 318.5 million in cash and 31,347,078 new ordinary shares of Polymetal International plc issued to Sumeru Gold B.V., representing approximately 7.45% of the Company's enlarged issued share capital. The number of shares issued was determined by dividing US$ 300 million by the unweighted mean average closing price of Polymetal shares on the Main Market of the London Stock Exchange in the twelve calendar months ending three trading days before completion which equated US$ 9.57027 per share. Using the share price in completion gave a fair value for the share consideration of US$ 274.9 million. Deferred additional cash consideration up to an agreed cap, contingent on certain conditions being met and dependent on the relative dynamics of the gold price and the price of Polymetal's shares, may be payable over the next seven years, and this forms the basis for a contingent consideration liability which was valued on acquisition at US$ 27.7 million.

AAG meets the definition of a business pursuant to IFRS 3 thus it was accounted for at fair value using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition

The initial accounting of the acquisition of AAG has only been provisionally determined at the end of the year ended 31 December 2014 based on the directors' best estimate.

The management believes that this business acquisition does not give rise to goodwill and excess of consideration over net asset assets of the acquiree should be fully attributed the mineral rights. The amount recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	US$'000
Assets acquired and liabilities recognised at the date of acquisition	
Cash and cash equivalents	4,156
Mineral rights (Exploration and development assets)	853,600
Other property, plant & equipment	6,144
Other assets	1,583
Environmental obligations	(16,346)
Contingent liabilities	(5,627)
Deferred income taxes	(166,325)
Other liabilities	(1,507)
Net assets acquired	**675,677**
Consideration transferred	
Cash	318,500
Fair value of shares issued	274,914
Contingent consideration	27,699
Seller put option	54,565
Total consideration	**675,677**
Net cash out flow on acquisition	**314,344**

Contingent liabilities assumed in the business combination of US$ 5.6 million, represent social obligations set by the Sub-Soil Use contracts, being amounts committed to be spent on professional trainings and other social engagements over the life of project. The potential undiscounted amount of future payments that the Group could be required to make approximates to US$ 10 million.

No significant financial assets were acquired in the business combination.

Valuation of consideration

The fair value of the 31,347,078 ordinary shares issued as part of the consideration paid for AAG was determined based on the spot price at the acquisition date, being US$ 8.77.

The deferred additional cash consideration described above meets the definition of contingent consideration and was fair valued as of the acquisition date using a Monte Carlo valuation simulation. Potential amounts payable for each of the next seven years are linked to the average gold price in each period, with a deduction for the effect of the share value appreciation. The average annual gold price must exceed US$ 1,250/oz for any consideration to be payable. The total amount payable is limited to US$ 500 million. The key assumptions used in the contingent consideration calculation are set out below:

Gold price volatility	7.16%
Share price volatility	31.2%
Constant correlation between gold price and share price	93.3%
Dividend yield	2%
Gold price as of the acquisition date	US$ 1,271.5
Share price as of the acquisition date	US$ 8.77
Discount rate	9%

The acquisition date fair value was calculated at US$ 27.7 million.

At acquisition the fair value of the Seller's put option was calculated using a Black Scholes option pricing model, using assumptions consistent with the Monte Carlo simulation. The fair value has been calculated at US$ 54.6 million.

Impact of the acquisition on the result of the Group

Acquisition-related costs (included in Other operating expenses) amount to US$ 4 million (Note 10).

Altynalmas Gold Ltd (AAG) contributed US$ 3 million loss to the Group's loss for the period between the acquisition date and year end. AAG generated no revenues in 2014. Had the acquisition completed on the first day of the financial year, it would have increased the Group's loss by US$ 10.1 million.

North Kaluga deposit

On 29 August 2014 Polymetal International plc acquired 100% ownership in the North Kaluga property following the restructuring of the JSC Ural-Polymetal, which was previously classified as an associate in the IFRS consolidated financial statements.

Under the terms of the restructuring agreement, the Ural-Polymetal was dissolved and the assets and liabilities of the former associate were distributed amongst the shareholders. Polymetal received a 100% interest in the North Kaluga property and assumed US$ 20.3 million of debt. The other assets and liabilities of the associate were transferred to the other shareholders. Polymetal owned 49.99% of the Ural-Polymetal prior to the transaction and the asset had nil carrying value in the Group's financial statements due to write-off in 2013 following the commodities price decline.

North Kaluga did not meet the definition of a business pursuant to IFRS 3 (2008) thus it is accounted for as an acquisition of a group of assets. As a result the Group acquired mineral rights at cost of US$ 20.9 million, debt amounting to US$ 20.3 million and other current liabilities of US$ 0.6 million.

Other minor acquisitions

During the year ended 31 December 2014 the Group acquired several minor companies, which hold exploration licences and capital construction in progress assets. The acquired subsidiaries do not meet the definition of a business pursuant to IFRS 3 (2008) thus they were accounted for as an acquisition of a group of assets. The Group purchased mineral rights at total cost of US$ 1.7 million, capital construction in progress at cost of US$ 2.6 million and other current liabilities of US$ 3.0 million for total cash consideration of US$ 1.3 million.

3. SEGMENT INFORMATION

The Group has eight reportable segments:

- Voro (CJSC Gold of Northern Urals);
- Okhotsk operations (LLC Okhotskaya Mining and Exploration Company; Svetloye LLC);
- Dukat (CJSC Magadan Silver);
- Omolon (Omolon Gold Mining Company LLC);
- Varvara (JSC Varvarinskoye);
- Amursk-Albazino (Albazino Resources Ltd, Amur Hydrometallurgical Plant LLC);
- Mayskoye (Mayskoye Gold Mining Company LLC); and
- Kyzyl (Bakyrchik Mining Venture LLP, JSC Inter Gold Capital).

Reportable segments are determined based on the Group's internal management reports and are separated based on the Group's geographical structure. Minor companies and activities (management, exploration, purchasing and other companies) which do not meet the reportable segment criteria are disclosed within corporate and other segment. Each segment is engaged in gold, silver or copper mining and related activities, including exploration, extraction, processing and reclamation. The Group's segments are all based in the Russian Federation, except for Varvara and Kyzyl which are based in Kazakhstan.

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is defined as profit for the period adjusted for depreciation and amortization, impairment of non-current assets, write-downs and reversals of inventory to net realisable value, share-based compensation expenses, rehabilitation expenses, gains or losses arising on acquisition or disposal of subsidiaries, foreign exchange gains or losses, changes in the fair value of contingent consideration, finance income, finance costs, income tax expenses and other tax exposure accrued within other operating expenses. The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS.

Revenue shown as corporate and other comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group's production entities. Intersegment revenue is recognised based on costs incurred plus a fixed margin basis. External revenue shown within corporate and other represents revenue from services provided to third parties by the Group's non-mining subsidiaries.

Business segment current assets and liabilities, other than current inventory, are not reviewed by the CODM and therefore are not disclosed in these condensed consolidated financial statements.

The segment adjusted EBITDA reconciles to the profit before income tax as follows:

For the year ended 31 December 2015 ($'000)	**Voro**	**Okhotsk**	**Dukat**	**Omolon**	**Varvara**	**Amursk - Albazino**	**Mayskoye**	**Kyzyl**	**Total reportable segments**	**Corporate and other**	**Intersegment operations and balances**	**Total**
Revenue from external customers	162,901	129,372	440,473	223,650	96,471	254,892	133,140	-	1,440,899	194		1,441,093
Intersegment revenue	849	325	8	1,385	-	9,204	-	-	11,771	211,717	(223,488)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	42,590	59,589	184,253	100,949	63,655	97,059	88,484	-	636,579	157,534	(182,093)	**612,020**
Cost of sales	53,742	71,232	222,456	129,353	77,894	127,705	107,956	-	790,338	158,007	(182,093)	766,252
Depreciation included in cost of sales	(11,463)	(10,935)	(38,375)	(24,254)	(14,121)	(31,424)	(20,227)	-	(150,799)			(150,799)
Write-down of non-metal inventory to net realisable value	(166)	(1,108)	(626)	(3,938)	(100)	329	829	-	(4,780)	(473)		(5,253)
Rehabilitation expenses	477	400	798	(212)	(18)	449	(74)	-	1,820			1,820
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	4,693	19,658	8,697	6,935	5,148	6,338	6,789	7,719	65,977	64,571	(11,907)	**118,641**
General, administrative and selling expenses	10,875	26,013	15,072	11,639	6,122	11,817	11,422	8,260	101,220	71,579	(45,313)	127,486
Intercompany management services	(5,791)	(4,219)	(5,847)	(4,626)	(773)	(5,421)	(4,461)	-	(31,138)	(2,268)	33,406	-
Depreciation included in SGA	(391)	(2,136)	(528)	(78)	(201)	(58)	(172)	(541)	(4,105)	(931)	-	(5,036)
Share based compensation									-	(3,809)		(3,809)
Other operating expenses excluding additional tax charges	1,051	1,398	8,435	6,051	2,510	7,654	3,767	6,645	37,511	(5,981)	- 16,789	**48,319**
Other operating expenses	2,210	1,579	3,682	10,134	2,510	7,501	5,181	- 6,645	39,442	(5,010)	16,789	51,221
Bad debt allowance	(1,146)	- (181)	- 29	(4,404)	-	- 153	- (94)	-	(5,643)	(971)		(6,614)
Additional mining taxes and VAT exposures, penalties and accrued interest	(13)	-	4,724	321	-	-	(1,320)	-	3,712	-	-	3,712
Share of income of associates and joint ventures										(4,099)		(4,099)
Adjusted EBITDA	**115,416**	**49,052**	**239,096**	**111,100**	**25,158**	**153,045**	**34,100**	**(14,364)**	**712,603**	**(8,312)**	**(46,277)**	**658,014**
Depreciation expense	11,854	13,071	38,903	24,332	14,322	31,482	20,399	541	154,904	931	-	**155,835**
Rehabilitation expenses	(477)	(400)	(798)	212	18	(449)	74	-	(1,820)	-	-	**(1,820)**
Write-down of non-metal inventory to net realisable value	166	1,108	626	3,938	100	(329)	(829)	-	4,780	473	-	**5,253**
Write-down of metal inventory to net realisable value	-	(883)	-	5,501	7,915	-	443	-	12,976	-	-	**12,976**
Share-based compensation	-	-	-	-	-	-	-	-	-	3,809	-	**3,809**
Bad debt allowance	1,146	181	(29)	4,404	-	(153)	94	-	5,643	971	-	**6,614**
Additional mining taxes and VAT exposures, penalties and accrued interest	13	-	(4,724)	(321)	-	-	1,320	-	(3,712)	-	-	**(3,712)**
Operating profit / (loss)	**102,714**	**35,975**	**205,118**	**73,034**	**2,803**	**122,494**	**12,599**	**(14,905)**	**539,832**	**(14,496)**	**(46,277)**	**479,059**
Net foreign exchange losses												**(132,870)**
Gain on disposal of subsidiary												**1,205**
Change in fair value of contingent consideration liability												**4,246**
Finance income												**4,889**
Finance costs												**(80,704)**
Profit before tax												**275,825**
Income tax expense												**(54,830)**
Profit for the financial period												**220,995**
Current metal inventories	27,432	31,214	49,981	27,908	21,392	37,822	28,218	-	223,967	112	(2,400)	**221,679**
Current non-metal inventories	4,349	25,449	19,962	23,531	9,749	13,196	25,852	825	122,913	15,030	(6,822)	**131,121**
Non-current segment assets:												
Property, plant and equipment, net	45,822	60,987	168,653	70,199	68,075	241,261	136,150	459,603	1,250,750	126,860	(17,766)	**1,359,844**
Goodwill			3,986				9,885		13,871			**13,871**
Non-current inventory	1,556	12,618	5,745	64,035	3,656	5,756	7,529	-	100,895	-	(1,538)	**99,357**
Investments in associates										1,709		**1,709**
Total segment assets	**79,159**	**130,268**	**248,327**	**185,673**	**102,872**	**298,035**	**207,634**	**460,428**	**1,712,396**	**143,711**	**(28,526)**	**1,827,581**
Additions to non-current assets:												
Property, plant and equipment	6,745	35,601	33,400	28,118	20,441	37,781	21,225	32,383	215,694	8,832		**224,526**
Acquistion of group of assets			11,039						11,039	20,180		**31,219**

For the year ended 31 December 2014 ($'000)	**Voro**	**Khakanja**	**Dukat**	**Omolon**	**Varvara**	**Amursk - Albazino**	**Mayskoye**	**Kyzyl**	**Total reportable segments**	**Corporate and other**	**Intersegment operations and balances**	**Total**
Revenue from external customers	204,490	157,771	485,608	276,930	120,374	298,547	145,242	-	1,688,962	1,429	-	1,690,391
Intersegment revenue	1,527	554	383	168	-	3,893	-	-	6,525	237,297	(243,822)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	53,938	81,538	229,648	115,500	62,618	139,806	102,105	-	785,153	163,343	(187,113)	**761,383**
Cost of sales	70,104	101,808	287,022	180,442	76,051	197,038	134,524	-	1,046,989	163,343	(187,113)	1,023,219
Depreciation included in Cost of sales	(16,708)	(19,518)	(57,520)	(63,121)	(12,760)	(55,837)	(30,202)	-	(255,666)	-	-	(255,666)
Write-down of non-metal inventory to net realisable value	(106)	-	109	(619)	(375)	(966)	(2,112)	-	(4,069)	-	-	(4,069)
Rehabilitation expenses	648	(752)	37	(1,202)	(298)	(429)	(105)	-	(2,101)	-	-	(2,101)
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	6,416	10,531	10,753	9,095	4,260	7,838	11,704	1,973	62,570	74,084	(12,563)	**124,091**
General, administrative and selling expenses	15,915	16,492	20,322	14,299	5,951	14,785	17,793	2,199	107,756	80,789	(57,252)	131,293
Intercompany management services	(8,766)	(5,452)	(8,685)	(5,074)	(1,458)	(6,839)	(5,552)		(41,826)	(2,863)	44,689	-
Depreciation included in SGA	(733)	(509)	(884)	(130)	(233)	(108)	(537)	(226)	(3,360)	(1,455)	-	(4,815)
Share based compensation	-	-	-	-	-	-	-	-	-	(2,387)	-	(2,387)
Other operating expenses excluding additional tax charges	4,165	6,015	15,990	10,371	8,972	21,526	3,919	852	71,810	37,220	3,362	**112,392**
Other operating expenses	4,537	6,015	28,580	12,721	11,871	21,526	5,217	852	91,319	37,220	3,362	131,901
Additional mining taxes, VAT, penalties and accrued interest	(372)	-	(12,590)	(2,350)	(2,899)	-	(1,298)	-	(19,509)	-	-	(19,509)
Share of loss of associates and joint ventures									-	7,139	-	7,139
Adjusted EBITDA	**141,498**	**60,241**	**229,600**	**142,132**	**44,524**	**133,270**	**27,514**	**(2,825)**	**775,954**	**(43,060)**	**(47,508)**	**685,386**
Depreciation expense	17,441	20,027	58,404	63,251	12,993	55,945	30,739	226	259,026	1,455	-	**260,481**
Rehabilitation expenses	(648)	752	(37)	1,202	298	429	105	-	2,101	-	-	**2,101**
Write-down of non-metal inventory to net realisable value	106	-	(109)	619	375	966	2,112	-	4,069	-	-	**4,069**
Reversal/(write-down) of metal inventory to net realisable value	5	(4,982)	(548)	(34,287)	5,845	-	(5,207)	-	(39,174)	-	-	**(39,174)**
Share-based compensation	-	-	-	-	-	-	-	-	**-**	2,387	-	**2,387**
Additional mining taxes, penalties and accrued interest	372	-	12,590	2,350	2,899	-	1,298	-	**19,509**	-	-	**19,509**
Operating profit / (loss)	**124,222**	**44,444**	**159,300**	**108,997**	**22,114**	**75,930**	**(1,533)**	**(3,051)**	**530,423**	**(46,902)**	**(47,508)**	**436,013**
Foreign exchange loss												**(559,266)**
Loss on disposal of subsidiaries												**-**
Change in fair value of contingent consideration												**22,788**
Finance income												**3,216**
Finance costs												**(40,626)**
Loss before tax												**(137,875)**
Income tax expense												**(71,195)**
Loss for the financial period												**(209,840)**
Current metal inventories	35,937	26,714	54,853	79,007	24,776	39,953	43,419	-	304,659	112	(3,970)	**300,801**
Current non-metal inventories	4,501	33,230	26,621	30,387	16,109	22,445	28,819	975	163,087	15,055	(10,212)	**167,930**
Non-current segment assets:									-			**-**
Property, plant and equipment, net (restated)	65,362	55,459	218,414	95,106	124,093	311,005	178,142	806,233	1,853,814	132,954	(22,260)	**1,964,508**
Goodwill			5,164				12,806		17,970			**17,970**
Non-current inventory	1,394	23,380	6,364	52,263	18,678	6,846	6,555	-	115,480	-	(1,253)	**114,227**
Investments in associates									-	2,107		**2,107**
Total segment assets	**107,194**	**138,783**	**311,416**	**256,763**	**183,656**	**380,249**	**269,741**	**863,624**	**2,511,426**	**150,228**	**(37,695)**	**2,623,959**
Additions to non-current assets:												
Property, plant and equipment (restated)	17,695	34,814	32,943	20,623	21,498	43,698	18,606	3,641	193,518	30,184		**223,702**
Acquired in business combinations and acquisition of group of assets (restated)	20,912							803,328	824,240	4,307		**828,546**

4. REVENUE

Revenue analysed by geographical regions of customers is presented below:

	Year ended 31 December 2015	Year ended 31 December 2014
	000'$	000'$
Sales within the Russian Federation	1,051,981	1,165,729
Sales to Kazakhstan	216,858	169,242
Sales to China	88,744	133,497
Sales to Japan	48,180	51,864
Sales to Europe	33,190	9,716
Sales to Korea	1,750	158,625
Total metal sales	**1,440,703**	**1,688,673**
Other sales	390	1,718
Total	**1,441,093**	**1,690,391**

Included in revenues for the year ended 31 December 2015 are revenues which arose from sales to three of the Group's largest customers amounting to US$ 501 million, US$ 185 million and US$ 162 million, respectively (2014: US$ 573 million, US$ 221 million and US$ 164 million, respectively). Presented below is an analysis of revenue from gold, silver and copper sales:

	Year ended 31 December 2015				Year ended 31 December 2014			
	Thousand ounces/ tonnes (unaudited) shipped	Thousand ounces/ tonnes (unaudited) payable	Average price (U.S. Dollar per troy ounce/tonne payable) (unaudited)	000'$	Thousand ounces/ tonnes (unaudited) shipped	Thousand ounces/ tonnes (unaudited) payable	Average price (U.S. Dollar per troy ounce/tonne payable) (unaudited)	000'$
Gold (thousand ounces)	875	864	1,127	974,123	958	943	1,231	1,160,984
Silver (thousand ounces)	31,494	31,190	14.7	460,040	29,661	29,342	17.7	520,469
Copper (tonnes)	1,578	1,488	4,395	6,540	1,093	1,029	7,015	7,220
Total				**1,440,703**				**1,688,673**

5. COST OF SALES EXCLUDING WRITE-DOWNS/ (REVERSALS) OF METAL INVENTORIES TO NET REALISABLE VALUE

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Cash operating costs		
On-mine costs (Note 6)	267,522	391,256
Smelting costs (Note 7)	260,566	363,382
Purchase of ore and semifinished goods from third parties	5,241	1,506
Mining tax	96,941	110,064
Total cash operating costs	**630,270**	**866,208**
Depreciation and depletion of operating assets (Note 8)	153,770	291,940
Rehabilitation expenses	(1,928)	2,714
Total costs of production	**782,112**	**1,160,862**
Increase in metal inventories	(27,160)	(142,082)
Write-down of non-metal inventories to net realisable value (Note 17)	5,253	4,069
Idle capacities and abnormal production costs	5,990	-
Cost of other sales	57	370
Total	**766,252**	**1,023,219**

Mining tax is a royalty payable in Russian Federation and Kazakhstan which is calculated based on the value of the precious metals extracted in the period. This value is usually determined based on the realised selling price of precious metals or, in case if there were no sales during the period, cost of production of metals extracted (Russian Federation) or the average market price (Kazakhstan) during the period.

Mining tax in respect of the metal inventories produced during the year is recognised within cost of sales, while the additional mining tax accruals in respect of various disputes with tax authorities are recognised within other expenses (see Note 10).

Idle capacities and abnormal production costs were expenses as incurred and relate to Mayskoye where the processing plant was stopped in November 2015 while underground mining was ramping up due to the redevelopment of underground workings using a new mining method.

6. ON-MINE COSTS

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Services	120,041	184,364
Labour	78,010	103,704
Consumables and spare parts	67,458	101,252
Other expenses	1,009	921
Taxes, other than income tax	1,004	1,015
Total (Note 5)	**267,522**	**391,256**

7. SMELTING COSTS

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Consumables and spare parts	114,503	156,904
Services	94,094	138,609
Labour	49,884	65,177
Taxes, other than income tax	630	675
Other expenses	1,455	2,017
Total (Note 5)	**260,566**	**363,382**

8. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
On-Mine	103,618	205,856
Smelting	50,152	86,084
Total (Note 5)	**153,770**	**291,940**

Depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded from the Group's calculation of Adjusted EBITDA (see Note 3), also excludes amounts absorbed into unsold metal inventory balances.

9. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Labour	88,307	93,168
Services	13,937	16,664
Depreciation	5,036	4,815
Share based compensation	3,809	2,387
Other	16,397	14,259
Total	**127,486**	**131,293**

10. OTHER OPERATING EXPENSES, NET

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Exploration expenses	24,003	50,525
Taxes, other than income tax	11,564	22,191
Additional mining taxes, VAT, penalties and accrued interest	(3,712)	19,509
Social payments	7,807	9,247
Bad debt allowance	6,614	(213)
Housing and communal services	4,186	7,191
Loss on disposal of property, plant and equipment	1,246	4,473
Business acquisition related costs (Note 2)	-	4,039
Change in estimate of environmental obligations	(4,266)	(723)
Other expenses	3,779	15,662
Total	**51,221**	**131,901**

Mining taxes, VAT, penalties and accrued interest have been accrued in respect of various disputes with the Russian and Kazakh tax authorities.

During the year ended 31 December 2015 Group has partially released several mining tax provisions at Magadan Silver following the completion of the tax audits.

In respect of the year ended 31 December 2014 the Group identified and provided for additional mining tax exposures amounting to US$ 2.4 million at Omolon, US$ 1.3 million at Mayskoye, US$ 0.4 million at Voro and various Varvara tax exposures of US$ 2.9 million. The Group also accrued interest related to Magadan Silver tax exposures previously identified of US$ 4.1 million, and mining tax exposure for 2013 amounting to US$ 2.4 million. During the year ended 31 December 2014 the Group also identified a VAT exposure of US$ 2.4 million (including penalties and interest) and income tax penalties and interest of US$ 3.6 million at Magadan Silver, which were provided for.

Total provision for additional mining taxes and VAT exposures, including penalties and accrued interest as of 31 December 2015 is US$ 3.5 million (2014: US$ 36.1 million).

Exploration expenses include write downs of US$ 7.9 million (2014: US$ 35.6 million) recognised within Exploration and Development assets (Note 15). Operating cash flow spent on exploration activities amounts to US$ 12.6 million (2014: US$ 15.8 million).

Increase in the bad debt allowance relates to long-term non-trade receivables, provided for as of 31 December 2015. These balances were not past due as of 31 December 2014.

11. EMPLOYEE COSTS

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Wages and salaries	198,734	245,494
Social security costs	48,508	59,321
Share based compensation	3,809	2,387
Total payroll costs	**251,051**	**307,202**
Reconciliation:		
Less: employee costs capitalised	(24,617)	(36,954)
Less: employee costs absorbed into unsold metal inventory balances.	(4,212)	(18,079)
Employee costs included in operating costs	**222,222**	**252,169**

The weighted average number of employees during the year ended 31 December 2015 was:

	Year ended	
	31 December 2015	31 December 2014
	Number	Number
Voro	924	936
Okhotsk operations	1,140	1,049
Dukat	1,856	1,836
Omolon	752	805
Varvara	789	727
Amursk-Albazino	1,286	1,194
Mayskoye	828	870
Kyzyl	414	110
Corporate and other	1,303	1,326
Total	**9,292**	**8,853**

Compensation for key management personnel is disclosed within Note 20.

12. FINANCE COSTS

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Interest expense on borrowings	52,021	33,793
Unwinding discount on repurchase obligation (Note 2)	24,171	2,551
Unwinding of discount on environmental obligations	4,512	4,282
Total	**80,704**	**40,626**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 3.9 million and US$ 5.1 million during the years ended 31 December 2015 and 2014, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 4.06% and 3.5%, respectively, to cumulative expenditure on such assets.

The repurchase obligation relates to the put option issued to the seller of Altynalmas Gold Ltd, which gave it a right during a specified period to require Polymetal International plc to acquire or procure acquirers for the 31,347,078 of consideration shares issued by Polymetal International plc at a price of US$ 9.57027 per share (Note 2). During the year ended 31 December 2015 the option was exercised as described in the Note 2.

13. INCOME TAX

The amount of income tax expense for the years ended 31 December 2015 and 31 December 2014 resognised in profit and loss is as follows:

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Current income taxes	103,000	79,003
Deferred income taxes	(48,170)	(7,038)
	54,830	**71,965**

A reconciliation between the reported amounts of income tax expense attributable to income before income tax is as follows:

	Year ended	
	31 December 2015	31 December 2014

	000'$	000'$
Profit/(loss) before income tax	**275,825**	**(137,875)**
Statutory income tax expense at the tax rate of 20%	55,165	(27,575)
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,731	-
Effect of foreign exchange and non- taxable income	(49,264)	85,881
Current year losses not recognized and losses previously recognised written-off	5,912	2,951
Non-deductible interest expense	10,623	769
Tax exposures recognised in income tax	2,431	4,504
Prior year adjustments to current tax	1,286	(2,016)
Other non-deductible expenses	24,946	7,452
Total income tax expense	**54,830**	**71,965**

The actual tax expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation and Kazakhstan to profit before income tax as a result of the application of relevant jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit. These deductions include share-based payment expenses, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related and other costs.

For several entities, the tax calculation is prepared in local currencies that differ from the functional currency of the entity. This results in exchange gains and losses included in the local currency used as a basis for the tax computation and gives rise to significant permanent differences.

In the normal course of business, the Group is subject to examination by tax authorities throughout the Russian Federation and Kazakhstan. Of the large operating companies of the Group, the tax authorities have audited CJSC Gold of Northern Urals and CJSC Magadan Silver up to 2012, Omolon Gold Mining Company LLC, LLC Okhotskaya Mining and Exploration Company CJSC and Mayskoye Gold Mining Company LLC up to 2010, and JSC Varvarinskoye for the period up to 2010. According to Russian and Kazakhstan tax legislation, previously completed audits do not fully preclude subsequent claims relating to the audited period.

Tax exposures recognised in income tax

During the year ended 31 December 2014 the Group had an income tax exposure of US$ 10.2 million including penalties and interest of US$ 3.6 million at Magadan Silver, which were provided for. Following the completion of the tax audit the amount was paid in full.

During the year ended 31 December 2015 no individual significant exposures were and provided for.

Income tax amounts included in other comprehensive income

An analysis of tax by individual item presented in the condensed consolidated statement of comprehensive income is presented below:

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Net foreign exchange losses on net investment in foreign operation		
Current income tax	3,391	(2,205)
Deferred income tax	(14,053)	-
Total income tax recognised in other comprehensive income	**(10,662)**	**(2,205)**

Current and deferred tax presented in the condensed consolidated statement of comprehensive income relate to the net exchange differences on translation of monetary items that form part of the intragroup net investments in the foreign operations. These net exchange differences are recognised in the condensed consolidated financial statements within foreign currency translation reserve.

Deferred taxation

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period.

	Environmental obligation	Inventories	Property, plant, and equipment and other non-current assets	Trade and other payables	Tax Losses	Long-term loans and payables	Other	Total
	000'$	000'$	000'$	000'$	000'$	000'$	000'$	000'$
At 1 January 2014	**13,072**	**(5,481)**	**(91,254)**	**7,992**	**85,372**	**3,445**	**12,253**	**25,399**
Charge to income statement	40	(18,080)	(4,094)	239	31,647	670	(3,384)	**7,038**
Acquisition (Note 2)	1,456		(156,289)	1,125	35,735			**(117,973)**
Exchange differences	(5,429)	7,780	39,160	(2,751)	(42,741)	(1,648)	(4,202)	**(9,831)**
At 31 December 2014 (restated)	**9,139**	**(15,781)**	**(212,477)**	**6,605**	**110,013**	**2,467**	**4,667**	**(95,367)**
Charge to income statement	165	(2,095)	(1,343)	1,571	49,691	(175)	356	**48,170**
Recognised in other comprehensive income	-	-	-	-	14,053	-	-	**14,053**
Exchange differences	(2,653)	3,642	86,654	(2,045)	(43,971)	(532)	(1,288)	**39,807**
At 31 December 2015	**6,651**	**(14,234)**	**(127,166)**	**6,131**	**129,786**	**1,760**	**3,735**	**6,663**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following analysis shows deferred tax balances presented for financial reporting purposes:

	Year ended	
	31 December 2015	**31 December 2014 restated**
	000'$	**000'$**
Deferred tax liabilities	(50,071)	(191,170)
Deferred tax assets	56,734	95,803
	6,663	**(95,367)**

Tax losses carried forward represent amounts available for offset against future taxable income generated by ZK Mayskoye LLC, Svetloye LLC, JSC Varvarinskoye, Bakyrchik Mining Venture LLP and JSC Polymetal during the period up to 2024. Each legal entity within the Group represents a separate tax-paying component for income tax purposes. The tax losses of one entity cannot be used to reduce taxable income of other entities of the Group. As at 31 December 2015 and 31 December 2014 the aggregate tax losses carried forward were US$ 648.9 million (RUB 15.8 billion and Kazakh Tenge 146.6 billion) and US$ 550.1 million (RUB 20.9 billion and Kazakh Tenge 32.6 billion), respectively.

The Group believes that recoverability of the recognized deferred tax asset (DTA) of US$ 129.8 million at 31 December 2015 is more likely than not based upon expectations of future taxable income in the Russian Federation and Kazakhstan and available tax planning strategies.

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2015. The Group has concluded that there is sufficient evidence to overcome the recent history of losses based on forecasts of sufficient taxable income in the carry-forward period.

At 31 December 2015 deferred tax assets in the amount of US$ 7.5 million (31 December 2014: US$ 6.9 million) have not been recognised in respect of unused tax losses expiring during the years 2016-2026 because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The Group's estimate of future taxable income is based on established proven and probable reserves which can be economically developed. The related detailed mine plans and forecasts provide sufficient supporting evidence that the

Group will generate taxable earnings to be able to fully realise its net DTA even under various stressed scenarios. The amount of the DTA considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced due to delays in production start dates, decreases in ore reserve estimates, increases in environmental obligations, or reductions in precious metal prices. The Group's tax losses carried forward expire as follows:

	31 December 2015	31 December 2014 restated
	000'$	**000'$**
Year ended 31 December 2015	-	4,320
31 December 2016	2,825	3,660
31 December 2017	4,013	5,199
31 December 2018	11,325	14,674
31 December 2019	18,185	29,245
31 December 2020	16,611	26,720
31 December 2021	24,310	40,413
31 December 2022	37,300	96,333
31 December 2023	64,357	114,755
31 December 2024	97,124	214,746
31 December 2025	372,880	-
Total loss carried forward for tax purposes	**648,930**	**550,065**

The deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group subsidiaries have not been recognised as the Group has determined that the undistributed profit of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amount to US$ 1,313 million (2014: US$ 1,231million).

14. DIVIDENDS

Dividends recognised during the years ended 31 December 2015 and 31 December 2014 are detailed in the below:

			Dividends		
	cents per share	**000'$**	**approved and deducted from the equity during the year**	**proposed in relation to the year**	**Paid in**
Final dividend 2013	8	31,158	2014	2013	2014
Interim dividend 2014	8	33,665	2014	2014	2014
Special dividend 2014	20	84,164	2014	2014	2015
Final dividend 2014	13	54,994	2015	2014	2015
Interim dividend 2015	8	33,885	2015	2015	2015
Special dividend 2015	30	127,395	2015	2015	2015
Final dividend 2015	13	55,205	N/A	2015	N/A
Total dividends for the year ended 31 December 2014			148,987	172,823	64,823
Total dividends for the year ended 31 December 2015			**216,274**	**216,485**	**300,438**

15. PROPERTY, PLANT AND EQUIPMENT

	Exploration and development assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	000'$	**000'$**	**000'$**	**000'$**	**000'$**
Cost					
Balance at 1 January 2014	**337,226**	**2,430,339**	**91,279**	**157,561**	**3,016,405**
Additions	76,090	91,809	3,388	52,415	223,702
Transfers	(10,840)	83,457	3,305	(75,922)	-

Change in decommissioning liabilities	-	(7,497)	-	-	(7,497)
Acquired on acquisition restated (note 2)	820,031	5,332	1,915	1,268	828,546
Eliminated on disposal of subsidiary	-	-	-	-	-
Disposals and write-offs	(35,595)	(31,006)	(3,358)	(2,487)	(72,446)
Translation to presentation currency	(167,192)	(1,008,109)	(38,062)	(54,303)	(1,267,666)
Balance at 31 December 2014 restated (Note 2)	**1,019,720**	**1,564,325**	**58,467**	**78,532**	**2,721,044**
Additions	51,733	75,913	4,787	92,093	224,526
Transfers	(57,946)	101,333	(3,090)	(40,297)	-
Change in decommissioning liabilities	-	4,307	-	-	4,307
Acquisition of group of assets (Note 2)	30,425	-	794	-	31,219
Disposals and write-offs incl fully depleted mines	(7,902)	(159,709)	(1,555)	(908)	(170,074)
Translation to presentation currency	(420,051)	(412,108)	(14,913)	(25,634)	(872,706)
Balance at 31 December 2015	**615,979**	**1,174,061**	**44,490**	**103,786**	**1,938,316**

Accumulated depreciation, amortisation	**Exploration and development assets**	**Mining assets**	**Non-mining assets**	**Capital construction in-progress**	**Total**
	000'$	**000'$**	**000'$**	**000'$**	**000'$**
Balance at 1 January 2014	**(4,669)**	**(886,935)**	**(26,515)**	**(3,544)**	**(921,663)**
Charge for the period	-	(319,439)	(8,657)	-	(328,096)
Disposals and write-offs	543	24,196	1,362	200	26,301
Transfers	(384)	(691)	(115)	1,190	-
Translation to presentation currency	3,700	447,498	13,709	2,015	466,922
Balance at 31 December 2014	**(810)**	**(735,371)**	**(20,216)**	**(139)**	**(756,536)**
Charge for the period	-	(172,900)	(4,472)	-	(177,372)
Disposals and write-offs incl fully depleted mines	107	153,220	725	9	154,061
Transfers	129	(642)	453	60	-
Translation to presentation currency	162	196,087	5,102	24	201,375
Balance at 31 December 2015	**(412)**	**(559,606)**	**(18,408)**	**(46)**	**(578,472)**
Net book value					
1 January 2014	**332,557**	**1,543,404**	**64,764**	**154,017**	**2,094,742**
31 December 2014 restated (Note 2)	**1,018,910**	**828,954**	**38,251**	**78,393**	**1,964,508**
31 December 2015	**615,567**	**614,455**	**26,082**	**103,740**	**1,359,844**

Mining assets at 31 December 2015 included mineral rights pertaining to the production stage and being amortised with net book value which amounted to US$ 39.6 million (31 December 2014: US$ 67.8 million) and capitalised stripping costs with net book value of US$ 33.2 million (31 December 2014: US$ 54.9 million). Exploration and development assets at 31 December 2015 included mineral rights related to the exploration stage with net book value which amounted to US$ 542.8 million (31 December 2014: US$ 908.8 million).

Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries and asset acquisitions.

Exploration and development assets at 31 December 2015 included exploration and evaluation assets for the areas not yet achieved development stage amounted to US$ 7.8 million (31 December 2014: US$ 16.2 million).

Fully depleted mines relate to mineral rights and stripping assets in Omolon and Okhotsk operations segments, where several open pit mines were fully depleted during the year ended 31 December 2015 in accordance with effective mine plans.

No property, plant and equipment were pledged as collateral at 31 December 2015 or at 31 December 2014.

16. GOODWILL

Cost and Accumulated impairment losses	31 December 2015	31 December 2014
	000'$	**000'$**
At 1 January	**17,970**	**30,889**
Translation effect	(4,099)	(12,919)
At 31 December	**13,871**	**17,970**

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	31 December 2015	31 December 2014
	000'$	**000'$**
Mayskoye	9,885	12,806
Dukat	3,986	5,164
Total	**13,871**	**17,970**

The carrying amount of goodwill is reviewed annually to determine whether it is in excess of its recoverable amount. The recoverable amount of the cash-generating unit is determined based on a fair value less costs to sell calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows. The DCF method is attributable to the development of proved and probable reserves.

The DCF method used is based on proved and probable reserves and uses the following key assumptions:

• production volumes;

• commodity prices;

• proved and probable reserves;

• production costs;

• Rouble exchange rates; and

• discount rates.

Recoverable reserves and resources are based on the proven and probable reserves and resources in existence at the end of the year. Estimated production volumes are based on detailed life of mine plans and take into account development plans for the mines approved by management as part of the long-term planning process.

The key assumptions used as at 31 December 2015 by the Group were as follows:

Commodity prices

Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. In the impairment tests performed, the flat real long-term gold and silver of US$ 1,100 per ounce (2014: US$ 1,200), US$ 14 per ounce (2014: US$ 17), respectively.

Discount rate

The Group used a post-tax real discount rate of 9.0% (2014: 9.0%).

Production costs

Production costs are based on management’s best estimates over the life of the mine, and reflect past experience.

Rouble exchange rates

Management have analysed US$/RUR rate movements for the year ended 31 December 2015. For the purposes of the impairment test, US$/RUR exchange rate is estimated at 72 US$/RUR (2014: US$/RUR 50).

Sensitivity analysis

For Dukat and Mayskoye management has performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions would lead to impairment.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

- 10% simultaneous decrease in gold and silver prices over the life of mine;
- 10% decrease in Rouble exchange rates;
- 10% increase in operating expenses over the life of mine; and
- 0.5% increase in the discount rate applied.

Each of the sensitivities above has been determined by assuming that the relevant key assumption moves in isolation, and without regard to potential mine plan changes and other management decisions which would be taken to respond to adverse changes in existing management projections. An adverse change in a key assumption described above would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the Dukat and Mayskoye cash-generating units.

17. INVENTORIES

	31 December 2015	31 December 2014
	000'$	000'$
Inventories expected to be recovered after twelve months		
Consumables and spare parts	26,013	34,706
Ore stock piles	68,832	79,521
Work in-process	4,512	-
Total non-current inventories	**99,357**	**114,227**
Inventories expected to be recovered in the next twelve months		
Ore stock piles	97,124	127,245
Copper, gold and silver concentrate	74,006	98,987
Work in-process	29,560	50,762
Metal for refinery	13,597	10,357
Dore	7,392	11,738
Total metal inventories	**221,679**	**299,089**
Consumables and spare parts	131,121	169,642
Total	**352,800**	**468,731**

Write-downs of metal inventories to net realisable value

The Group recognised the following (write-downs) /reversals to net realisable value of its metal inventories:

	Year ended 31 December 2015					Year ended 31 December 2014
	Khakanja	Omolon	Varvara	Mayskoye	Total operating segments	Total operating segments
	000'$	000'$	000'$	000'$	000'$	000'$
Ore stock piles	883	202	(8,288)	(360)	(7,563)	28,857
Ore in heap leach piles	-	(5,703)	-	-	(5,703)	3,326
Work in-process	-	-	216	(83)	133	260
Metal for refinery	-	-	157	-	157	1,418
Copper, gold and silver concentrate	-	-	-	-	-	5,313
Total	**883**	**(5,501)**	**(7,915)**	**(443)**	**(12,976)**	**39,174**

The write-downs were recognised in respect of the ore stockpiles with a low content of precious metal. Reversals of the previously recorded write-downs were driven by a costs reduction due to the Russian Rouble and Kazakh Tenge devaluation, changes in mine plans and favourable changes in contract terms with off-takers, which have improved the economic viability of the stockpiles.

The key assumptions used as at 31 December 2015 in determining net realisable value of inventories (including the commodity price assumptions) were consistent with those used in the goodwill impairment review (Note 16).

During the year ended 31 December 2015 the Group provided for obsolete consumables and spare parts inventory in the amount of US$ 5.3 million (year ended 31 December 2014: write-down of US$ 4.1million).

The amount of inventories held at net realisable value at 31 December 2015 is US$ 25.6 million (31 December 2014: US$ 32.4 million).

18. BORROWINGS

Borrowings at amortised cost:

		Actual interest rate at 31 December		31 December 2015			31 December 2014		
	Type of rate	2015	2014	Current	Non-current	Total	Current	Non-current	Total
				000'$	**000'$**	**000'$**	**000'$**	**000'$**	**000'$**
Secured loans from third parties									
U.S. Dollar denominated	floating	4.00%	2.84%	263,141	583,512	846,653	166,026	371,474	537,500
Total				**263,141**	**583,512**	**846,653**	**166,026**	**371,474**	**537,500**
Unsecured Loans from third parties									
U.S. Dollar denominated	floating	3.34%	3.03%	23,720	406,242	429,962	23,692	429,615	453,307
U.S. Dollar denominated	fixed	7.50%	6.60%	-	72,931	72,931	319,093	12,735	331,828
Total				**23,720**	**479,173**	**502,893**	**342,785**	**442,350**	**785,135**
				286,861	**1,062,685**	**1,349,546**	**508,811**	**813,824**	**1,322,635**

Bank loans

The Group has a number of borrowing arrangements with various lenders. These borrowings consist of unsecured and secured loans and credit facilities denominated in U.S. Dollars. Where security is provided it is in form of pledge of revenue from certain sales agreements.

During the year ended 31 December 2015, the Group drew down a total of US$ 722.7 million and repaid US$ 696.1 million, a net drawdown of US$ 26.6 million.

The Group secured new facilities in the year for a total amount of US$ 515 million with unrelated parties. US$ 500 million of these credit facilities are drawn down as at 31 December 2015 and have maturity dates between 2017 and 2019.

At 31 December 2015, the Group had undrawn borrowing facilities of US$ 1,196 million (31 December 2014: US$ 1,038 million). The Group complied with its debt covenants throughout 2015 and 2014. The table below summarises maturities of borrowings:

	31 December 2015	**31 December 2014**
	000'$	**000'$**
Year ended, 31 December 2015	-	508,811
31 December 2016	286,861	306,278
31 December 2017	157,159	94,812
31 December 2018	669,229	404,245
31 December 2019	220,089	5,660
31 December 2020	16,208	2,829
Total	**1,349,546**	**1,322,635**

19. COMMITMENTS AND CONTINGENCIES

Commitments

Capital commitments

The Group's budgeted capital expenditure commitments as at 31 December 2015 amounted to US$ 18.4 million (2014: US$ 13.6 million).

Forward sale commitments

The Group has certain physical gold and silver forward sale commitments which are priced at the prevailing market price, calculated with reference to the LBMA or LME gold price, which are accounted for as executed as the Group expects to and has historically physically delivered into these contracts.

Operating leases: Group as a lessee

During the year ended 31 December 2015 the Group recognised US$ 6.1 million as operating lease expenses (2014: US$ 12.5 million).

The land in the Russian Federation and Kazakhstan on which the Group's production facilities are located is owned by the state. The Group leases this land through operating lease agreements, which expire in various years through to 2058.

Future minimum lease payments due under non-cancellable operating lease agreements at the end of the period were as follows:

	31 December 2015	31 December 2014
	000'$	000'$
Due within one year	1,263	1,760
From one to five years	1,943	2,395
Thereafter	767	1,125
Total	**3,973**	**5,280**

Contingencies

Operating Environment

Emerging markets such as Russia and Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia and Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016 tenge depreciated significantly against major foreign currencies.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transaction and activity of the companies of the Group may be challenged by the relevant regional and federal authorities and as a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

During 2015 and 2014 the Group has been involved in a number of litigations in Russia and in Kazakhstan. See Note 13 for details of these cases and their outcomes. In addition to the cases detailed within Note 13, management has identified a total exposure (covering taxes and related interest and penalties) of US$ 46.4 million in respect of contingent liabilities (2014: US$ 17.2 million).

20. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

As at 31 December 2015, the Company's issued share capital consisted of 424,650,138 ordinary shares (2014: 420,819,943 ordinary shares) of no par value, each carrying one vote. The Company does not hold any shares in treasury (2014: none). The ordinary shares reflect 100% of the total issued share capital of the Company.

The movements in the Stated Capital account in the year were as follows:

	Stated capital account, no. of shares	Stated capital account, 000'$
Balance at 1 January 2014	**389,472,865**	**1,664,170**
Issue of shares to acquire Kyzyl (Note 2)	31,347,078	274,914
Balance at 31 December 2014	**420,819,943**	**1,939,084**
Issue of shares to acquire non-controlling interest in Tarutin	1,746,692	12,978
Issue of shares in accordance with Deferred Share Awards plan	36,089	205
Issue of shares for LV Gold Mining CJSC (Note 2)	1,514,113	12,762
Issue of shares for Primorkoye (Note 2)	533,301	4,096
Balance at 31 December 2015	**424,650,138**	**1,969,125**

On 18 March 2015 the Group increased its interest in LLC Vostochny Basis (holder of the licence for the Tarutinskoye copper deposit (Tarutin) from 25% to 50%. The Group has purchased an additional 25% from the unrelated party for consideration of US$ 12.9 million, payable through 1,746,692 newly issued Polymetal International plc shares. The Group has previously determined that LLC Vostochny Basis meets the definition of the subsidiary and it was consolidated from the date of 25% share acquisition. The increasse in interest in Tarutin was recognised as an acquisition of the non-controlling interest and recognised within equity. As of 31 December 2014 and during the year ended 31 December Tarutin, does not give rise to a significant non-controlling interest to be presented within equity, income statement and statement of comprehensive income.

Retained Earnings

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. The ability to distribute cash up to the Company from the Russian Federation and Kazakh operating companies will be based on the statutory historical information of each stand-alone entity, which is prepared in accordance with Russian or Kazakh accounting standards and which differs slightly from IFRS. Russian legislation identifies the basis of distribution as accumulated profit. However, current legislation and other statutory regulations dealing with distribution rights are open to legal interpretation; consequently, actual distributable reserves may differ from the amount of accumulated profit under Russian statutory accounting rules.

The distribution of cash up to the Company from the Russian Federation and Kazakh operating companies doesn't affect the the Companies ability to distribute dividends in accordance with its current dividend policy.

Weighted average number of shares: Diluted loss/earnings per share

Both basic and diluted loss/ earnings per share were calculated by dividing loss/profit for the year attributable to equity holders of the parent by the weighted average number of outstanding common shares before/after dilution respectively. The calculation of the weighted average number of outstanding common shares after dilution is as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Weighted average number of outstanding common shares	422,958,680	399,606,989
Dilutive effect of share appreciation plan	290,522	83,149
Weighted average number of outstanding common shares after dilution	**423,249,202**	**399,690,138**

The outstanding LTIP awards at 31 December 2015 and 2014 represent anti-dilutive potential ordinary shares with respect to earnings per share for continuing operations. Therefore, basic and diluted earnings per share are the same for the current and prior year.

21. RELATED PARTIES

Related parties are considered to include shareholders, affiliates, associates, joint ventures and entities under common ownership and control with the Group and members of key management personnel.

As of 31 December 2015 outstanding balances owed to or from related parties compised of long-term loans provided to equity method investments amounting to US$ 6.0 million (2014: US$ 0.6 million) and interest receivable in respect of these loans amounting US$ 0.6 million. No significant transactions with related parties took place during the year ended 31 December 2015 (2014: other income from equity method investments amounted to US$ 3.0 million).

Carrying values of other long-term loans provided to related parties as at 31 December 2015 and 31 December 2014 approximate their fair values

The amounts outstanding at the balance sheet dates are unsecured and expected to be settled in cash. No expense has been recognised in the reporting period for bad or doubtful debts in respect of the amounts owed by related parties.

The remuneration of directors and other members of key management personnel during the periods was as follows:

	Year ended	
	31 December 2015	31 December 2014
	000'$	000'$
Share-based payments	759	472
Short-term benefits of board members	1,722	2,124
Short-term employee benefits	1,665	2,444
Post-employment benefits	223	280

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
		000'$	000'$
Profit before tax		275,825	(137,875)
Adjustments for:			
Depreciation and depletion, recognised in income statement		155,835	260,481
Additional mining taxes, penalties and accrued interest	10	(3,712)	19,509
Write-down of exploration assets and construction in progress		8,703	38,082
Write-down non-metal inventory to net realisable value	17	5,253	4,069
Write-down/ (reversal) of metal inventory to net realisable value	17	12,976	(39,174)
Change in estimate of environmental obligations		(4,266)	(723)
Share-based compensation	9	3,809	2,387
Finance costs	12	80,704	40,626
Finance income		(4,889)	(3,216)
Loss on disposal and write-down of assets	10	1,246	4,473

Change in contingent consideration liability		(4,246)	(22,788)
Change in allowance for doubtful debts	10	6,614	(213)
Rehabilitaion expenses		(1,820)	2,101
Loss from equity method investments		4,099	7,139
Foreign exchange loss		132,870	559,266
Gain on disposal of subsidiary		(1,205)	-
Other non-cash expenses		5,272	3,600
Movements in working capital			
Increase in inventories before impairment		(26,084)	(58,228)
Increase in VAT receivable		(22,784)	(5,593)
Decrease/(Increase) in trade and other receivables		19,251	(19,779)
Increase in prepayments to suppliers		(12,859)	(13,122)
Increase /(decrease) in trade and other payables		21,591	(2,838)
Decrease in other taxes payable		6,847	525
Cash generated from operations		**659,030**	**638,709**
Interest paid		(51,535)	(37,880)
Interest received		2,670	3,317
Income tax paid		(120,121)	(85,990)
Net cash generated by operating activities		**490,044**	**518,156**

The cash flow statement is initially prepared in the Group entities' functional currencies, being the Russian Rouble, Kazakh Tenge and U.S. Dollars. Movements in working capital derived in Russian Rouble and Kazakh Tenge are translated into U.S. Dollars at average rates for the period or historical rates where applicable. Movements in working capital are also adjusted for non-cash movements such as depreciation absorbed into metal inventories and impairments (or impairment reversals).

Non-cash transactions during the year ended 31 December 2015 represent the issuance of shares amounting to US$ 16.9 million in respect of the acquisition of stake in joint venture and the acquisition of assets (2014: the issuance of shares amounting to US$ 275 million in respect of the business combination).

Cash flows related to exploration amounted to US$ 41.3 million for the year ended 31 December 2015 (2014: US$ 67.4 million).

23. SUBSEQUENT EVENTS

In December 2015, Polymetal International plc has entered into a joint venture with OJSC Polyus Gold under which Polymetal will participate in advancing the development of the Nezhdaninskoye gold deposit in Yakutia, Russia ("Nezhdaninskoye"). The arrangement will allow Polymetal to acquire up to 50% in the company holding 100% of JSC South-Verkhoyansk Mining Company ("SVMC") through an earn-in mechanism. SVMC, which was previously a 100% subsidiary of Polyus Gold, holds the mining and exploration license for Nezhdaninskoye as well as certain infrastructure adjacent to the deposit.

On 19 January 2016, Polymetal acquired a 15.3% interest in SVMC, for a cash consideration of US$ 18 million.

In March 2016 Polymetal International plc has entered into binding agreements with Dundee Precious Metals Inc. for the acquisition of CJSC Dundee Precious Metals Kapan ("DPMK"), the holding company for the Kapan Gold Mine ("Kapan") in the Republic of Armenia. The total consideration payable for the shares in DPMK at completion is US$ 25 million, subject to certain working capital adjustments. The consideration will consist of US$ 10 million payable in cash, which will be satisfied from existing cash balances, and US$ 15 million payable in Polymetal shares. In addition, Dundee will receive a 2% NSR (Net Smelter Return) royalty on the future production from the Kapan Gold Mine capped at US$ 25 million. Completion of the Transaction is conditional on certain regulatory approvals, including anti-monopoly approval in Republic of Armenia.

RESERVES AND RESOURCES

Mineral Resources and Ore Reserves as at 1 January 2016[1]

	Tonnage	Grade	Content
	Mt	GE, g/t	GE, Moz
Mineral Resources			
Measured	7.0	2.6	0.6
Indicated	28.2	3.1	2.8
Measured + Indicated	**35.2**	**3.0**	**3.4**
Inferred	48.0	6.1	9.4
Measured + Indicated + Inferred	**83.2**	**4.8**	**12.8**
Ore Reserves			
Proved	54.5	3.4	6.0
Probable	100.3	4.6	14.8
Proved + Probable	**154.7**	**4.2**	**20.8**

1) Mineral Resources and Ore Reserves are reported in accordance with the JORC Code (2012). Mineral Resources are additional to Ore Reserves. Discrepancies in calculations are due to rounding.

Ore Reserves as at 1 January 2016[1]

	Tonnage	Grade				Content			
	Kt	Au, g/t	Ag, g/t	Cu, %	GE, g/t	Au, Koz	Ag, Koz	Cu, Kt	GE, Koz
Proved									
Standalone Mines									
Albazino [2]	6,070	5.3	-	-	5.3	1,027	-	-	1,027
Mayskoye	3,280	8.8	-	-	8.8	927	-	-	927
Dukat hub	**7,060**				**5.1**	**210**	**74,817**	**-**	**1,150**
Dukat [3]	5,220	0.6	323	-	4.5	102	54,206	-	763
Lunnoye	1,230	1.7	317	-	6.0	69	12,532	-	238
Goltsovoye	250	-	563	-	7.7	-	4,443	-	61
Arylakh	260	0.8	427	-	6.6	7	3,570	-	55
Olcha	100	10.4	22	-	10.7	32	67	-	32
Varvara hub	**5,130**				**0.9**	**124**	**-**	**4.2**	**152**
Varvara [5]	5,130	0.8	-	0.41	0.9	124	-	4.2	152
Omolon hub	**10,280**				**2.7**	**756**	**12,142**	**-**	**891**
Birkachan	5,110	1.8	6	-	1.8	293	907	-	302
Sopka Kvartsevaya [7]	2,330	1.1	54	-	1.7	86	4,060	-	125
Oroch	750	4.3	196	-	7.0	104	4,735	-	169
Dalneye [8]	1,430	2.6	43	-	3.0	119	1,947	-	137
Tsokol Kubaka	280	6.6	13	-	6.7	59	117	-	60
Burgali	380	7.9	31	-	8.2	95	375	-	98
Voro hub	**11,130**				**2.3**	**813**	**1,120**	**-**	**823**
Voro [9]	11,130	2.3	3	-	2.3	813	1,120	-	823

	Tonnage	Grade				Content			
	Kt	Au, g/t	Ag, g/t	Cu, %	GE, g/t	Au, Koz	Ag, Koz	Cu, Kt	GE, Koz
Okhotsk hub	**4,930**				**3.5**	**509**	**4,327**	**-**	**550**
Svetloye	3,360	3.2	4	-	3.2	349	463	-	350
Avlayakan	160	16.1	196	-	18.5	85	1,033	-	98
Ozerny	550	2.7	28	-	3.0	48	498	-	53
Khakanja (11)	860	1.0	84	-	1.7	27	2,334	-	49
Development and exploration projects									
Maminskoye (13)	4,810	1.9	-	-	1.9	295	-	-	295
Veduga (14)	180	3.2	-	-	3.2	18	-	-	18
Kutyn (15)	1,580	3.3	-	-	3.3	169	-	-	169
Total Proved	**54,450**				**3.4**	**4,847**	**92,407**	**4.2**	**6,003**
Probable									
Standalone Mines									
Albazino (2)	8,600	5.0	-	-	5.0	1,390	-	-	1,390
Mayskoye	2,590	8.0	-	-	8.0	662	-	-	662
Dukat hub	**8,930**				**6.0**	**306**	**111,266**	**-**	**1,729**
Dukat (3)	5,750	0.8	407	-	5.8	150	75,279	-	1,085
Lunnoye	2,000	1.2	338	-	5.8	80	21,783	-	375
Goltsovoye	380	-	469	-	6.4	-	5,773	-	79
Arylakh	270	0.8	399	-	6.2	7	3,461	-	53
Olcha	180	11.3	18	-	11.6	69	112	-	70
Perevalnoye (4)	350	-	428	-	5.9	-	4,860	-	67
Varvara hub	**31,110**				**1.4**	**937**	**180**	**62.3**	**1,354**
Varvara (5)	30,670	0.9	-	0.43	1.3	935	-	55.2	1,308
Tarutin (6)	440	0.1	13	1.62	3.3	1	180	7.2	47
Omolon hub	**1,840**				**8.6**	**490**	**1,552**	**-**	**507**
Birkachan	1,180	8.6	30	-	8.9	325	1,151	-	338
Sopka Kvartsevaya (7)	-	-	-	-	-	-	-	-	-
Oroch	10	5.0	244	-	8.4	2	79	-	3
Dalneye (8)	-	-	-	-	-	-	-	-	-
Tsokol Kubaka	490	8.8	11	-	9.0	139	178	-	141
Burgali	160	4.7	28	-	5.0	24	144	-	25
Voro hub	**370**				**14.6**	**73**	**1,065**	**18.9**	**174**
Voro (9)	50	2.0	7	-	2.1	3	9	-	3
North Kaluga (10)	320	6.7	101	5.81	16.4	70	1,056	18.9	171
Okhotsk hub	**2,210**				**4.0**	**278**	**703**	**-**	**285**
Svetloye	2,110	3.2	3	-	3.2	217	182	-	218
Avlayakan	100	18.9	162	-	20.9	61	521	-	67
Development and exploration projects									

	Tonnage	Grade				Content			
	Kt	Au, g/t	Ag, g/t	Cu, %	GE, g/t	Au, Koz	Ag, Koz	Cu, Kt	GE, Koz
Kyzyl project (Bakyrchik) (12)	29,150	7.7	-	-	7.7	7,254	-	-	7,254
Maminskoye (13)	9,890	1.9	-	-	1.9	618	-	-	618
Veduga (14)	3,500	5.1	-	-	5.1	579	-	-	579
Kutyn (15)	2,070	3.3	-	-	3.3	217	-	-	217
Total Probable	**100,260**				**4.6**	**12,804**	**114,766**	**81.2**	**14,770**

Proved + Probable

	Kt	Au, g/t	Ag, g/t	Cu, %	GE, g/t	Au, Koz	Ag, Koz	Cu, Kt	GE, Koz
Standalone Mines									
Albazino (2)	14,670	5.1	-	-	5.1	2,417	-	-	2,417
Mayskoye	5,870	8.4	-	-	8.4	1,589	-	-	1,589
Dukat hub	**15,990**				**5.6**	**515**	**186,084**	**-**	**2,879**
Dukat (3)	10,970	0.7	367	-	5.2	252	129,485	-	1,849
Lunnoye	3,230	1.4	330	-	5.9	149	34,315	-	613
Goltsovoye	630	-	506	-	6.9	-	10,216	-	140
Arylakh	530	0.8	413	-	6.4	14	7,031	-	109
Olcha	280	11.0	20	-	11.3	100	178	-	103
Perevalnoye (4)	350	-	428	-	5.9	-	4,860	-	67
Varvara hub	**36,240**				**1.3**	**1,061**	**180**	**66.5**	**1,507**
Varvara (5)	35,800	0.9	-	0.43	1.3	1,060	-	59.3	1,460
Tarutin (6)	440	0.1	13	1.62	3.3	1	180	7.2	47
Omolon hub	**12,120**				**3.6**	**1,245**	**13,694**	**-**	**1,398**
Birkachan	6,290	3.1	10	-	3.2	618	2,058	-	640
Sopka Kvartsevaya (7)	2,330	1.1	54	-	1.7	86	4,060	-	125
Oroch	760	4.3	197	-	7.0	106	4,815	-	172
Dalneye (8)	1,430	2.6	43	-	3.0	119	1,947	-	137
Tsokol Kubaka	770	8.0	12	-	8.2	198	296	-	201
Burgali	540	7.0	30	-	7.2	119	519	-	123
Voro hub	**11,500**				**2.7**	**886**	**2,186**	**18.9**	**997**
Voro (9)	11,180	2.3	3	-	2.3	815	1,130	-	826
North Kaluga (10)	320	6.7	101	5.81	16.4	70	1,056	18.9	171
Okhotsk hub	**7,140**				**3.6**	**787**	**5,030**	**-**	**835**
Svetloye	5,470	3.2	4	-	3.2	567	644	-	568
Avlayakan	260	17.2	183	-	19.4	146	1,554	-	165
Ozerny	550	2.7	28	-	3.0	48	498	-	53
Khakanja (11)	860	1.0	84	-	1.7	27	2,334	-	49
Development and exploration projects									
Kyzyl project (Bakyrchik) (12)	29,150	7.7	-	-	7.7	7,254	-	-	7,254
Maminskoye (13)	14,700	1.9	-	-	1.9	913	-	-	913

Veduga [14]	3,680	5.0	-	-	5.0	597	-	-	597
Kutyn [15]	3,650	3.3	-	-	3.3	386	-	-	386
Total Proved + Probable	**154,710**				**4.2**	**17,651**	**207,173**	**85.4**	**20,773**

1) Ore Reserves are reported in accordance with the JORC Code (2012). Discrepancies in calculations are due to rounding.
2) Including Anfisa, Olga/Nadezhda, Ekaterina-1 and Ekaterina-2. Open-pit Ore Reserves revised as at 01.01.2016. Underground Ore Reserves estimate prepared by Polymetal as at 01.01.2015. Price: Au=1,200 US$/oz. Revised estimate for underground was not performed due to lack of material changes.
3) Including Khrustalny zone, with initial estimate prepared by Polymetal as at 01.01.2016.
4) Initial estimate prepared by Polymetal as at 01.01.2016.
5) Cu grade only represents average grade of Float feed. Ore Reserves of Float feed: 1.0 Mt Proved and 12.8 Mt Probable.
6) Initial estimate prepared by Polymetal as at 01.01.2016. Ore Reserves are presented in accordance with the Company's ownership equal to 50%.
7) Stockpiled Ore Reserves.
8) Stockpiled Ore Reserves.
9) Including Voro South.
10) Initial estimate prepared by Polymetal as at 01.07.2014. Price: Au=1,300 US$/oz, Ag = 20 US$/oz, Cu = 7,000 US$/t. Revised estimate was not performed due to lack of material changes.
11) Stockpiled Ore Reserves.
12) Estimate prepared by RPA Inc. as at 01.01.2015. Price: Au = 1,200 US$/oz. Revised estimate was not performed due to lack of material changes.
13) Estimate prepared by Polymetal as at 01.01.2014. Price: Au = 1,300 US$/oz. Revised estimate was not performed due to lack of material changes.
14) Initial estimate prepared by Snowden as at 01.01.2014. Price: Au= 1,300 US$/oz. Revised estimate prepared by Polymetal as at 01.01.2016 (only stoping without Au price change). Ore Reserves are presented in accordance with the Company's ownership equal to 42.65%.
15) Initial estimate prepared by Snowden as at 01.01.2015. Price: Au= 1,300 US$/oz (only Ore Reserves estimate for Heap Leach). Revised estimate was not performed due to lack of material changes.

Mineral Resources as at 1 January 2016[1]

	Tonnage	Grade				Content			
	Kt	Au, g/t	Ag, g/t	Cu, %	GE, g/t	Au, Koz	Ag, Koz	Cu, Kt	GE, Koz
Measured									
Standalone Mines									
Albazino [2]	30	3.7	-	-	3.7	4	-	-	4
Mayskoye	660	8.9	-	-	8.9	188	-	-	188
Varvara hub	**4,570**				**1.7**	**120**	**-**	**19.6**	**252**
Varvara [6]	4,570	0.8	-	0.44	1.7	120	-	19.6	252
Development and exploration projects									
Maminskoye [14]	980	1.4	-	-	1.4	44	-	-	44
Kutyn [16]	740	4.1	-	-	4.1	97	-	-	97
Total Measured	**6,980**				**2.6**	**453**	**-**	**19.6**	**585**
Indicated									
Standalone Mines									
Albazino [2]	570	5.4	-	-	5.4	97	-	-	97
Mayskoye	1,090	8.7	-	-	8.7	306	-	-	306
Dukat hub	**330**				**20.2**	**39**	**12,951**	**-**	**216**
Primorskoye [5]	330	3.6	1,208	-	20.2	39	12,951	-	216
Varvara hub	**19,080**				**1.8**	**626**	**60**	**66.8**	**1,075**
Varvara [6]	18,770	1.0	-	0.58	1.7	625	-	63.0	1,050
Tarutin [7]	310	0.1	6	1.25	2.5	1	60	3.8	25
Omolon hub	**310**				**12.1**	**84**	**3,242**	**-**	**121**
Irbychan [8]	240	8.9	189	-	11.3	68	1,439	-	86
Nevenrekan [10]	70	7.1	784	-	15.1	16	1,803	-	35
Voro hub	**870**				**4.8**	**130**	**655**	**-**	**133**
Tamunier [11]	870	4.6	23	-	4.8	130	655	-	133
Development and exploration projects									
Kyzyl project (Bakyrchik) [13]	2,740	6.2	-	-	6.2	545	-	-	545
Maminskoye [14]	1,150	1.5	-	-	1.5	55	-	-	55
Kutyn [16]	2,070	4.2	-	-	4.2	279	-	-	279
Total Indicated	**28,210**				**3.1**	**2,161**	**16,908**	**66.8**	**2,827**
Measured + Indicated									
Standalone Mines									
Albazino [2]	600	5.3	-	-	5.3	102	-	-	102
Mayskoye	1,750	8.8	-	-	8.8	493	-	-	493

	Tonnage	Grade				Content			
	Kt	Au, g/t	Ag, g/t	Cu, %	GE, g/t	Au, Koz	Ag, Koz	Cu, Kt	GE, Koz
Dukat hub	**330**				**20.2**	**39**	**12,951**	**-**	**216**
Primorskoye (5)	330	3.6	1,208	-	20.2	39	12,951	-	216
Varvara hub	**23,650**				**1.7**	**746**	**60**	**86.4**	**1,327**
Varvara (6)	23,340	1.0	-	0.54	1.7	745	-	82.6	1,303
Tarutin (7)	310	0.1	6	1.25	2.5	1	60	3.8	25
Omolon hub	**310**				**12.1**	**84**	**3,242**		**121**
Irbychan (8)	240	8.9	189	-	11.3	68	1,439	-	86
Nevenrekan (10)	70	7.1	784	-	15.1	16	1,803	-	35
Voro hub	**870**				**4.8**	**130**	**655**	**-**	**133**
Tamunier (11)	870	4.6	23	-	4.8	130	655	-	133
Development and exploration projects									
Kyzyl project (Bakyrchyk) (13)	2,740	6.2	-	-	6.2	545	-	-	545
Maminskoye (14)	2,130	1.4	-	-	1.4	99	-	-	99
Kutyn (16)	2,810	4.2	-	-	4.2	376	-	-	376
Total Measured + Indicated	**35,190**				**3.0**	**2,614**	**16,908**	**86.4**	**3,412**
Inferred									
Standalone Mines									
Albazino (2)	5,420	5.4	-	-	5.4	942	-	-	942
Mayskoye	10,990	10.1	-	-	10.1	3,569	-	-	3,569
Dukat hub	**980**				**13.7**	**99**	**24,347**	**-**	**430**
Dukat (3)	40	1.2	822	-	12.4	1	936	-	14
Lunnoye	240	2.2	651	-	11.0	17	4,994	-	84
Goltsovoye	250	-	872	-	12.0	-	7,098	-	97
Arylakh	150	0.9	502	-	7.7	4	2,423	-	37
Olcha	120	9.6	37	-	10.1	38	146	-	40
Perevalnoye (4)	20	-	564	-	7.7	-	379	-	5
Primorskoye (5)	160	7.2	1,597	-	29.1	38	8,370	-	152
Varvara hub	**11,840**				**1.9**	**428**	**84**	**45.7**	**735**
Varvara (6)	11,610	1.1	-	0.56	1.9	428	-	41.7	709
Tarutin (7)	230	0.1	11	1.71	3.5	1	84	3.9	26
Omolon hub	**610**				**13.4**	**192**	**6,134**	**-**	**264**
Oroch	130	7.5	608	-	15.9	31	2,517	-	66
Tsokol Kubaka	50	7.0	14	-	7.1	11	22	-	11
Burgali	50	11.9	15	-	12.0	21	26	-	21
Irbychan (8)	20	19.3	265	-	22.6	10	141	-	12
Yolochka (9)	240	11.1	10	-	11.2	85	73	-	86
Nevenrekan (10)	120	8.6	861	-	17.3	33	3,355	-	68

	Tonnage	Grade				Content			
	Kt	Au, g/t	Ag, g/t	Cu, %	GE, g/t	Au, Koz	Ag, Koz	Cu, Kt	GE, Koz
Voro hub	**3,880**				**3.9**	**488**	**1,041**	**-**	**493**
Tamunier (11)	3,880	3.9	8	-	3.9	488	1,041	-	493
Okhotsk hub	**162**				**7.7**	**39**	**108**	**-**	**40**
Avlayakan	20	17.8	137	-	19.5	9	69	-	10
Kirankan (12)	142	6.5	8	-	6.7	30	39	-	30
Development and exploration projects									
Kyzyl project (Bakyrchik) (13)	11,420	7.0	-	-	7.0	2,562	-	-	2,562
Veduga (15)	580	4.1	-	-	4.1	77	-	-	77
Kutyn (16)	2,110	4.0	-	-	4.0	273	-	-	273
Total Inferred	**47,992**				**6.1**	**8,669**	**31,713**	**45.7**	**9,385**
Measured + Indicated + Inferred									
Standalone Mines									
Albazino (2)	6,020	5.4	-	-	5.4	1,044	-	-	1,044
Mayskoye	12,740	9.9	-	-	9.9	4,062	-	-	4,062
Dukat hub	**1,310**				**15.3**	**137**	**37,297**		**646**
Dukat (3)	40	1.2	822	-	12.4	1	936	-	14
Lunnoye	240	2.2	651	-	11.0	17	4,994	-	84
Goltsovoye	250	-	872	-	12.0	-	7,098	-	97
Arylakh	150	0.9	502	-	7.7	4	2,423	-	37
Olcha	120	9.6	37	-	10.1	38	146	-	40
Perevalnoye (4)	20	-	564	-	7.7	-	379	-	5
Primorskoye (5)	490	4.8	1,336	-	23.1	76	21,320	-	368
Varvara hub	**35,490**				**1.8**	**1,174**	**144**	**132.0**	**2,062**
Varvara (6)	34,950	1.0	-	0.55	1.8	1,173	-	124.3	2,012
Tarutin (7)	540	0.1	8	1.45	2.9	2	144	7.7	50
Omolon hub	**920**				**13.0**	**276**	**9,376**	**-**	**384**
Oroch	130	7.5	608	-	15.9	31	2,517	-	66
Tsokol Kubaka	50	7.0	14	-	7.1	11	22	-	11
Burgali	50	11.9	15	-	12.0	21	26	-	21
Irbychan (8)	260	9.6	194	-	12.0	78	1,580	-	98
Yolochka (9)	240	11.1	10	-	11.2	85	73	-	86
Nevenrekan (10)	190	8.0	832	-	16.5	50	5,157	-	102
Voro hub	**4,750**				**4.1**	**618**	**1,696**	**-**	**626**
Tamunier (11)	4,750	4.0	11	-	4.1	618	1,696	-	626
Okhotsk hub	**162**				**7.7**	**39**	**108**		**40**
Avlayakan	20	17.8	137	-	19.5	9	69	-	10
Kirankan (12)	142	6.5	8	-	6.7	30	39	-	30

	Tonnage	Grade				Content			
	Kt	Au, g/t	Ag, g/t	Cu, %	GE, g/t	Au, Koz	Ag, Koz	Cu, Kt	GE, Koz
Development and exploration projects									
Kyzyl project (Bakyrchik) (13)	14,160	6.8	-	-	6.8	3,107	-	-	3,107
Maminskoye (14)	2,130	1.4	-	-	1.4	99	-	-	99
Veduga (15)	580	4.1	-	-	4.1	77	-	-	77
Kutyn (16)	4,920	4.1	-	-	4.1	649	-	-	649
Total Measured + Indicated + Inferred	**83,182**				**4.8**	**11,282**	**48,620**	**132.0**	**12,797**

1) Mineral Resources are reported in accordance with the JORC Code (2012). Mineral Resources are additional to Ore Reserves. Discrepancies in calculations are due to rounding.
2) Mineral Resources estimate for Anfisa, Olga/Nadezhda, Ekaterina-1 and Ekaterina-2 zones revised as at 01.01.2016. Estimate for underground prepared by Polymetal as at 01.01.2015. COG (Au)=3.0 g/t. Revised estimate for underground was not performed due to lack of material changes. Farida zone was added, with initial Mineral Resources estimate prepared by Polymetal as at 01.01.2016.
3) Including Khrustalny zone, with initial Mineral Resource estimate prepared by Polymetal as at 01.01.2016.
4) Initial estimate prepared by Polymetal as at 01.01.2016.
5) Initial estimate prepared by Polymetal as at 01.01.2016.
6) Cu estimate is listed for fresh ore and powder ore that has high Cu grade (total Mineral Resources for fresh ore and powder ore with high Cu grade of 15.6 and 7.1 Mt of ore respectively).
7) Estimate prepared by Polymetal as at 01.01.2016. Mineral Resources are presented in accordance with the Company's ownership equal to 50%.
8) Initial estimate prepared by Polymetal as at 01.01.2016.
9) Initial estimate prepared by Polymetal as at 01.01.2016.
10) Initial estimate prepared by Polymetal as at 01.01.2016.
11) Initial estimate prepared by Snowden as at 01.01.2012. COG (Au)=1.0 g/t. Revised estimate prepared by Polymetal as at 01.01.2016.
12) Estimate prepared by Snowden as at 01.07.2011. COG (Au)=1.5 g/t. Revised estimate was not performed due to lack of material changes.
13) Estimate prepared by RPA Inc. as at 01.01.2015. Price: Au = 1,200 US$/oz. Revised estimate was not performed due to lack of material changes.
14) Estimate prepared by Polymetal as at 01.01.2014. Price: Au = 1,300 US$/oz. Revised estimate was not performed due to lack of material changes.
15) Initial estimate prepared by Snowden as at 01.01.2014. COG (Au)=2.0 g/t. Revised estimate prepared by Polymetal as at 01.01.2016. Mineral Resources are presented in accordance with the Company's ownership equal to 42.65%.
16) Initial estimate for open pit prepared by Snowden, for underground by CSA Global Pty Ltd as at 01.01.2015. Price: Au = 1,300 US$/oz. Revised estimate was not performed due to lack of material changes.

This estimate was prepared by employees of JSC Polymetal Management Company and CJSC Polymetal Engineering, subsidiaries of the Company, led by Mr. Valery Tsyplakov, who assumes overall responsibility for the Mineral Resources and Ore Reserves Report. Mr. Tsyplakov is the employed full-time as the Managing Director of CJSC Polymetal Engineering and has more than 15 years' experience in gold, silver and polymetallic mining. He is a Member of the Institute of Materials, Minerals & Mining (MIMMM), London, and a Competent Person under the JORC Code.

Listed below are other Competent Persons employed by the Company that are responsible for relevant research on which the Mineral Resources and Ore Reserves estimate is based:

- *Geology and Mineral Resources – Roman Govorukha, Head of Geologic Modelling and Monitoring, MIMMM, with 15 years' relevant experience;*
- *Mining and Ore Reserves - Igor Epshteyn, Head of Mining Process Department, FIMMM, with 34 years' relevant experience;*
- *Concentration and Metals – Igor Agapov, Deputy Director of Science and Technology, MIMMM, with 18 years' relevant experience;*
- *Environmental Issues – Tatiana Kuleshova, Director for Ecology, MIMMM, with 25 years' relevant experience.*

All above mentioned Competent Persons have sufficient experience that is relevant to the style of mineralisation and types of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code).

All Competent Persons have given their consent to the inclusion in the report of the matters based on his (or her) information in the form and context in which it appears.

Metals prices used in estimating Mineral Resources and Ore Reserves are listed below (unless otherwise indicated in the footnotes):

Au = US$ 1,100/oz;

Ag = US$ 15.0/oz;

Cu = US$ 5,000/t;

Gold equivalent data is based on "Conversion ratios of metals into gold equivalent" provided in the Appendix below. Lead and zinc Ore Reserves and Mineral resources have not been assessed in this report due to immateriality.

Appendix

Reporting of Metal Equivalents

Silver/gold equivalent conversion ratio for precious metals deposits:

AuEqv=Ag/k

Where *k* is the silver to gold equivalent conversion rate based on the difference in respective metals' value using the following formula:

k=((Au price/31.1035 - (Au price /31.1035 – treatment charge Au)(Royalty Au)/100 - (treatment charge Au))*(recovery Au)/((Ag price/31.1035 - (Ag price/31.1035 – treatment charge Ag)*(Royalty Ag)/100 - (treatment charge Ag))*(recovery Ag))*

where *Royalty* is the mineral extraction tax at applicable rate, recovery – life-of-mine expected recovery of the respective the metal in the processing technology applied.

Silver/gold equivalent conversion ratios for precious metals deposits:

Deposit	Ore processing technology	k
Dukat	Conventional flotation	82
Khrustalny	Conventional flotation	73
Lunnoye	Cyanidation+Merrill Crowe process	74
Goltsovoye	Conventional flotation	73
Arylakh	Cyanidation+Merrill Crowe process	74
Olcha	Cyanidation+Merrill Crowe process	74
Perevalnoye	Conventional flotation	73
Primorskoye	Conventional flotation	79
Birkachan	Cyanidation carbon-in-pulp	90
	Heap leaching+carbon-in-colon	104
Sopka Kvartsevaya	Cyanidation+Merrill Crowe process	88
	Heap leaching+Merrill Crowe process	108
Oroch	Cyanidation+Merrill Crowe process	73
Dalneye	Cyanidation+Merrill Crowe process	97
	Heap leaching+Merrill Crowe process	126
Tsokol Kubaka	Cyanidation carbon-in-pulp	90
Burgali	Cyanidation+Merrill Crowe process	115
Irbychan	Cyanidation+Merrill Crowe process	80
Yolochka	Cyanidation carbon-in-pulp	91
Nevenrekan	Cyanidation+Merrill Crowe process	98
Voro	Heap leaching+Merrill Crowe process	219
	Cyanidation carbon-in-pulp	110
Tamunier	Conventional flotation	199
Svetloye	Heap leaching+Merrill Crowe process	467
Avlayakan	Cyanidation+Merrill Crowe process	81
Ozerny	Cyanidation+Merrill Crowe process	93
Khakanja	Cyanidation+Merrill Crowe process	107
Kirankan (1)	Cyanidation+Merrill Crowe process	60

1) Silver to gold equivalent conversion ratios were not recalculated to deposits that were evaluated in 2011-2012.

Gold equivalent conversion ratio for polymetallic deposits

AuEqv=Me/k

Where *Me* is the evaluated metal content (copper, silver)

Where *k* is the silver to gold equivalent conversion rate that is calculated considering the difference in metals value issuing the following formula:

For silver (similar to the formula for precious metals deposits), for copper (%): k = 100*((Au price/31.1035-tretment charge Au)*(1-royalty Au%/recovery Au%)*(recovery Au%))/((Cu price-treatment charge Cu)*(1-royalty Cu%/recovery Cu%)*(recovery Cu%))

where *Royalty* is the mineral extraction tax at applicable rate, recovery – life-of-mine expected recovery of the respective metal in the processing technology applied.

Gold equivalent conversion ratios for polymetallic deposits

Deposit	Ore processing technology	k	
		Ag	Cu
Varvara	Powder ore with high copper content (1)		0.48
	Primary ore with high copper content - conventional flotation		0.48
Tarutin	Primary ore - conventional flotation	94	0.53
	Oxidised ore - conventional flotation	94	0.53
North Kaluga	Conventional flotation	91	0.68

1) This type of ore is currently not being processed, it is stockpiled and reflected only in Mineral Resources.