Public Joint Stock Company Polyus

(a public joint stock company incorporated under the laws of the Russian Federation)

Offering of 12,020,442 ordinary shares in the form of Shares and Global Depositary Shares

This document has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a prospectus (the "**Prospectus**") in accordance with the prospectus rules of the FCA (the "**Prospectus Rules**") made under section 73A of the Financial Services and Markets Act 2000, as amended (the "**FSMA**"). A copy of this Prospectus has been filed with the FCA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

This Prospectus relates to an offering (the "**Offering**") by Polyus Gold International Limited ("**PGIL**") of 678,745 ordinary shares (the "**PGIL Shares**") and Polyus Gold plc ("**Polyus Gold**" and together with PGIL, the "**Selling Shareholders**", and each a "**Selling Shareholder**") of 2,957,990 ordinary shares (the "**Polyus Gold Shares**" and together with the PGIL Shares, the "**Offer Shares**"), in each case in the form of ordinary shares, each with a nominal value of 1.00 rouble (each, a "**Share**"), of Public Joint Stock Company Polyus, a public joint stock company organized under the laws of the Russian Federation (the "**Company**"), and global depositary shares (the "**GDSs**" and, together with the Shares and the Level I ADSs (as defined below), the "**Securities**") representing 16,569,296 Shares. Two GDSs represent an interest in one Share.

The Offering comprises (i) an offering of Shares in Russia and (ii) an offering of Shares and GDSs outside Russia. Shares and GDSs are offered outside the United States in offshore transactions in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and in the United States to qualified institutional buyers ("**QIBs**"), as defined in, and in reliance on, Rule 144A ("**Rule 144A**") under the Securities Act.

PGIL has granted to Goldman Sachs (as defined below) options (together, the "**Over-allotment Option**"), exercisable within 30 days after the announcement of the Offer Price (as defined below), to purchase up to 10 per cent additional Shares and/or to purchase up to 10 per cent additional GDSs representing, in aggregate, up to 1,202,044 Shares at the Offer Price solely to cover over-allotments, if any, in the Offering. See "*Plan of Distribution*".

In connection with the Offering, the Company authorised the issue of up to 28,594,162 newly-issued Shares (each, a "**New Share**") to be placed through an open subscription under Russian law (the "**Open Subscription**"). Holders of Shares as of 26 December 2016 (the "**Record Date**") had statutory pre-emptive rights to subscribe for the New Shares *pro rata* to their holdings of existing Shares on the Record Date. The Company has received applications from eligible shareholders of the Company (other than PGIL, which held 116,999,862 existing Shares on the Record Date) to subscribe in aggregate for 1,046 New Shares (the "**Pre-emption Shares**") at the Offer Price. In addition to the Preemption Shares, the Company is offering in the Open Subscription (i) 98,809 New Shares through the facilities of Public Joint Stock Company "Moscow Exchange MICEX-RTS", a part of the Moscow Exchange Group ("**MOEX**") to certain Russian institutional investors and other investors at the Offer Price (the "**MOEX Offering**"), and 250 New Shares subscribed for by an investor outside of the facilities of MOEX (together, the "**Russian Offering**") and (ii) up to 5,915,979 New Shares at the Offer Price to Polyus Gold (the "**Committed Shares**") pursuant to a subscription application submitted by Polyus Gold (as further described below). Any New Shares which are not subscribed for as the Pre-emption Shares, the Committed Shares or pursuant to the Russian Offering will be cancelled.

In connection with the Offering, PGIL concluded a securities lending agreement with Polyus Gold dated 30 June 2017 (the "**Securities Lending Agreement**"), pursuant to which PGIL is expected to loan 5,915,979 Shares to Polyus Gold in order to allow Polyus Gold to sell Shares and GDSs in the Offering. Polyus Gold has committed to use all proceeds it receives in the Offering to subscribe for New Shares in the Open Subscription, and consequently the Company has received an application from Polyus Gold to subscribe for the Committed Shares. Pursuant to the Securities Lending Agreement, following completion of the Offering, Polyus Gold will deliver the Committed Shares acquired by it to PGIL in satisfaction of Polyus Gold's obligations under the Securities Lending Agreement.

The Shares are listed on the First Level quotation list of MOEX under the symbol "PLZL".

This Prospectus has been prepared solely in connection with the application for the admission of the GDSs, and Level I American Depositary Shares representing Shares (the "**Level I ADSs**" and, together with the GDSs, the "**DSs**") to the official list maintained by the FCA (the "**Official List**") and to trading on the main market for listed securities of the London Stock Exchange plc (the "**LSE**" or "**London Stock Exchange**"), which is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). The Company has applied to the FCA, in its capacity as competent authority under FSMA, to admit any and all GDSs and all Level I ADSs currently outstanding or that may be delivered from time to time by The Bank of New York Mellon, as depositary (the "**Depositary**"), in its capacity as the depositary under the Company's existing Level I ADS program and the GDS programs established in connection with the Offering, against the deposit of Shares under the Deposit Agreements (as defined below), representing in aggregate up to a number of Shares not exceeding the total issued share capital of the Company, to the Standard Listing segment of the Official List, of which up to 16,569,296 DSs will be issued on or about 5 July 2017, or such later date as may be agreed between Bank GPB International S.A., BMO Capital Markets Limited, Goldman Sachs International ("**Goldman Sachs**"), J.P. Morgan Securities plc, Morgan Stanley & Co International plc, SIB (Cyprus) Limited and VTB Capital plc ("**VTB Capital**") (together, the "**Joint Bookrunners**"), the Company and the Selling Shareholders (the "**Admission Date**"), 386,360 Level I ADSs are outstanding and up to 1,656,930 GDSs may be issued pursuant to the Over-allotment Option. At no time will the aggregate number of DSs outstanding, which is subject to the limitations and requirements of Russian law, represent more than the total number of Shares in issue. The Company has also applied to the London Stock Exchange to admit the DSs to trading on the LSE's regulated market for listed securities (the "**Regulated Market**") through its International Order Book (regulated market segment) (the "**IOB**"), which is a regulated market for the purpose of Directive 2004/39/EC, under the symbols "PLZA" (for Rule 144A GDSs (as defined below)), "PLZL" (for Regulation S GDSs (as defined below)) and "PLZB" (for Level I ADSs). The Company expects that conditional trading in the GDSs on the LSE through the IOB will commence at 8:00 am (London time) on or about 30 June 2017 and unconditional trading in the DSs will commence at 8:00 am (London time) on or about the Admission Date. All dealings in the GDSs prior to the commencement of unconditional trading will be of no effect if admission of the DSs to listing on the Official List, together with admission of the DSs to trading on the Regulated Market (the "**Admission**"), does not take place and will be at the sole risk of the parties involved. The Company expects that trading in the New Shares on MOEX pursuant to the MOEX Offering will commence at 8:00 am (London time) on or about 30 June 2017. There is no conditional trading on MOEX and as such all dealings in the New Shares on MOEX will be unconditional and thus will still be of effect in full even if Admission does not take place. Investors that deal in the Shares, but are unable to settle, may incur MOEX fines and charges and any such deadlines and costs shall be at the sole risk and responsibility of the parties involved.

Approval of the FCA has not been sought in relation to the Shares and no Shares will be admitted to listing on the Official List or admitted to trading on the LSE.

The Company received permission from the Federal Service for the Financial Markets (the "**FSFM**"), the then competent securities market regulator, the functions of which were subsequently transferred to the Central Bank of the Russian Federation (the "**CBR**"), for the circulation of up to 66,719,711 Shares in the form of DSs on 26 June 2006 (the "**FSFM DS Approval**"). The Shares that are being offered pursuant to the Offering have been validly issued, and all necessary regulatory approvals required in connection with the issue of such Shares in Russia have been received.

AN INVESTMENT IN THE SECURITIES INVOLVES A HIGH DEGREE OF RISK. See "Risk Factors" beginning on page 30 for a discussion of certain risks that should be considered in connection with an investment in the Offer Shares and the GDSs.

Offer price of US$66.50 per Share and US$33.25 per GDS (the "Offer Price")

The Shares and the GDSs have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold in the United States. The Shares and the GDSs may not be offered or sold within the United States except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers of the Shares and the GDSs in the United States are hereby notified that sellers of the Shares and the GDSs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Shares and the GDSs are subject to transfer restrictions. Prospective purchasers should read the restrictions described under "*Transfer Restrictions*".

The Joint Bookrunners reserve the right to reject any offer to purchase the Offer Shares and/or GDSs, in whole or in part, and to sell to any prospective investor less than the amount of the Offer Shares and/or GDSs sought by such investor.

The Offer Shares will be priced in U.S. dollars and may be paid in U.S. dollars or roubles at the official CBR RUB/US$ exchange rate effective on the date when the Offer Price is announced, subject to rounding. **Offers to purchase the Offer Shares must indicate the currency of payment. Any offers to purchase the Offer Shares that do not indicate the currency of payment will not be accepted. Delivery of and payment for the Offer Shares in the Offering is expected to commence on or about 5 July 2017.**

The GDSs will be priced in U.S. dollars. The GDSs sold outside the United States (the "**Regulation S GDSs**") will be evidenced by Regulation S global depositary receipts (the "**Regulation S GDRs**") issued to and registered in the name of a nominee for a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The GDSs sold to QIBs in reliance on Rule 144A (the "**Rule 144A GDSs**") will be evidenced by Rule 144A global depositary receipts (the "**Rule 144A GDRs**" and, together with the Regulation S GDRs, the "**GDRs**") issued to and registered in the name of a nominee for DTC in New York. The Shares represented by the GDSs will be held by VTB Bank, as custodian (the "**Custodian**"), for and on behalf of the Depositary. Except as described herein, beneficial interests in the GDSs will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their direct or indirect participants. Transfers within Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system. Delivery of the GDSs will be made through DTC with respect to the Rule 144A GDSs and through Euroclear and Clearstream, Luxembourg with respect to the Regulation S GDSs, on or about 5 July 2017 or such later date as may be agreed between the Joint Bookrunners and the Company (the "**GDS Closing Date**"). See "*Settlement and Delivery*".

Joint Global Coordinators

GOLDMAN SACHS INTERNATIONAL | **J.P. MORGAN** | **SBERBANK CIB** | **VTB CAPITAL**

Joint Bookrunners

BANK GPB INTERNATIONAL S.A. | **BMO CAPITAL MARKETS** | **GOLDMAN SACHS INTERNATIONAL** | **J.P. MORGAN** | **MORGAN STANLEY** | **SBERBANK CIB** | **VTB CAPITAL**

The date of this Prospectus is 30 June 2017

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This Prospectus, including the financial information included herein, is in compliance with the Prospectus Rules which are compliant with the provisions of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") for the purpose of giving information with regard to the Company and the DSs. This Prospectus is a prospectus for the purposes of the Prospectus Directive.

The Company accepts responsibility for the information contained in this Prospectus, and, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

AMC Consultants Pty Ltd ("**AMC**") accepts responsibility for the information provided in the Competent Person's Report on the Mineral Assets of the Company set out in Exhibit A of this document (the "**AMC Report**"). The AMC Report has been prepared in compliance with the UK Prospectus Rules and Listing Rules published by the FCA from time to time, Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), and the European Securities and Markets Authority ("**ESMA**") update of the Committee of European Securities Regulators ("**CESR**") recommendations for the consistent implementation of Commission Regulation (EC) No 8098/2004 implementing the Prospectus Directive, 20 March 2013, ESMA/2013/319 ("**ESMA Recommendations**"). Having taken all reasonable care to ensure that such is the case, AMC declares that the information contained in the AMC Report contained in this document is, to the best of the knowledge of AMC, in accordance with the facts and contains no omission likely to affect its import.

Apart from the responsibilities and liabilities, if any, which may be imposed on any of the Joint Bookrunners under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Joint Bookrunners or any of their respective subsidiary undertakings, affiliates or any of their respective directors, officers, employees, advisers, agents or any other person accepts any responsibility or liability whatsoever, or makes any representation or warranty, express or implied, for the contents of this Prospectus, including its truth, accuracy, completeness, verification or fairness of the information or opinions in this Prospectus (or whether any information has been omitted from the Prospectus) or any other information relating to the Selling Shareholders, the Company and each of their respective subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this Prospectus or its contents or otherwise arising in connection therewith.

In making any investment decision regarding the Offer Shares and GDSs, you must rely on your own examination of the Company and its consolidated subsidiaries (the "**Group**"), including the merits and risks involved. Neither the Company nor the Joint Bookrunners have authorized any other person to provide you with information, other than the information contained herein. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate as of the date on the front cover of this Prospectus only. The business, financial condition, results of operations and the information of the Group set forth in this Prospectus may have changed since that date.

You should not consider any information in this Prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding the Offer Shares and GDSs.

No contents of the websites of the Company or any other member of the Group form any part of this Prospectus.

This Prospectus does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Offer Shares and GDSs. This Prospectus is not for publication or distribution, directly or indirectly, in or into the United States, Canada, Australia, Japan, South Africa or any jurisdiction in which the same would be unlawful. This Prospectus is for information purposes only and does not constitute an offer or invitation to acquire or dispose of Offer Shares and GDSs in the United States or any jurisdiction in which the same would be unlawful. Neither the Shares nor the ADSs have been nor will be registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of Offer Shares and GDSs in the United States or elsewhere. The distribution of this Prospectus may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about, and to observe, any such restrictions. No action has been taken by the Company or any of the Joint Bookrunners that would permit an offering of the Offer Shares and GDSs or the possession or distribution of this Prospectus or any other offering or publicity material relating to the Offer Shares and GDSs in any jurisdiction where action for that purpose is required. Further information with regard to restrictions on offers and sales of the Shares and GDSs is set forth under "*Plan of Distribution*" and "*Transfer Restrictions*".

Goldman Sachs International, J.P. Morgan Securities plc, VTB Capital plc, Morgan Stanley & Co. International plc and BMO Capital Markets Limited are each authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, JSC Sberbank CIB is authorised and regulated by the Central Bank of Russia, SIB (Cyprus) Limited is authorised and regulated by the Cyprus Securities and Exchange Commission and Bank GPB International S.A. is authorised and regulated by the Commission de Surveillance du Secteur Financier of Luxembourg.

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the Offering and will not regard any other person (whether or not a recipient of this Prospectus) as its client in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to its client nor for providing advice in relation to the Offering.

STABILIZATION

In connection with the Offering, Goldman Sachs, as stabilizing manager (the "**Stabilizing Manager**"), or its agents may, for a limited period after the announcement of the Offer Price, over-allot or effect transactions in the Shares and GDSs with a view to supporting the market price of the Shares and GDSs at a level higher than that which might have otherwise prevailed in the open market. However, the Stabilizing Manager or such agents have no obligation to do so. Such stabilization, if commenced, may begin on the date of adequate public disclosure of the Offer Price, may be effected in the over-the-counter market or otherwise and may be discontinued at any time, but will be discontinued in any event no later than 30 calendar days after the date of such adequate public disclosure of the Offer Price. The Joint Bookrunners do not intend to disclose the extent of any such stabilization transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In connection with the Offering, the Joint Bookrunners may over-allot Shares and GDSs as permitted by applicable law. For the purposes of allowing the Joint Bookrunners to cover short positions resulting from any such over-allotments and/or from sales of Shares and GDSs effected by them during the stabilizing period, PGIL has granted the Joint Bookrunners the over-allotment option, pursuant to which the Joint Bookrunners may require PGIL to sell additional Shares to be issued by the Depositary as Shares and GDSs at the Offer Price. The over-allotment option is exercisable in whole or in part upon written notice by the Joint Bookrunners on one or more occasions at any time on or before the thirtieth calendar day after adequate public disclosure of the Offer Price has been made. Any Shares and GDSs made available pursuant to the over-allotment option will be issued at the same price and on the same terms and conditions as the Shares and GDSs being issued in the Offering and will form a single class for all purposes with the other Shares and GDSs.

AVAILABLE INFORMATION

The Company has agreed that, so long as any Rule 144A GDSs remain outstanding (in the case of Rule 144A GDSs or Shares represented thereby) or prior to the expiration of a period of 40 days after the last closing date of this Offering (the "**Restricted Period**") (in the case of Regulation S GDSs or Shares represented thereby), the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of any such securities, or to any prospective purchaser of such securities designated by such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

This Prospectus is being furnished by the Company in connection with an offering exempt from the registration requirements of the Securities Act solely for the purpose of enabling a prospective investor to consider the acquisition of the Offer Shares and GDSs described herein. The information contained in this Prospectus has been provided by the Issuer and other sources identified herein. Any reproduction or distribution of this Prospectus, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than considering an investment by the recipient in the Offer Shares and GDSs offered hereby, is prohibited. Each potential investor in the Offer Shares and GDSs, by accepting delivery of this Prospectus, agrees to the foregoing.

NOTICE TO U.S. INVESTORS

The Offer Shares and GDSs have not been and will not be registered under the Securities Act, and the Offer Shares and GDSs may be sold in the United States only to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that a seller of the Offer Shares and GDSs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Offer Shares and GDSs are not transferable except in accordance with the restrictions described under "*Transfer Restrictions*".

NEITHER THE OFFER SHARES NOR THE GDSs HAVE BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO EEA INVESTORS

This Prospectus has been prepared on the basis that all offers of Offer Shares and GDSs will be made pursuant to an exemption under the Prospectus Directive (including Directive 2010/73/EU, to the extent implemented in the EEA Member States as implemented in the EEA Member States) from the requirement to produce a prospectus for offers of the Securities. Accordingly, any person making or intending to make any offer within the EEA of the Offer Shares and GDSs should only do so in circumstances in which no obligation arises for the Company or any of the Joint Bookrunners to produce a prospectus for such offer. None of the Company, the Selling Shareholders or the Joint Bookrunners has authorized, nor do they authorize, the making of any offer of the Securities through any financial intermediary, other than offers made by the Joint Bookrunners, which constitute the final placement of the Offer Shares and GDSs contemplated in this Prospectus.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (including Directive 2010/73/EU, to the extent implemented in such Member State of the EEA) (each, an "**EEA Relevant Member State**") who receives any communication in respect of the Offer Shares and GDSs or who acquires any Offer Shares and GDSs will be deemed to have represented, acknowledged and agreed that (i) it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive (including Directive 2010/73/EU, to the extent implemented in such EEA Relevant Member State, and including any relevant implementing measure in such EEA Relevant Member State) (a "**Qualified Investor**"); (ii) in the case of any Offer Shares and GDSs acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the Offer Shares and GDSs acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any EEA Relevant Member State other than Qualified Investors or in circumstances in which the prior consent of the Joint Bookrunners has been given to the offer or resale; and (iii) where the Offer Shares and GDSs have been acquired by it on behalf of persons in any EEA Relevant Member State other than Qualified Investors, the offer of those Offer Shares and GDSs to it is not treated under the Prospectus Directive as having been made to such persons. The Company, the Joint Bookrunners, the Company's affiliates and the Joint Bookrunners' affiliates and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements, and will not be responsible for any loss occasioned by such reliance. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the Joint Bookrunners of such fact in writing may, with the consent of the Joint Bookrunners, be permitted to subscribe for or purchase the Offer Shares and GDSs, provided that publication of a Prospectus would not be required pursuant to Article 3 of the Prospectus Directive.

For the purposes of this representation, the expression an "**offer within the EEA of the Offer Shares and GDSs**" in relation to any Offer Shares and GDSs in any EEA Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares and GDSs to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares and GDSs.

NOTICE TO UNITED KINGDOM RESIDENTS

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The Offer Shares and GDSs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Offer Shares and GDSs will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

NOTICE TO RUSSIAN INVESTORS

This Prospectus or information contained therein is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in the Russian Federation to or for the benefit of any Russian person or entity, and does not constitute an advertisement or offering of any securities in the Russian Federation within the meaning of Russian securities laws. Information contained in this Prospectus in respect of the DSs is not intended for any persons in the Russian Federation who are not "qualified investors" within the meaning of Article 51.2 of the Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996, as amended ("**Russian QIs**") and this Prospectus must not be distributed or circulated into the Russian Federation or made available in the Russian Federation to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law.

NOTICE TO CANADIAN INVESTORS

The Offer Shares and GDSs may be sold only to purchasers in provinces of Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, *Exemptions and Ongoing Registrant Obligations*. Any resale of the Offer Shares and GDSs must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

NOTICE TO DUBAI INTERNATIONAL FINANCE CENTRE ("DIFC") INVESTORS

This Prospectus relates to an "exempt offer" in accordance with the Dubai Financial Services Authority ("**DFSA**") Rulebook Markets Module, and is not subject to any form of regulation or approval by the DFSA.

The DFSA has no responsibility for reviewing or verifying this Prospectus or any other documents in connection with this offer. Accordingly, the DFSA has not approved this Prospectus or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it.

The securities to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the securities.

If you do not understand the contents of this document you should consult an authorised financial adviser.

This Prospectus may only be provided to persons who are "deemed" Professional Clients, as defined in the DFSA Rulebook Conduct of Business Module ("**COB Module**").

NOTICE TO UNITED ARAB EMIRATES (OUTSIDE THE DIFC) INVESTORS

In the United Arab Emirates (the "**UAE**") (outside of the financial free zones established pursuant to UAE Federal Law No. 8 of 2004), the securities are not subject to regulation under the laws or regulations of the UAE relating to the issue, offering and sale of securities. Neither the securities nor this Prospectus have been approved by the Securities and Commodities Authority of the UAE (the "**SCA**"), the Central Bank of the UAE or any other regulatory authority in the UAE. In particular, this Prospectus has not been approved pursuant to Board Resolution No. 11 of 2016 on the Regulation of the Offering and Issuance of Stocks of Public Joint Stock Companies issued by the SCA (as amended) (the "**Offer of Securities Regulation**"). In addition, this Prospectus does not constitute or contain an offer of securities to the general public in the UAE and the securities will not be registered under UAE Federal Law No. 4 of 2000 concerning the SCA and will not be admitted to trading on a securities exchange in the UAE. Accordingly, this Prospectus is not intended for circulation or distribution in or into the UAE, other than to persons in the UAE to whom such circulation or distribution is permitted by, or is exempt from the requirements of, the Offer of Securities Regulation, the SCA's Board of Directors Decision No. 3 of 2017 Concerning the Organization of Promotion and Introduction, and any other applicable UAE laws and regulations.

It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates and the SCA regulations, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling the securities or other financial products. Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Any person considering acquiring the shares should consult with an appropriate professional for specific advice rendered based on their personal situation.

NOTICE TO QATARI INVESTORS

THIS DOCUMENT IS PROVIDED ON AN EXCLUSIVE BASIS TO THE SPECIFICALLY INTENDED RECIPIENT THEREOF, UPON THAT PERSON'S REQUEST AND INITIATIVE, AND FOR THE RECIPIENT'S PERSONAL USE ONLY.

NOTHING IN THIS DOCUMENT CONSTITUTES, IS INTENDED TO CONSTITUTE, SHALL BE TREATED AS CONSTITUTING OR SHALL BE DEEMED TO CONSTITUTE, ANY OFFER OR SALE OF SECURITIES IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE OR THE INWARD MARKETING OF SECURITIES OR AN ATTEMPT TO DO BUSINESS, AS A BANK, AN INVESTMENT COMPANY OR OTHERWISE IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE OTHER THAN IN COMPLIANCE WITH ANY LAWS APPLICABLE IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE GOVERNING THE ISSUE, OFFERING AND SALE OF SECURITIES.

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NOTICE TO JAPANESE INVESTORS

Neither the Offer Shares nor the GDSs have been or will be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Each Joint Bookrunner has represented and agreed that it will not offer or sell any Offer Shares or GDSs, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan ("resident of Japan" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

NOTICE TO SWISS RESIDENT INVESTORS

This Prospectus shall be communicated in Switzerland to a small number of selected investors only. Each copy of this Prospectus shall be addressed to a specifically named recipient and may not be passed on to third parties.

The Offer Shares and GDSs shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Prospectus nor any other solicitation for investments in the Offer Shares and GDSs may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a of the Swiss Code of Obligations (the "**CO**") unless the legal and regulatory conditions imposed on a public offering under the CO are satisfied.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are not historical facts and are forward-looking statements. Forward-looking statements appear in various locations, including, without limitation, under the headings "*Overview*", "*Risk Factors*", "*Operating and Financial Review*" and "*Business*". The Company may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, its competitive strengths and weaknesses, its business strategy and the trends the Company anticipates in the industries and the political and legal environment in which it operates and other information that is not historical information.

Words such as "believes", "anticipates", "estimates", "expects", "intends", "predicts", "projects", "could", "may", "will", "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk Factors*", as well as those included elsewhere in this Prospectus. Each prospective investor should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to:

- changes in the prices of gold;
- changes in the Group's ability to maintain or obtain the licenses necessary for its businesses;
- changes in the Group's operating costs, including the costs of energy, transportation and labor;
- changes in the Group's ability to successfully implement any of its business, development plans or financing strategies;
- changes in the Group's ability to fund its future operations and capital needs through borrowings or otherwise;
- developments in, or changes to, the laws, regulations and governmental policies governing the Group's businesses, including changes impacting environmental liabilities;
- inflation, interest rate and exchange rate fluctuations;
- changes in the political, social, legal or economic conditions in Russia;
- the effects of international political events;
- the effects of the restrictive covenants in the Group's financing documentation; and
- the Group's success in identifying other risks to its businesses and managing the risks of the aforementioned factors.

This list of factors is not exhaustive. Some of these factors are discussed in greater detail in this Prospectus, in particular, but not limited to, discussion in "*Risk Factors*". When relying on forward-looking statements, each prospective investor should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, unless required to do so by applicable law. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Important Notice about this Prospectus

The Offer Shares and GDSs may not be a suitable investment for all investors

Each potential investor in the Offer Shares and GDSs must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Offer Shares and GDSs, the merits and risks of investing in the Offer Shares and GDSs and the information contained in the Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and GDSs and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares and GDSs;
- understand thoroughly the terms of the GDSs and be familiar with the behavior of the relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

This Prospectus contains:

- the audited consolidated financial statements of the Group as of and for the year ended 31 December 2016, which include as comparative financial information the audited consolidated financial information of the Group as of and for the year ended 31 December 2015 (the "**2016 Financial Statements**");
- the audited consolidated financial statements of the Group as of and for the year ended 31 December 2015, which include as comparative financial information the audited consolidated financial information of the Group as of and for the year ended 31 December 2014 (the "**2015 Financial Statements**" and together with the 2016 Financial Statements, the "**Annual Financial Statements**");
- the unaudited reviewed condensed consolidated interim financial statements of the Group as of and for the three months ended 31 March 2017, which include as comparative financial information the unaudited condensed consolidated interim financial information of the Group as of and for the three months ended 31 March 2016 (the "**Interim Financial Statements**" and together with the Annual Financial Statements, the "**Financial Statements**").

The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), as set out in note 2 to the 2016 Financial Statements and note 2 to the 2015 Financial Statements.

The Interim Financial Statements were prepared in accordance with International Accounting Standards ("**IAS**") 34 Interim Financial Reporting, as set out in note 2 to the Interim Financial Statements.

The underlying financial information stated in local currency (*i.e.*, roubles) has been translated into U.S. dollars on the basis set out in "*Currencies and Exchange Rates*" below.

Alternative Performance Measures

The Group presents Adjusted net profit, Adjusted net profit margin, Adjusted Earnings before Interest, Taxes, Depreciation and Amortisation ("**Adjusted EBITDA**"), Adjusted EBITDA margin, total cash costs ("**TCC**"), TCC per ounce sold, all-in sustaining costs ("**AISC**"), AISC per ounce sold, cash operating costs, total cash position, net debt, net debt to Adjusted EBITDA, free cash flows ("**FCF**") and Adjusted net working capital, which are non-GAAP, alternative performance measures. These measures are used by management of the Group to assess the financial performance of the Group. Such measures as presented in this Prospectus may not be comparable to similarly titled measures of performance presented by other companies, and they should not be considered as substitutes for the information contained in the Financial Statements included in this Prospectus.

Adjusted net profit

Adjusted net profit is defined by the Group as net profit / (loss) for the period adjusted for reversal of impairment, impact from derivative financial instruments, foreign exchange gain, net and associated income tax-related to such items. For the calculation of the Group's Adjusted net profit and the reconciliation to the Group's profit / (loss) for the three months ended 31 March 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014 and other relevant periods, see "*Selected Consolidated Financial and Operating Information*".

Adjusted net profit presented by the Group has been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*". The item is discussed throughout this Prospectus, because the Group believes it provides a measure for comparing the Group's operational performance against that of its peer group. In addition, the Group uses this measurement to compare the performance of the Group's operations period-to-period, to monitor profitability and to evaluate operating efficiency. Adjusted net profit is not defined by IFRS and is not an IFRS measure. It should not be considered in isolation or as an alternative to profit / (loss) for the year. Adjusted net profit has limitations as it does not reflect the effect of income / losses from derivative financial instruments and investments, income tax expense, impairment and gain / losses from foreign exchange movements. Although the presentation of Adjusted net profit is common industry practice, the Group's calculations of this item may vary from other gold mining companies' calculations, and by itself does not necessarily provide a basis for comparison with other gold mining companies.

Adjusted net profit margin

The Group calculates Adjusted net profit margin as Adjusted net profit divided by total revenue.

Adjusted EBITDA

The Group calculates Adjusted EBITDA as profit for the year before income tax, depreciation and amortisation, (gain) / loss on derivative financial instruments and investments (including the effect of the disposal of a subsidiary and subsequent accounting at equity method), finance costs, net, interest income, foreign exchange gain, net, impairment or reversal of impairment, loss on property, plant and equipment disposal, expenses associated with a long-term incentive plan ("**LTIP**") and special charitable contributions as required to ensure calculation of the Adjusted EBITDA is comparable with the prior period.

Adjusted EBITDA presented by the Group has been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*". Adjusted EBITDA is presented in this Prospectus because the Group considers it to be an important supplemental measure of the Group's financial performance. Additionally, the Group believes this measure is frequently used by investors, securities analysts and other interested parties to evaluate the efficiency of a group's operations and its ability to employ its earnings toward repayment of debt. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for the Group's operating results as reported under IFRS. Some of these limitations are as follows:

- Adjusted EBITDA does not reflect the impact of significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings, which could further increase if the Group incurs more debt.
- Adjusted EBITDA does not reflect the impact of income tax expense on the Group's operating performance.
- Adjusted EBITDA does not reflect the impact of depreciation and amortisation of assets on the Group's performance. The assets of the Group's business which are being depreciated and amortized will have to be replaced in the future, and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. By excluding this expense from Adjusted EBITDA, Adjusted EBITDA does not reflect the Group's future cash requirements for these replacements.
- Adjusted EBITDA does not reflect the impact of a number of other significant non-cash items, specifically: net foreign exchange gain; loss on property, plant and equipment disposal; impairment of exploration and evaluation assets; impairment of capital construction in progress; impairment of property, plant and equipment; gain from the disposal of a subsidiary and subsequent accounting at equity method; and change in fair value of derivatives.
- Adjusted EBITDA does not reflect the expenses associated with a LTIP.
- Adjusted EBITDA does not reflect the expenses associated with special charitable contributions.
- Other companies in the Group's industry may calculate Adjusted EBITDA differently or may use them for different purposes than the Group does, limiting their usefulness as a comparative measure.

The Group compensates for these limitations by relying on its IFRS results and using Adjusted EBITDA only as a supplemental measure.

Adjusted EBITDA is a measure of the Group's operating performance that is not required by, or presented in accordance with, IFRS. Adjusted EBITDA is not a measurement of the Group's operating performance under IFRS and should not be considered as an alternative to profit for the year or any other performance measures derived in accordance with IFRS. For the calculation of the Group's Adjusted EBITDA and the reconciliation of Adjusted EBITDA to profit / (loss) for the three months ended 31 March 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014 and other relevant periods, see "*Selected Consolidated Financial and Operating Information*".

Adjusted EBITDA margin

The Group calculates Adjusted EBITDA margin as Adjusted EBITDA divided by total revenue.

Total cash costs ("TCC") and TCC per ounce sold

TCC is defined by the Group as the cost of gold sales, less property, plant and equipment depreciation, provision for annual vacation payment, employee benefits obligation cost and change in allowance for obsolescence of inventory and adjusted by non-monetary changes in inventories. TCC per ounce sold is the cost of producing and selling an ounce of gold, which includes mining, processing, transportation and refining costs, as well as general costs from both mine and alluvial operations. The Group calculates TCC per ounce sold as TCC divided by total ounces of gold sold for the period. The Group calculates TCC and TCC per ounce sold for certain mines on the same basis, using corresponding mine-level financial information. These items are not IFRS measures. For the calculation of the Group's TCC and TCC per ounce sold and the reconciliation to the cost of gold sales for the three months ended 31 March 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014 and other relevant periods, see "*Selected Consolidated Financial and Operating Information*".

The financial items, TCC and TCC per ounce sold presented by the Group have been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*". These items are discussed throughout this Prospectus, because the Group believes they provide a measure for comparing the Group's operational performance against that of its peer group. In addition, the Group uses these measurements to compare the performance of the Group's operations period-to-period, to monitor costs and to evaluate operating efficiency. Furthermore, the Group also presents TCC, excluding mineral extraction tax, for the year ended 31 December 2016 in this Prospectus, because the Group believes that this metric facilitates analysis of cost allocation between different stages of production process (mining, processing, refining). TCC is not defined by IFRS and should not be considered in isolation or as an alternative to operating expenses or cost of sales. Although the presentation of TCC and TCC per ounce sold is common industry practice, the Group's calculations of these items may vary from other gold mining companies' calculations, and by themselves do not necessarily provide a basis for comparison with other gold mining companies.

All-in sustaining costs ("AISC") and AISC per ounce sold

AISC is defined by the Group as TCC plus selling, general and administrative expenses, research expenses and other sustaining expenses, stripping activity asset additions, sustaining capital expenditures, unwinding of discounts on decommissioning liabilities, provision for annual vacation payment, employee benefit obligations cost, and change in allowance for obsolescence of inventory less amortisation and depreciation included in selling, general and administrative expenses. AISC is an extension of total cash costs and incorporates costs related to sustaining production and additional costs which reflect the varying costs of producing gold over the life-cycle of a mine. The Company believes AISC is helpful in understanding the economics of gold mining. AISC per ounce sold is the cost of producing and selling an ounce of gold, including mining, processing, transportation and refining costs, general costs from both mine and alluvial operations, and the additional expenditures noted in the definition of AISC. The Group calculates AISC per ounce sold as AISC divided by total ounces of gold sold for the period. These items are not IFRS measures.

For the calculation of the Group's AISC and AISC per ounce sold and the reconciliation to the cost of gold sales for the three months ended 31 March 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014, see "*Selected Consolidated Financial and Operating Information*".

These items are discussed throughout this Prospectus, because the Group believes they provide a measure for comparing the Group's sustainable operational performance against that of its peer group. In addition, the Group uses these measurements to compare the performance of the Group's operations period-to-period, to monitor costs and to evaluate operating efficiency and sustainability of the operations. AISC is not defined by IFRS and should not be considered in isolation or as an alternative to operating expenses, cost of sales, or selling, general and administrative expenses. Although the presentation of AISC and AISC per ounce sold is common industry practice, the Group's calculations of these items may vary from other gold mining companies' calculations, and by themselves do not necessarily provide a basis for comparison with other gold mining companies.

Cash operating costs

The Group calculates cash operating costs as the sum of the following costs within cost of sales for the period: Labor, Consumables and spares, Tax on mining, Fuel, Power, Outsourced mining services, Other costs, including Refining. This item is not an IFRS measure. For the calculation of the Group's cash operating costs for the three months ended 31 March 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014, see "*Operating and Financial Review*".

The financial item cash operating costs presented by the Group has been calculated by management based on information derived from the Financial Statements. The item is discussed throughout this Prospectus, because the Group believes it provides a measure for comparing the Group's operational performance against that of its peer group. In addition, the Group uses this measurement to compare the performance of the Group's operations period-to-period, to monitor costs and to evaluate operating efficiency of the operations. Cash operating costs is not defined by IFRS and should not be considered in isolation or as an alternative to operating expenses or cost of sales. Although the presentation of cash operating costs is common industry practice, the Group's calculations of these items may vary from other gold mining companies' calculations, and by themselves do not necessarily provide a basis for comparison with other gold mining companies.

Total cash position

The Group calculates total cash position as the sum of bank deposits and cash and cash equivalents. This item is not an IFRS measure. For the calculation of the Group's total cash position as of 31 December 2015 and 2014, see "*Operating and Financial Review*".

The financial item total cash position presented by the Group has been calculated by management based on information derived from the Financial Statements. The item is discussed throughout this Prospectus, because the Group believes it provides a measure for analyzing the Group's most liquid assets. Total cash position is not defined by IFRS and should not be considered in isolation or as an alternative to cash and cash equivalents.

Net debt

The Group calculates net debt as non-current borrowings plus current borrowings less cash and cash equivalents and bank deposits. This item is not an IFRS measure. For the calculation of the Group's Net debt as of 31 March 2017 and as of 31 December 2016, 2015 and 2014 and other relevant periods, see "*Selected Consolidated Financial and Operating Information*".

Net debt presented by the Group has been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*". The item is discussed throughout this Prospectus, because the Group believes it provides a measure for analyzing the Group's liquidity. Net debt is not defined by IFRS and should not be considered in isolation or as an alternative to total borrowings.

Net debt to Adjusted EBITDA

The Group calculates net debt to Adjusted EBITDA as net debt divided by Adjusted EBITDA.

Free cash flows ("FCF")

The Group calculates FCF as net cash generated from operating activities, plus proceeds from sales of property, plant and equipment, interest received, and other cash flows from investing activities less purchases of property, plant and equipment, payments for capitalized deferred stripping costs, and payment for derivatives. FCF represents the cash that the Group is able to generate after the spending necessary to maintain or expand its asset base. This item is not an IFRS measure. For the calculation of the Group's FCF for the three months ended 31 March 2017 and 2016 for the years ended 31 December 2016, 2015 and 2014 and other relevant periods, see "*Selected Consolidated Financial and Operating Information*".

FCF presented by the Group has been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*". FCF is presented in this Prospectus, because the Group believes that FCF provides a measure for analyzing the Group's ability to generate cash. FCF is not defined by IFRS and should not be considered in isolation or as an alternative to net cash generated from operating activities.

Adjusted net working capital

The Group calculates Adjusted net working capital as the sum of inventories, deferred expenditures, trade and other receivables, advances paid to suppliers and prepaid expenses, taxes receivable and adjusted for trade and other payables and taxes payable. This item is not an IFRS measure. For the calculation of the Group's Net working capital as of 31 March 2017 and as of 31 December 2016, 2015 and 2014 and other relevant periods, see "*Selected Consolidated Financial and Operating Information*".

The financial item Adjusted net working capital presented by the Group has been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*". The item is discussed throughout this Prospectus, because the Group believes it provides a measure for assessing the Group's efficiency in allocating capital and managing its liquidity position. Adjusted net working capital is not defined by IFRS and should not be considered in isolation or as an alternative to other financial metrics.

Presentation of Ore Reserves and Mineral Resources

The Ore Reserve and Mineral Resource estimates presented in this Prospectus have been prepared according to the minimum standards, recommendations and guidelines for public reporting in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**") 2004 and 2012 Editions. Unless specifically noted, reference to the "JORC Code" is a reference to the JORC Code 2012 Edition. Unless stated otherwise, the Ore Reserve and Mineral Resource estimates are derived from the AMC Report.

All mineral resources and reserves in Russia are formally classified according to a system developed and administered by the Russian State Commission for Reserves (*Gosudarstvennaya Komissia po Zapasam*), referred to as the GKZ, and recorded on the national inventory and balance of mineral resources and reserves. The GKZ provides a prescribed protocol for the calculation of mineral reserves, which utilizes a sectional method of reserve estimation. Preliminary mineral reserve estimates are calculated by the license holder and are submitted for approval by the GKZ with a justification of the cut-off grade criteria. The approved cut-off criteria are used to generate the mineral reserves that are submitted to the GKZ for approval.

Using the GKZ system, mineral resources and reserves are recognized as either prognosticated resources, which include those resources that are of an inferred, potential or speculative nature, or mineral reserves, which can be effectively subdivided into those that demonstrate economic significance (balance mineral reserves) and those with only potential economic significance (off-balance mineral reserves).

Balance mineral reserves comprise that part of the mineralization that has been demonstrated to a sufficient level of confidence to contain a metal or commodity whose economic viability has been approved by the GKZ. They may not, however, include adjustment for technical and economic matters, such as mining dilution and losses.

The GKZ resource estimates for Sukhoi Log were prepared in 2007 according to GKZ guidelines. Following the Group's acquisition of the license for the development of Sukhoi Log on 21 February 2017, the Group expects an update of the estimate once exploration and feasibility studies are carried out. Information on Sukhoi Log's resources is based on publicly available information provided by the Russian Government and has not been prepared or verified by either the Group or by AMC. Resources and reserves reported under the GKZ system may differ materially from resources and reserves measured under the JORC Code.

Any and all references in this Prospectus to ounces of gold whether mined, produced, milled or extracted or whether references to ounces of gold of the Group's reserves and resources, or any reference to TCC or AISC per ounce sold, are references to troy ounces of gold.

General Information

In this Prospectus, references to: the "**Company**" are to Public Joint Stock Company Polyus; the "**Group**" are to the Company together with its consolidated subsidiaries; "**JSC Polyus**" are to Joint Stock Company Polyus Krasnoyarsk; and "**PGIL**" are to Polyus Gold International Limited.

In this Prospectus, all references to "**Russia**" are to the Russian Federation. References to "**U.S.**" or the "**United States**" are to the United States of America. References to "**UK**" or the "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland. References to the "**EU**" or the "**European Union**" are to the union formed following ratification of the Maastricht Treaty and currently comprising 28 states, and references to "**Europe**" are to the geographical region of Europe, including those states which are members of the European Union.

Definitions of certain terminology associated with the Group's business are set forth under "*Glossary of Terms*".

Currencies and Exchange Rates

In this Prospectus, references to "**U.S. dollars**" or "**US$**" are to the lawful currency of the United States, references to "**roubles**" or "**RUB**" are to the lawful currency of the Russian Federation and references to "**euro**" or "**EUR**" are to the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in U.S. dollars. The functional currency of the Company and all of its subsidiaries is the rouble. On consolidation, income statements of subsidiaries for which the U.S. dollar is not the functional currency are translated into U.S. dollars, the presentation currency for the Group, at average exchange rates. Balance sheet items are translated into U.S. dollars at period-end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into U.S. dollars at the rate indicated or at any other rate.

The following tables show, for the periods indicated, certain information regarding the exchange rate between the rouble and the U.S. dollar, based on the official exchange rate quoted by the Central Bank of the Russian Federation (the "**CBR**").

	Roubles per U.S. dollar			
For the period	*High*	*Low*	*Average*[(1)]	*Period end*
Year ended 31 December 2012	34.04	28.95	31.07	30.37
Year ended 31 December 2013	33.47	29.93	31.91	32.73
Year ended 31 December 2014	67.79	32.66	38.60	56.26
Year ended 31 December 2015	72.88	49.18	61.32	72.88
Year ended 31 December 2016	83.59	60.27	66.83	60.66

	Roubles per U.S. dollar			
For each month from January 2017	*High*	*Low*	*Average*[(1)]	*Period end*
January 2017	60.32	59.15	59.63	60.16
February 2017	60.31	56.77	58.54	57.94
March 2017	59.22	56.38	58.01	56.38
April 2017	57.39	55.85	56.44	56.98
May 2017	58.54	56.07	56.95	56.52
June 2017	60.15	56.54	57.95	59.09

Note:

1. The average of the exchange rate for the relevant period, based on the rates in such period for each day in the relevant period for which the CBR published the exchange rate. It should be noted that the methodology for calculating average rates for a period for the purposes of the Financial Statements is different than the methodology used in this table.

The exchange rate between the rouble and the U.S. dollar on 30 June 2017 was 59.09 roubles per US$1.00.

No representation is made that amounts presented in a particular currency in this Prospectus could have been converted into such currency at any particular rate or at all. A market exists for the conversion of roubles into other currencies, but the limited availability of other currencies may tend to inflate their values relative to the rouble. Fluctuations in the exchange rate between the rouble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of certain information in this Prospectus. Solely for the convenience of the reader, certain amounts included in "*Business*" and elsewhere in this Prospectus have been, unless otherwise indicated, translated from roubles into U.S. dollars at the rate of RUB 56.38 per US$1.00, the official exchange rate as published by the CBR on 31 March 2017.

Rounding

Certain amounts that appear in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Reproduction of Information

This Prospectus includes (i) in "*Industry Overview*", market data that the Company has obtained from, and attributed to, the World Gold Council, Russian Union of Gold Miners, Metals Focus or such other sources as are indicated therein, and (ii) Russian macroeconomic data obtained from information published by the CBR. The Company accepts responsibility for having correctly reproduced such information, and, as far as the Company is aware and has been able to ascertain from information published by those industry publications or public sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Other market share information and other statements in this Prospectus regarding the industry in which the Group operates and the position of the Group relative to its competitors are not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect the reasonable estimates of the Company based upon information obtained from trade and business organizations and associations, other contacts within the precious metals industry and annual reports and information published by other gold mining companies. This information from the internal estimates and surveys of the Group has not been verified by any independent sources.

ENFORCEABILITY OF JUDGMENTS

The Company is a public joint stock company incorporated under the laws of the Russian Federation. Substantially all of the Company's assets are located outside the United Kingdom or the United States, and may be located outside other jurisdictions in which investors may be located. In addition, the majority of the Company's directors and all members of the Company's senior management named in this Prospectus are nationals or residents of jurisdictions other than the United Kingdom or the United States, and may not be nationals or residents of other jurisdictions in which investors may be located, and all or a substantial portion of their assets are located outside the United Kingdom or the United States, and may be located outside other jurisdictions in which investors may be located.

It may be difficult for the investors to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom or the United States, liabilities predicated upon English or U.S. securities laws. Courts in the Russian Federation will generally recognize judgments rendered by a court in any jurisdiction outside the Russian Federation only if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the jurisdiction where the judgment is rendered or a federal law is adopted in the Russian Federation providing for the recognition and enforcement of foreign court judgments. No such treaty for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters exists between the Russian Federation and certain other jurisdictions, including the United Kingdom, and no relevant federal law on enforcement of foreign court judgments has been adopted in the Russian Federation. As a result, new proceedings may have to be brought in the Russian Federation in respect of a judgment already obtained in any such jurisdiction against the Company or its officers or directors. These limitations, as well as the general procedural grounds set out in Russian legislation for the refusal to recognize and enforce foreign court judgments in the Russian Federation, may significantly delay the enforcement of such judgments or deprive the Company, and/or the investors of effective legal recourse for claims related to the investment in the Offer Shares and GDSs.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognized by a Russian court on the basis of reciprocity, if courts of the jurisdiction where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. In a number of recent instances, Russian courts have recognized and enforced a foreign court judgment (including English court judgments) on the basis of a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which the Russian Federation and certain other jurisdictions, including the United Kingdom, are parties. The courts determined that such treaties constituted grounds for the recognition and enforcement of the relevant foreign court judgment in the Russian Federation. In the absence of established court practice, however, no assurances can be given that a Russian court would be inclined in any particular instance to recognize and enforce a foreign court judgment on these or similar grounds. The existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognize and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court.

Accordingly, it may be difficult or impossible for investors to:

- effect service of process within the United Kingdom, the United States or other jurisdictions in which investors may be located, on certain directors or members of senior management of the Company;
- enforce judgments obtained in courts in the United Kingdom, the United States or other jurisdictions in which investors may be located, against the Company's assets and against certain directors or members of senior management of the Company; or
- enforce, in original actions brought in courts in the Russian Federation, liabilities predicated upon the civil liability provisions of the laws of the United Kingdom, the United States or the laws of other jurisdictions in which investors may be located.

The Deposit Agreements provide, with certain exceptions, that actions brought by any party thereto against the Company be referred to arbitration in London, England, in accordance with the rules of the London Court of International Arbitration ("**LCIA**"). Each of the United Kingdom, the United States and the Russian

Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, Russian courts should generally recognize and enforce in Russia an arbitral award from an arbitral tribunal in the United Kingdom, on the basis of the rules of the New York Convention, subject to qualifications provided for in the New York Convention and compliance with Russian procedural regulations and law. However, it may be difficult to enforce arbitral awards in Russia due to:

- the inexperience of Russian courts in enforcing international commercial arbitral awards;
- official and unofficial political resistance to enforcement of awards against Russian companies in favor of foreign investors; and
- the Russian courts' inability or unwillingness to enforce such awards.

Recognition and enforceability of any arbitral award may also be limited by mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies. The Arbitrazh Procedural Code of the Russian Federation (the "**Arbitrazh Procedural Code**") sets out the procedure for the recognition and enforcement of foreign awards by Russian courts. The Arbitrazh Procedural Code also contains an exhaustive list of grounds for the refusal of recognition and enforcement of foreign arbitral awards by Russian courts, which grounds are broadly similar to those provided by the New York Convention.

In addition, the Federal Law on Arbitration in the Russian Federation (the "**Law on Arbitration**") and the related amendments to the Russian legislation, which came into force in September 2016, introduced significant changes to the arbitrability of disputes and the way the arbitration process is regulated. In particular, such laws limit the arbitrability of corporate disputes to permanent arbitration institutions that have received the necessary regulatory approvals in the Russian Federation and meet certain formal criteria (including compliance of the rules of the permanent arbitration institution with the Law on Arbitration, existence of a recommended panel of arbitrators, accuracy of information and reputational requirements). In the event the dispute underlying an award rendered by LCIA in accordance with the Deposit Agreement is deemed non-arbitrable as a matter of Russian law or LCIA does not apply or fails to obtain necessary Russian regulatory approvals, the Russian courts may refuse to recognize and enforce the relevant arbitration award in the Russian Federation.

The above limitations may deprive investors of effective legal recourse for claims related to an investment in the Offer Shares and GDSs.

Prospective investors should read the entire document and, in particular, the section headed "*Risk Factors*" when considering an investment in the Offer Shares and GDSs.

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SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".*

Section A – Introduction and Warnings		
A.1	*Introduction and Warnings.*	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Offer Shares and/or GDSs should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	*Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.*	Not applicable. The Company has not consented to the use of the Prospectus for subsequent use or final placement of Offer Shares and/or GDSs by financial intermediaries.

Section B – Company		
B.31	***Information about the issuer of the underlying Shares.***	
B.1	*The legal and commercial name of the company.*	Public Joint Stock Company Polyus.
B.2	*The domicile and legal form of the company, the legislation under which the company operates and its country of incorporation.*	The Company is a public joint stock company incorporated under the laws of the Russian Federation under state registration number 1068400002990 with its registered office at building 1, 15 Tverskoy Boulevard, Moscow 123104, Russian Federation.

B.3	*A description of, and key factors relating to, the nature of the company's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the company competes.*	The Group, comprised of the Company and its consolidated subsidiaries, is the largest gold mining group in Russia based on ounces of gold produced, according to the Russian Union of Gold Miners, and with 71 million ounces of gold in JORC Proved and Probable Ore Reserves as at 31 December 2016, has the second largest gold reserves in the world based on the latest reserves and resources statements of other gold mining companies. The Group develops and mines hardrock gold and alluvial gold deposits, with its principal deposits in the Krasnoyarsk, Irkutsk, Magadan and Republic of Sakha (Yakutia) regions of Russia. The Group's total gold production in 2016 was 1,968 thousand ounces.
B.4a	*A description of the most significant recent trends affecting the company and the industries in which it operates.*	The most significant recent trends affecting the Company and the gold mining industry include: • an increase in global gold mine production (reaching an all-time high of 3,236 tonnes in 2016), mainly driven by the investments made during the period of high gold prices; • significant improvements in the total cash cost per gold ounce sold as a result of on-going operational efficiency initiatives and the depreciation of the rouble; • high volatility in gold prices, mainly due to overall stock market instability and volatility owing mainly to the macroeconomic issues in the United States, Europe and China; • an increase in the supply of gold worldwide due to higher gold prices and lower costs resulting in increased exploration activity, and increased recycled output; • the continuing growth in volumes of recycled gold, particularly in Europe and the Middle East, driven by weak currencies and a higher gold price; • an increase in producer hedging by 95 per cent in 2016 after a decrease in the previous year; • an increase in the demand for gold, mainly driven by the investment sector; the increase in demand in the investment sector resulted from a flow of funds into exchange traded funds supported by political and economic factors, including concerns over interest rate hikes by the U.S. Federal Reserve, the 2016 U.S. presidential election and the result of the UK's referendum to leave the European Union; • the decrease in demand in the jewellery market, which remains the largest consumer of gold, to a seven-year low of 2,042 tonnes; the decline in demand for gold in the jewellery market is mainly attributable to decline in demand from China, resulting from a general economic slowdown and an overall change in consumer preferences; in India, due to strikes, new regulations and a shock demonetization policy; and in Europe and the U.S., due to consumer trends; and

<table>
<tr><td></td><td></td><td>• the decrease in the demand for gold in the technology sector, mainly due to the persistent trends of savings and substitution of gold with other metals.</td></tr>
<tr><td>B.4b</td><td>A description of any known trends affecting the company and the industries in which it operates.</td><td>The trends described in B.4a are likely to continue to have an effect on the Company and the gold mining industry for the foreseeable future.</td></tr>
<tr><td>B.5</td><td>If the company is part of a group, a description of the group and the company's position within the group.</td><td>The Group consists of Public Joint Stock Company Polyus and its consolidated subsidiaries. Public Joint Stock Company Polyus is the holding company of the Group. The Group operates through JSC Polyus, a joint stock company organized and existing under the laws of the Russian Federation (with registration number 1022401504740), which is a wholly-owned subsidiary of the Company. JSC Polyus holds substantially all of Polyus' operational assets, including, directly or indirectly, 100 per cent of the share capital in most other operating subsidiaries of the Group and, as a result, conducts or controls substantially all of Polyus' business.</td></tr>
<tr><td>B.6</td><td>In so far as it is known to the company, the name of any person who, directly or indirectly, has an interest in the company's capital or voting rights which is notifiable under the company's national law, together with the amount of each such person's interest. Whether the company's major shareholders have different voting rights if any. To the extent known to the company, state whether the company is directly or indirectly owned or controlled and by whom and describe the nature of such control.</td><td>The table below sets forth certain information regarding the ownership of Shares of the Company:
<table>
<tr><th>Shareholders</th><th>Number of Shares</th><th>% of share capital(1)</th></tr>
<tr><td>Polyus Gold plc (a Selling Shareholder)(1)</td><td>5,915,979</td><td>4.64</td></tr>
<tr><td>Polyus Gold International Limited (a Selling Shareholder)(2)</td><td>116,999,862</td><td>91.73</td></tr>
<tr><td>Other(3)</td><td>8,618,811</td><td>6.76</td></tr>
<tr><td>Treasury Shares(4)</td><td>1,926,756</td><td>1.51</td></tr>
<tr><td>Total</td><td>127,545,429</td><td>100</td></tr>
</table>
(1) Pursuant to a securities lending agreement between PGIL and Polyus Gold dated 30 June 2017, PGIL will transfer 5,915,979 Shares, or 4.64 per cent of the Shares, to Polyus Gold.
(2) Includes Shares directly held by Polyus Gold (see note 1). Does not reflect PGIL's agreement to sell 12,561,868 Shares, representing 10 per cent of the Company's share capital, excluding treasury shares, to a consortium led by Fosun International Limited, and an option to acquire an additional number of shares to bring its stake in the share capital of the Company up to 15 per cent (including the new shares issued in the Open Subscription) granted to the consortium, and PGIL's agreement to sell 354,095 Shares to a subsidiary of the Russian Direct Investment Fund.
(3) Includes Shares held by The Bank of New York Mellon as depositary under the Company's Level I ADS program.
(4) In April 2017, 63,082,318 Shares held by LLC Polyus-Invest were cancelled following completion of the merger of LLC Polyus-Invest, a then subsidiary of the Company, into the Company. The remaining 1,913,200 Shares were received and are being held by the Company as treasury shares following the merger. On 3 March 2017, the Company repurchased 13,556 Shares from eligible shareholders who tendered their Shares as a result of their statutory right related to their (i) non-participation in the general shareholders' meeting approving the merger or (ii) voting against the merger, which are now also held as treasury shares.</td></tr>
</table>

		The Group is beneficially controlled by Mr. Said Kerimov, who controls indirectly 100 per cent of the share capital of PGIL, which, as of the date of this Prospectus, directly owns 91.73 per cent of the Company's shares. To the Company's knowledge, there are no arrangements in place, the operation of which may at a subsequent date result in a change in control of the Company. None of the Company's shareholders has voting rights different from any other holder of its Shares.
B.7	*Selected historical key financial information regarding the company, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information. This should be accompanied by a narrative description of significant change to the company's financial condition and operating results during or subsequent to the period covered by the historical key financial information.*	The financial data set forth as of and for the years ended 31 December 2016, 2015 and 2014 and the three months ended 31 March 2017 and 2016 have been extracted without material adjustment from the Financial Statements. The financial data set forth as of and for the year ended 31 December 2013 are unaudited and have been extracted without material adjustment from the Company's financial statements as of and for the year ended 31 December 2013 prepared in accordance with IFRS. The audited Annual Financial Statements have been prepared in accordance with IFRS and the unaudited Interim Financial Statements have been prepared in accordance with IAS 34. The Company's functional currency is the rouble, and the Company's presentation *currency is the U.S. dollar.*

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*				*Three months ended 31 March*	
	2016	*2015*	*2014*	*2013*	*2017*	*2016*
Gold production (koz)	1,968	1,763	1,696	1,652	450	384
Gold sold (koz)	1,915	1,768	1,691	1,631	487	400
Average realized refined gold price (excluding effect of SPPP) (US$/oz)	1,250	1,159	1,277	1,385	1,217	1,186
Average realized refined gold price (including effect of SPPP) (US$/oz)	1,287	1,225	1,302	1,385	1,258	1,260
Consolidated statement of profit or loss information						
Gold sales	2,429	2,159	2,197	2,259	600	505
Other sales	29	29	42	68	9	6
Total revenue	**2,458**	**2,188**	**2,239**	**2,327**	**609**	**511**
Cost of gold sales	(891)	(876)	(1,174)	(1,347)	(225)	(173)
Cost of other sales	(28)	(25)	(33)	(47)	(9)	(6)
Gross profit	**1,539**	**1,287**	**1,032**	**933**	**375**	**332**
Selling, general and administrative expenses	(151)	(143)	(174)	(216)	(42)	(34)
Other expenses, net	(31)	(2)	(22)	(16)	(3)	(1)
Reversal of impairment	4	22	17	(472)	–	1
Operating profit	**1,361**	**1,164**	**853**	**229**	**330**	**298**
Finance costs, net	(145)	(45)	(26)	(9)	(63)	(32)
Interest income	40	69	31	25	11	8
Gain / (loss) on derivative financial instruments and investments, net	119	(125)	(934)	–	108	(13)
Foreign exchange gain, net	396	149	123	1	190	116
Profit before income tax	**1,771**	**1,212**	**47**	**246**	**576**	**377**
Income tax expense	(326)	(191)	(222)	(98)	(77)	(83)
Profit / (loss) for the period	**1,445**	**1,021**	**(175)**	**148**	**499**	**294**
Profit / (loss) for the period attributable to:						
Shareholders of the Company	1,420	987	(216)	135	504	297
Non-controlling interests	25	34	41	13	(5)	(3)
Earnings / (loss) per share (U.S. Cents), basic and diluted	10	5	(1)	1	4	2

(in millions of U.S. dollars)	*Year ended 31 December* *2016*	*2015*	*2014*	*2013*	*Three months ended 31 March* *2017*	*2016*
Consolidated cash flow information						
Net cash generated from operating activities	1,178	1,103	871	443	282	291
Net cash (utilized in) / generated from investing activities	(280)	(676)	(1,727)	(1,119)	(15)	72
Net cash (utilized in) / generated from financing activities	(1,015)	220	1,353	586	(538)	(880)
Net (decrease) / increase in cash and cash equivalents . .	**(117)**	**647**	**497**	**(90)**	**(271)**	**(517)**
Cash and cash equivalents at beginning of the period	1,825	1,213	792	890	1,740	1,825
Effect of foreign exchange rates on cash and cash equivalents	32	(35)	(76)	(8)	18	18
Cash and cash equivalents at end of the period	**1,740**	**1,825**	**1,213**	**792**	**1,487**	**1,326**

(in millions of U.S. dollars)	*As of 31 December* *2016*	*2015*	*2014*	*2013*	*As of 31 March* *2017*
Consolidated statement of financial position information					
ASSETS					
Non-current assets					
Property, plant and equipment	2,938	2,023	2,351	3,527	3,426
Derivative financial instruments and investments	57	411	172	2	35
Inventories	264	184	227	295	269
Deferred tax assets	75	46	47	–	90
Other non-current assets	37	8	3	–	40
Total non-current assets	**3,371**	**2,672**	**2,800**	**3,824**	**3,860**
Current assets					
Inventories	369	296	440	702	403
Derivative financial instruments and investments	10	205	193	–	1
Deferred expenditures	10	13	13	16	30
Trade and other receivables	58	23	10	24	54
Advances paid to suppliers and prepaid expenses	19	17	16	28	15
Taxes receivable	89	59	47	248	77
Bank deposits	–	–	269	48	–
Cash and cash equivalents	1,740	1,825	1,213	792	1,487
Total current assets	**2,295**	**2,438**	**2,201**	**1,858**	**2,067**
TOTAL ASSETS	**5,666**	**5,110**	**5,001**	**5,682**	**5,927**

(in millions of U.S. dollars)	As of 31 December 2016	2015	2014	2013	As of 31 March 2017
EQUITY AND LIABILITIES					
Equity attributable to shareholders of the Company[(1)]	(508)	1,976	1,716	3,910	(30)
Non-controlling interests	94	71	83	78	96
TOTAL EQUITY	**(414)**	**2,047**	**1,799**	**3,988**	**66**
Non-current liabilities					
Site restoration, decommissioning and environmental obligations	38	32	49	69	36
Borrowings	4,698	2,151	1,728	923	4,591
Derivative financial instruments	456	509	423	–	459
Deferred revenue	76	–	–	–	82
Deferred consideration	–	–	–	–	101
Deferred tax liabilities	182	133	150	134	189
Other non-current liabilities	32	20	21	32	35
Total non-current liabilities	**5,482**	**2,845**	**2,371**	**1,158**	**5,493**
Current liabilities					
Borrowings	283	38	90	221	24
Derivative financial instruments	–	–	547	–	–
Trade and other payables	222	151	158	262	244
Deferred consideration	–	–	–	–	21
Taxes payable	93	29	36	53	79
Total current liabilities	**598**	**218**	**831**	**536**	**368**
TOTAL LIABILITIES	**6,080**	**3,063**	**3,202**	**1,694**	**5,861**
TOTAL EQUITY AND LIABILITIES	**5,666**	**5,110**	**5,001**	**5,682**	**5,927**

Note:

1. Equity attributable to shareholders of the Company includes share capital, additional paid-in capital, treasury shares, cash flow hedge revaluation reserve, translation reserve and retained earnings.

(in millions of U.S. dollars, unless otherwise indicated)	Year ended 31 December 2016	2015	2014	2013	Three months ended 31 March 2017	2016
Non-IFRS measures						
Adjusted EBITDA	1,536	1,278	1,018	917	383	330
Adjusted EBITDA margin (%)	62	58	45	39	63	65
Net debt	3,241	364	336	304	3,128	3,496
Net debt / Adjusted EBITDA (last 12 months) (x)[(1)]	2.11	0.28	0.33	0.33	2.0	2.69
Adjusted net profit	952	937	622	568	203	201
Adjusted net profit margin (%)	39	43	28	24	33	39

Note:

1. Net debt to Adjusted EBITDA ratio is calculated as net debt as at the end of the relevant period divided by Adjusted EBITDA for the relevant period. For the purposes of the net debt to Adjusted EBITDA ratio as of 31 March, Adjusted EBITDA is calculated as the trailing twelve months ended on 31 March 2017 (being Adjusted EBITDA for 2016 less Adjusted EBITDA for the three months ended 31 March 2016 plus Adjusted EBITDA for the three months ended 31 March 2017).

Adjusted EBITDA

Adjusted EBITDA has been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*". The following table sets out a reconciliation of the Group's Adjusted EBITDA for the three *months ended 31 March 2017 and 2016.*

(in millions of U.S. dollars, unless otherwise indicated)	*Three months ended 31 March* 2017	2016	*Change (%)*
Profit for the period	**499**	**294**	**70**
Income tax	77	83	(7)
Foreign exchange gain, net	(190)	(116)	64
(Gain) / loss on derivative financial instruments and investments, net	(108)	13	N.A.[2]
Interest income	(11)	(8)	38
Finance costs, net	63	32	97
Depreciation and amortisation	39	30	30
Reversal of impairment	–	(1)	(100)
Long-term incentive plan	7	3	133
Special charitable contributions[1]	7	–	N.A.[2]
Adjusted EBITDA	**383**	**330**	**16**
Total revenue	609	511	19
Adjusted EBITDA margin (%)	**63**	**65**	**(2) ppts**

Notes:

1. Reflects a special charitable contribution being made outside the scope of the Company's existing charity policy and outside of the key regions in which it is present.
2. Not applicable.

The following table sets out a reconciliation of the Group's Adjusted EBITDA for the years ended 31 December 2016 and 2015.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December* 2016	2015	*Change (%)*
Profit for the year	**1,445**	**1,021**	**42**
Income tax	326	191	71
Foreign exchange gain, net	(396)	(149)	166
(Gain) / loss on derivative financial instruments and investments, net	(119)	125	N.A.[1]
Interest income	(40)	(69)	(42)
Finance costs, net	145	45	222
Depreciation and amortisation	148	128	16
Reversal of impairment	(4)	(22)	(82)
Long-term incentive plan	19	7	171
Loss on property, plant and equipment disposal	12	1	1,100
Adjusted EBITDA	**1,536**	**1,278**	**20**
Total revenue	2,458	2,188	12
Adjusted EBITDA margin (%)	**62**	**58**	**4 ppts**

Note:

1. Not applicable.

The following table sets out a reconciliation of the Group's Adjusted EBITDA for the years ended 31 December 2015 and 2014.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*		*Change*
	2015	*2014*	*(%)*
Profit / (loss) for the year	**1,021**	**(175)**	**N.A.**[1]
Income tax	191	222	(14)
Foreign exchange gain, net	(149)	(123)	21
Loss on derivative financial instruments and investments, net	125	934	(87)
Interest income	(69)	(31)	123
Finance costs, net	45	26	73
Depreciation and amortisation	128	182	(30)
Reversal of impairment	(22)	(17)	29
Long-term incentive plan	7	–	N.A.[1]
Loss on property, plant and equipment disposal	1	–	N.A.[1]
Adjusted EBITDA	**1,278**	**1,018**	**26**
Total revenue	2,188	2,239	(2)
Adjusted EBITDA margin (%)	**58**	**45**	**13 ppts**

Note:

1. Not applicable.

The following table sets out a reconciliation of the Group's Adjusted EBITDA for the years ended 31 December 2014 and 2013.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*		*Change*
	2014	*2013*	*(%)*
(Loss) / profit for the year	**(175)**	**148**	**N.A.**[1]
Income tax	222	98	127
Foreign exchange gain, net	(123)	(1)	N.A.[1]
Loss on derivative financial instruments and investments, net	934	–	N.A.[1]
Interest income	(31)	(25)	24
Finance costs, net	26	9	189
Depreciation and amortisation	182	214	(15)
(Reversal of impairment) / impairment losses	(17)	472	N.A.[1]
Loss on property, plant and equipment disposal	–	2	(100)
Adjusted EBITDA	**1,018**	**917**	**11**
Total revenue	2,239	2,327	(4)
Adjusted EBITDA margin (%)	**45**	**39**	**6 ppts**

Note:

1. Not applicable.

Net Debt

Net debt has been calculated by management based on the information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*".

The following table sets out a reconciliation of the Group's net debt as at 31 March 2017 and 2016.

(in millions of U.S. dollars, unless otherwise indicated)	*Three months ended 31 March 2017*	*Year ended 31 December 2016*	*Change (%)*
Non-current borrowings	**4,591**	**4,698**	**(2)**
+ current borrowings	24	283	(92)
– cash and cash equivalents	(1,487)	(1,740)	(15)
Net debt	**3,128**	**3,241**	**(3)**

The following table sets out a reconciliation of the Group's net *debt as at 31 December 2016 and 2015.*

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December 2016*	*2015*	*Change (%)*
Non-current borrowings	**4,698**	**2,151**	**118**
+ current borrowings	283	38	645
– cash and cash equivalents	(1,740)	(1,825)	(5)
Net debt	**3,241**	**364**	**790**

The following table sets out a reconciliation of the Group's net debt as at 31 December 2015 and 2014.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December 2015*	*2014*	*Change (%)*
Non-current borrowings	**2,151**	**1,728**	**24**
+ current borrowings	38	90	(58)
– cash and cash equivalents	(1,825)	(1,213)	50
– bank deposits	–	(269)	(100)
Net debt	**364**	**336**	**8**

The following table sets out a reconciliation of the Group's net debt as at 31 December 2014 and 2013.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December 2014*	*2013*	*Change (%)*
Non-current borrowings	**1,728**	**923**	**87**
+ current borrowings	90	221	(59)
– cash and cash equivalents	(1,213)	(792)	53
– bank deposits	(269)	(48)	460
Net debt	**336**	**304**	**11**

Adjusted Net Profit

Adjusted net profit has been calculated by management based on the information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*". The following table sets out a reconciliation of the Group adjusted net profit for the three months ended 31 March 2017 and 2016.

(in millions of U.S. dollars, unless otherwise indicated)	*Three months ended 31 March*		*Change*
	2017	*2016*	*(%)*
Profit for the period	**499**	**294**	**70**
– reversal of impairment	–	(1)	(100)
+ impact from derivative financial instruments	(108)	13	N.A.[1]
– impact from foreign exchange	(190)	(116)	64
+ / – loss / (income) tax related to abovementioned items	2	11	(80)
Adjusted net profit	**203**	**201**	**1**
Total revenue	609	511	19
Adjusted net profit margin (%)	**33**	**39**	**(6) ppts**

Note:

1. Not applicable.

The following table sets out a reconciliation of the Group adjusted net profit for the years ended 31 December 2016 and 2015.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*		*Change*
	2016	*2015*	*(%)*
Profit for the year	**1,445**	**1,021**	**42**
– reversal of impairment	(4)	(22)	(82)
+ impact from derivative financial instruments	(119)	125	N.A.[1]
– impact from foreign exchange	(396)	(149)	166
+ / – loss / (income) tax related to abovementioned items	26	(38)	N.A.[1]
Adjusted net profit	**952**	**937**	**2**
Total revenue	2,458	2,188	12
Adjusted net profit margin (%)	**39**	**43**	**(4) ppts**

Note:

1. Not applicable.

The following table sets out a reconciliation of the Group's adjusted net profit for the years ended 31 December 2015 and 2014.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*		*Change*
	2015	*2014*	*(%)*
Profit / (loss) for the year	**1,021**	**(175)**	**N.A.**[1]
– reversal of impairment	(22)	(17)	29
+ impact from derivative financial instruments	125	934	(87)
– impact from foreign exchange	(149)	(123)	21
+ / – loss / (income) tax related to abovementioned items	(38)	3	N.A.[1]
Adjusted net profit	**937**	**622**	**51**
Total revenue	2,188	2,239	(2)
Adjusted net profit margin (%)	**43**	**28**	**15 ppts**

Note:

1. Not applicable.

The following table sets out a reconciliation of the Group's adjusted net profit for the years ended 31 December 2014 and 2013.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*		*Change*
	2014	*2013*	*(%)*
Profit / (loss) for the year	**(175)**	**148**	**N.A.**[1]
– (reversal of impairment) / impairment losses	(17)	472	N.A.[1]
+ impact from derivative financial instruments	934	–	N.A.[1]
– impact from foreign exchange	(123)	(1)	N.A.[1]
+ / – loss / (income) tax related to abovementioned items	3	(51)	N.A.[1]
Adjusted net profit	**622**	**568**	**10**
Total revenue	2,239	2,327	(4)
Adjusted net profit margin (%)	**28**	**24**	**4 ppts**

Note:

1. Not applicable.

Total Cash Costs

TCC and TCC per ounce sold have been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Operating Information*".

The following table shows the Group's TCC per ounce sold for the three months ended 31 March 2017 and 2016.

(in millions of U.S. dollars, unless otherwise indicated)	*Three months ended 31 March*		*Change*
	2017	*2016*	*(%)*
Cost of gold sales	**225**	**173**	**30**
– property, plant and equipment depreciation	(40)	(29)	38
– provision for annual vacation payment	(3)	–	N.A.[1]
– employee benefit obligations cost	–	(1)	(100)
– change in allowance for obsolescence of inventory	1	–	N.A.[1]
+ non-monetary changes in inventories[2]	2	–	N.A.[1]
TCC	**185**	**143**	**29**
Gold sales ('000 ounces)	487	400	22
TCC (US$ per ounce sold)	**380**	**357**	**6**

Notes:

1. Not applicable.
2. "Non-monetary changes in inventories" is a calculation of the non-cash portion of costs included in the change in the amount of inventory, primarily representing depreciation and amortisation.

The following table shows the Group's TCC per ounce sold for the years ended 31 December 2016 and 2015.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*		*Change*
	2016	*2015*	*(%)*
Cost of gold sales	**891**	**876**	**2**
– property, plant and equipment depreciation	(154)	(126)	22
– provision for annual vacation payment	–	(1)	(100)
– employee benefit obligations cost	(1)	(4)	(75)
– change in allowance for obsolescence of inventory	(3)	–	N.A.[1]
+ non-monetary changes in inventories[2]	12	4	200
TCC	**745**	**749**	**(1)**
Gold sales ('000 ounces)	1,915	1,768	8
TCC (US$ per ounce sold)	**389**	**424**	**(8)**

Notes:

1. Not applicable.
2. "Non-monetary changes in inventories" is a calculation of the non-cash portion of costs included in the change in the amount of inventory, primarily representing depreciation and amortisation.

The following table shows the Group's TCC per ounce sold for the years ended 31 December 2015 and 2014.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*		*Change*
	2015	*2014*	*(%)*
Cost of gold sales	**876**	**1,174**	**(25)**
– property, plant and equipment depreciation	(126)	(174)	(28)
– provision for annual vacation payment	(1)	1	N.A.[1]
– employee benefit obligations cost	(4)	(1)	300
– change in allowance for obsolescence of inventory	–	(14)	N.A.[1]
+ non-monetary changes in inventories[2]	4	3	33
TCC	**749**	**989**	**(24)**
Gold sales ('000 ounces)	1,768	1,691	5
TCC (US$ per ounce sold)	**424**	**585**	**(28)**

Notes:

1. Not applicable.
2. "Non-monetary changes in inventories" is a calculation of the non-cash portion of costs included in the change in the amount of inventory, primarily representing depreciation and amortisation.

The following table shows the Group's TCC per ounce sold for the years ended 31 December 2014 and 2013.

(in millions of U.S. dollars, unless otherwise indicated)	*Year ended 31 December*		*Change*
	2014	*2013*	*(%)*
Cost of gold sales	**1,174**	**1,347**	**(13)**
– property, plant and equipment depreciation	(174)	(209)	(17)
– provision for annual vacation payment	1	(1)	N.A.[1]
– employee benefit obligations cost	(1)	(5)	(80)
– change in allowance for obsolescence of inventory	(14)	3	N.A.[1]
+ non-monetary changes in inventories[2]	3	18	(83)
TCC	**989**	**1,153**	**(14)**
Gold sales ('000 ounces)	1,691	1,631	4
TCC (US$ per ounce sold)	**585**	**707**	**(17)**

Notes:

1. Not applicable.
2. "Non-monetary changes in inventories" is a calculation of the non-cash portion of costs included in the change in the amount of inventory, primarily representing depreciation and amortisation.

All-In Sustaining Costs (AISC)

The following table shows the Group's AISC per ounce sold for the three months ended 31 March 2017 and 2016.

(in millions of U.S. dollars, unless otherwise indicated)	*Three months ended 31 March*		*Change*
	2017	*2016*	*(%)*
Total TCC	**185**	**143**	**29**
+ Selling, general and administrative expenses	42	34	24
Less: amortisation and depreciation included in selling, general and administrative expenses	(1)	(1)	–
+ stripping activity asset additions	35	17	106
+ sustaining capital expenditures[2]	22	22	–
+ unwinding of discounts on decommissioning liabilities	–	1	(100)
adding back expenses excluded from cost of gold sales			
+ provision for annual vacation payment	3	–	N.A.[1]
+ employee benefit obligations cost	–	1	(100)
+ change in allowance for obsolescence of inventory	(1)	–	N.A.[1]
Total AISC	**285**	**217**	**31**
Gold sold ('000 ounces)	487	400	22
AISC (US$ per ounce sold)	**586**	**543**	**8**

Notes:

1. Not applicable.
2. Sustaining capital expenditures represents capital expenditures at existing operations comprising mine development costs and on-going replacement of mine equipment and other capital facilities, and does not include capital expenditures for major growth projects or enhancement capital for significant infrastructure improvements at existing operations.

The following table shows the Group's AISC per ounce sold for the years ended 31 December 2016 and 2015.

(in millions of U.S. dollars, unless otherwise indicated)	*Three months ended 31 March*		*Change*
	2016	*2015*	*(%)*
Total TCC	**745**	**749**	**(1)**
+ Selling, general and administrative expenses	151	143	6
Less: amortisation and depreciation included in selling, general and administrative expenses	(5)	(3)	67
+ research expenses and other sustaining expenses	1	1	–
+ stripping activity asset additions	55	104	(47)
+ sustaining capital expenditures[2]	141	51	176
+ unwinding of discounts on decommissioning liabilities	3	4	(25)
adding back expenses excluded from cost of gold sales			
+ provision for annual vacation payment	–	1	(100)
+ employee benefit obligations cost	1	4	(75)
+ change in allowance for obsolescence of inventory	3	–	N.A.[1]
Total AISC	**1,095**	**1,054**	**4**
Gold sold ('000 ounces)	1,915	1,768	8
AISC (US$ per ounce sold)	**572**	**596**	**(4)**

Notes:

1. Not applicable.
2. Sustaining capital expenditures represents capital expenditures at existing operations comprising mine development costs and on-going replacement of mine equipment and other capital facilities, and does not include capital expenditures for major growth projects or enhancement capital for significant infrastructure improvements at existing operations.

The following table shows the Group's AISC per ounce sold for the years ended 31 December 2015 and 2014.

(in millions of U.S. dollars, unless otherwise indicated)	*Three months ended 31 March*		*Change*
	2015	*2014*	*(%)*
Total TCC	**749**	**989**	**(24)**
+ Selling, general and administrative expenses	143	174	(18)
Less: amortisation and depreciation included in selling, general and administrative expenses	(3)	(4)	(25)
+ research expenses and other sustaining expenses	1	–	N.A.[1]
+ stripping activity asset additions	104	109	(5)
+ sustaining capital expenditures[2]	51	99	(48)
+ unwinding of discounts on decommissioning liabilities	4	4	–
adding back expenses excluded from cost of gold sales			
+ provision for annual vacation payment	1	(1)	N.A.[1]
+ employee benefit obligations cost	4	1	300
+ change in allowance for obsolescence of inventory	–	14	(100)
Total AISC	**1,054**	**1,385**	**(24)**
Gold sold ('000 ounces)	1,768	1,691	5
AISC (US$ per ounce sold)	**596**	**819**	**(27)**

Notes:

1. Not applicable.
2. Sustaining capital expenditures represents capital expenditures at existing operations comprising mine development costs and on-going replacement of mine equipment and other capital facilities, and does not include capital expenditures for major growth projects or enhancement capital for significant infrastructure improvements at existing operations.

The Group's Adjusted EBITDA increased by 16 per cent to US$383 million for the three months ended 31 March 2017, as compared to US$330 million for the three months ended 31 March 2016, while the Adjusted EBITDA margin decreased by 2 percentage points to 63 per cent for the three months ended 31 March 2017 as compared to the three months ended 31 March 2016. Adjusted EBITDA growth was predominantly driven by Olimpiada and Blagodatnoye, which achieved double digit growth of their gold sales volumes. These two assets generated 82 per cent of the Group's Adjusted EBITDA for the three months ended 31 March 2017. The Adjusted EBITDA growth reflects the Group's increased production, which has been driven by higher ore processing volumes at all of the Group's hard rock mining assets as a result of the continuous focus on improving operational efficiency and cost control.

For the three months ended 31 March 2017, the Group's revenue from gold sales increased by 19 per cent to US$600 million, as compared to US$505 million for the three months ended 31 March 2016, primarily due to increased gold sales volumes. The average realized refined gold price remained largely flat at US$1,258/oz for the three months ended 31 March 2017, as compared to US$1,260/oz for the three months ended 31 March 2016, while gold sales increased by 22 per cent to 487 koz for the three months ended 31 March 2017, as compared to 400 koz for the three months ended 31 March 2016. The average LBMA gold price increased by 3 per cent to US$1,219/oz for the three months ended 31 March 2017, as compared to US$1,183/oz for the three months ended 31 March 2016. The Group's Strategic Price Protection Program ("**SPPP**") further supported revenue generation by improving the average selling price for the three months ended 31 March 2017 by US$39/oz (as compared to a premium of US$77/oz for the three months ended 2016). The SPPP covered 200 koz of gold sold in the three months ended 31 March 2017 and generated US$19 million in the three months ended 31 March 2017.

The Group's TCC increased by 6 per cent to US$380/oz for the three months ended 31 March 2017, as compared to US$357/oz for the three months ended 31 March 2016, primarily as a result of the rouble appreciating by 21 per cent for the three months ended 31 March 2017 as compared to the three months ended 31 March 2016. This increase was mitigated by operational efficiency initiatives, as well as strong operational results during the three months ended 31 March 2017, such as the increased hourly throughput at Blagodatnoye, Verninskoye and Kuranakh and higher grade in ore processed at Olimpiada. Lower consumables and spares expenses positively impacted the Group's TCC for the three months ended 31 March 2017.

As of 31 March 2017, the Group's total borrowings (excluding liabilities arising from derivative financial instruments) amounted to US$4,615 million. As of 31 March 2017, the Group's cash and cash equivalents amounted to US$1,487 million, as compared to US$1,740 million as of 31 December 2016.

The Group's Adjusted EBITDA increased by 20 per cent to US$1,536 million in 2016 from US$1,278 million in 2015, with the Adjusted EBITDA margin improving by 4 percentage points to 62 per cent. This increase was mainly due to the full-scale rollout of the TOP (as defined below), the weaker rouble against the U.S. dollar, higher sales volumes and the positive effect from the SPPP amounting to US$67 million. Olimpiada and Blagodatnoye remained the main contributors to the Group's earnings in 2016. The Adjusted EBITDA growth reflects a combination of the supportive macro environment, the Company's focus on further implementation of operational efficiency improvements and cost control initiatives, as well as an increase in production driven by higher ore processing volumes at almost all of the Group's assets. All of the Group's operational assets contributed to the overall Adjusted EBITDA growth.

		The Group's revenue from gold sales increased by 13 per cent to US$2,429 million in 2016 from US$2,159 million in 2015. In 2016, gold sales volumes increased by 8 per cent to 1,915 thousand ounces from 1,768 thousand ounces in 2015. The average LBMA gold price increased by 8 per cent to US$1,251 per ounce as compared to 2015. The Group's SPPP, launched in March 2014, further supported revenue generation, improving the average selling price in 2016 by US$36/oz (compared to an improvement to the average selling price of US$65/oz in 2015). The SPPP covered 852.5 koz of gold sold in 2016. The Group's TCC per ounce decreased by 8 per cent to US$389 per ounce in 2016 from US$424 per ounce in 2015. This was underpinned by the strong operational performance of the Group's assets, initiatives to improve efficiency and the depreciation of the rouble. All of the hard rock operations demonstrated a year-on-year cost improvement, except for Alluvials, which posted a TCC per ounce increase. As of 31 December 2016, the Group's total borrowings (excluding liabilities arising from derivative financial instruments) amounted to US$4,981 million. As of 31 December 2016, the Group's cash and cash equivalents amounted to US$1,740 million, as compared to US$1,825 million as of 31 December 2015. The Group's Adjusted EBITDA increased by 26 per cent to US$1,278 million in 2015 from US$1,018 million in 2014, with the Adjusted EBITDA margin improving 13 percentage points to 58 per cent. This increase was mainly due to strict cost control measures, the weaker rouble against the U.S. dollar, higher sales volumes and the positive effect from the SPPP amounting to US$116 million. The Group's revenue from gold sales decreased by 2 per cent to US$2,159 million in 2015 from US$2,197 million in 2014, as a result of a decrease in realized gold prices, notwithstanding higher sales volumes. In 2015, gold sales volumes increased by 5 per cent to 1,768 thousand ounces. However, the average realized gold price in 2015 amounted to US$1,221 per ounce, a 6 per cent decrease from 2014. The Group benefited from the SPPP, which was launched by the Group in March 2014 and set the price floor for a significant amount of gold sold. The positive effect of the SPPP on the 2015 average selling price amounted to US$66 per ounce, with the average London afternoon gold pricing fixing falling by 8 per cent to US$1,160 per ounce in 2015. The Group's 2015 average selling price (including the effect of the SPPP) was US$1,225 per ounce, approximately 6 per cent higher than the average London afternoon gold pricing fixing for the period, compared to a US$36 per ounce premium in 2014. Mine-by-mine gold sales were broadly in line with the production performance of each asset, with no serious delays in sales volumes at the Group's operations in 2015. The Group's TCC per ounce decreased by 28 per cent to US$424 per ounce in 2015 from US$585 per ounce in 2014. As a result of the weaker rouble against the U.S. dollar, higher

		production and sales volumes, and a positive impact from cost savings programs, all mines demonstrated year-over-year cost improvements, despite persistent pressures from inflation. As of 31 December 2015, the Group's total borrowings (excluding liabilities arising from derivative financial instruments) amounted to US$2,189 million from US$1,818 million at the end of 2014. As of 31 December 2015, the Group's cash and cash equivalents amounted to US$1,825 million, an increase of 50 per cent from US$1,213 million as of 31 December 2014. Since 31 March 2017, the end of the last financial period for which financial information has been published, there has been no significant change in the Group's financial condition or operating results.
B.8	*Selected key pro-forma financial information.*	Not applicable; the Prospectus does not include pro-forma financial information.
B.9	*Where a profit forecast or estimate is made, state the figure.*	Not applicable; the Prospectus does not include a profit forecast or estimate.
B.10	*A description of the nature of the qualifications in the audit report on the historical financial information.*	Not applicable; there are no qualifications in the audit report on the historical financial information.
B.32	*Information about the issuer of the depositary receipts, including the name and registered office of the issuer of the depositary receipts and the legislation under which the issuer of the depositary receipts operates and legal form which it has adopted under the legislation.*	The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Department of Financial Services. The Depositary was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Mellon Corporation, a Delaware bank holding company. The principal office of the Depositary is located at 225 Liberty Street, New York, New York 10286.

Section C – Securities		
C.13	***Information about the underlying Shares.***	
C.1	*Underlying Shares: A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.*	The securities underlying the DSs are the Company's Shares, bearing the following security identification numbers: ISIN: RU000A0JNAA8 MOEX trading symbol: PLZL The Company's Shares have been publicly traded in Russia since May 2006. The Shares have been admitted to trading on the First Level quotation list of MOEX. The Company has applied to the FCA to

		admit the DSs to the Standard Listing segment on the Official List of the UKLA, and the Company has also applied to the LSE to admit the DSs to trading on the LSE's Regulated Market through its IOB. The Level I ADSs also trade over-the-counter in the United States.
C.2	*Underlying Shares: Currency of the securities issued.*	The currency of the Company's Shares is RUB.
C.3	*Underlying Shares: The number of Shares issued and fully paid and issued but not fully paid. The par value per Share, or that the Shares have no par value.*	The Company's share capital currently consists of 127,545,429 Shares, each with a par value of RUB1.00. All shares of the Company's share capital are fully paid, issued and outstanding.
C.4	*Underlying Shares: A description of the rights attached to the securities.*	Holders of the Company's Shares have the right to vote at all General Shareholders' Meetings of the Company, subject to certain Russian law requirements. All the Shares have the same par value and provide identical rights to their holders. By law, each Share gives its holder the right to: • freely transfer the share without the consent of other shareholders; • receive dividends in accordance with the Joint Stock Companies Law (as defined below) and the Company's charter, if the General Shareholders' Meeting approves payment of such dividends upon a recommendation of the Board of Directors; • participate in General Shareholders' Meetings and vote on all matters within the shareholders' competence, in accordance with the agenda of the respective meeting; • delegate voting rights to a representative under a duly issued power of attorney; • acquire the Company's Shares in case of issuance of additional Shares, by exercising pre-emptive rights on a *pro rata* basis in relation to the shareholder's existing holding of Shares, as provided for by the Joint Stock Companies Law and the Company's charter; • participate in the election and dismissal of members of the board of directors of the Company (the "**Board of Directors**"); • approve major transactions and interested party transactions, if and when required under the Joint Stock Companies Law; • subject to certain limitations, demand repurchase by the Company of all or some of the Shares owned by it, where such shareholder voted against, or did not participate in the voting on, the decision approving, or consenting to, any of the following:

		○ any reorganization; ○ entry into a major transaction involving assets valued at more than 50 per cent of the balance sheet value of the Company's assets, as defined by the Joint Stock Companies Law; ○ an amendment to the Company's charter or adoption of a new version of the Company's charter that limits such shareholder's rights; and ○ the delisting of the Company's shares and the decision to convert the Company into a non-public company; • upon the Company's liquidation, receive a proportionate amount of its property after the Company's obligations of higher priority are paid off in full; • if holding, alone or with other shareholders, 1 per cent or more of the Shares: ○ access the list of persons entitled to participate in the General Shareholders' Meeting; ○ sue in court, on the Company's behalf, members of senior management, the General Director and Chairman of the Board of Directors and/or members of the Board of Directors of the Company for damages incurred by the Company as a result of their faulty actions or failures to act; ○ put on the agenda for voting at either a Shareholders' Meeting or a meeting of the Board of Directors (as determined in accordance with applicable statutory thresholds) the approval of interested party transactions, and demand evidence from the Company that the interested party transaction was in the interests of the Company; and ○ challenge in court major transactions or interested party transactions entered into by the Company in breach of the requirements established by the Joint Stock Companies Law; • if holding, along or with other shareholders, 2 per cent or more of the Shares, within 30 days of the end of the Company's fiscal year, make proposals for inclusion into the agenda of the forthcoming annual General Shareholders' Meeting and nominate candidates to the Board of Directors and the Audit Committee; • if holding, along or with other shareholders, 10 per cent or more of the Shares, demand that the Board of Directors of the Company convene an extraordinary General Shareholders' Meeting; • have access to certain documents of the Company, receive copies for a reasonable fee and, if holding, alone or with other shareholders, 25 per cent or more of the Shares, have free access to accounting documents and minutes of the Board of Directors; and

		• exercise other rights of an ordinary shareholder provided by the Company's charter and Russian legislation.
C.5	*Underlying Shares: A description of any restrictions on the free transferability of the securities.*	Under Russian law, a holder of Shares may freely transfer the shares without the consent of the other shareholders and the Company. Such transfers are subject to transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United States, the United Kingdom, the EEA and other jurisdictions.
C.6	*Underlying Shares: An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.*	The Shares underlying the DSs are not and will not be admitted to trading on any regulated market in the EEA.
C.7	*Underlying Shares: A description of dividend policy.*	In October 2016, the Board of Directors approved a new dividend policy, pursuant to which the Company will, subject to applicable requirements of Russian law for dividends to be paid out of net profit determined in accordance with Russian accounting standards, pay dividends on a semi-annual basis in an amount of 30 per cent of the EBITDA for the applicable reporting period. Payment will be calculated on the basis of the consolidated financial statements of the Group prepared in accordance with IFRS requirements, provided that the net debt/adjusted EBITDA ratio for the previous 12 months based on the consolidated financial statements of the Group is lower than 2.5x. Should the net debt/Adjusted EBITDA ratio for the previous 12 months be higher than 2.5x, the Board of Directors of the Company will exercise discretion on the amount of dividends recommended for approval at the shareholders' meeting, taking into account the Group's financial position, free cash flow, outlook and macro-economic environment. The Board of Directors of the Company may consider the possibility of payment of special dividends, subject to the Group's liquidity position, capital expenditure requirements, free cash flow and leverage. The new dividend policy is intended to provide key stakeholders with visibility on the dividend distributions and aims to balance the appropriate cash returns to equity holders with the requirement of maintaining a balanced and sound financial position. On 7 June 2017, the Board of Directors of the Company recommended that the Company's Annual General Shareholders' Meeting to be held on 30 June 2017 approve the payment of the dividends for the 2016 fiscal year in the total amount of RUB 20,062,843,800 (equivalent to US$354 million at the CBR official exchange rate of RUB 56.6747 per US$1.00 as of 7 June 2017) (see "*Dividend Policy*").

<table>
<tr><th>C.14</th><th colspan="2">Information about the depositary receipts.</th></tr>
<tr><td>C.1</td><td>Depositary receipts: A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.</td><td>
The GDSs will be issued pursuant to the GDS Deposit Agreements (as defined below). Two GDSs represent an interest in one Share on deposit with the Custodian on behalf of the Depositary.
In July 2006, the Company established a Level I American depositary receipt program, and in December 2006, the Level I ADSs evidenced by American depositary receipts representing rights with respect to Shares were listed on the Official List of the UKLA and admitted to trading on the LSE. The Level I ADSs were de-listed from the LSE in 2011. Two Level I ADSs represent an interest in one Share on deposit with the Custodian on behalf of the Depositary.
Application has been made for the DSs to be admitted to the Official List and to the LSE to admit the DSs to trading on the Regulated Market through its IOB.
Automatic exchange of Regulation S GDSs
Upon the expiration of the Restricted Period, the Regulation S GDSs will be automatically exchanged into Level I ADSs that will be fungible with the currently outstanding Level I ADSs.
The security numbers for the Securities are as follows:
<table>
<tr><td>Regulation S GDSs:</td><td>CUSIP:
ISIN:
Common Code:
SEDOL:</td><td>73181M117
US73181M1172
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</td></tr>
<tr><td>C.2</td><td>Depositary receipts: Currency of the securities issue.</td><td>The currency of the DSs will be U.S. dollars.</td></tr>
</table>

C.4	*Depositary receipts: A description of the rights attached to the securities.*	Two DSs represent an interest in one Share on deposit with the Custodian on behalf of the Depositary. A holder of DSs will have the rights set out in the applicable deposit agreement, which may be summarized as: • the right to withdraw the Deposited Shares (as defined hereinafter) and all rights, interests and other securities, property and cash received by the Depositary with respect to the Deposited Shares and held under the applicable deposit agreement ("**Deposited Securities**"); • the right to receive payment in U.S. dollars from the Depositary of an amount equal to cash dividends or other cash distributions received by the Depositary from the Company in respect of the Deposited Securities, net of applicable fees and expenses and subject to the exchange rates determined under the applicable deposit agreement; • the right to receive from the Depositary additional DSs representing additional Shares received by the Depositary from the Company by way of dividend or free distribution or to have the additional Shares represented by the then-outstanding DSs; • the right to receive from the Depositary any distribution in the form of property other than Shares or cash received by the Depositary from the Company (or if such distribution is deemed by the Depositary not to be reasonably practicable, the net proceeds in U.S. dollar of the sale of such property), net or after payment of applicable fees and expenses; • the right to instruct the Depositary regarding the exercise of any voting rights, subject to the terms of the applicable deposit agreement and applicable Russian law requirements; and • the right to inspect notices provided by the Company to holders of Shares received by the Depositary, in each case subject to applicable law, and the detailed terms set out in the applicable deposit agreement. DS holders may not be able to exercise certain rights (other than voting rights and rights to receive any dividend), such as statutory pre-emptive rights, right to request redemption or participate in a repurchase of Shares underlying the DSs, through the Depositary and may be required to cancel their DSs and take delivery of the underlying Shares in order to be able to exercise such rights.
C.5	*Depositary receipts: A description of any restrictions on the free transferability of the securities.*	The DSs are freely transferable, subject, in the case of the GDSs, to certain transfer restrictions set out in the applicable deposit agreement. The Depositary may refuse to register a transfer of DSs if it believes that such transfer would result in a violation of any applicable laws. Each purchaser of GDSs within the United States in reliance on Rule 144A of the Securities Act, by accepting delivery of this Prospectus, will be deemed to make certain representations to ensure compliance with the applicable securities laws of the United States. Each purchaser of GDSs outside the United States

		in reliance on Regulation S of the Securities Act, by accepting delivery of this Prospectus, will be deemed to make certain representations to ensure compliance with the applicable securities laws of the United States.
C.14	*Information about the depositary receipts.*	The applicable deposit agreement sets out the provisions relating to the exercise of and benefit from the rights attaching to the Shares. The following summarizes relevant provisions of the Deposit Agreements relating to the exercise of and benefit from rights attaching to the underlying Shares.
	Describe the exercise of and benefit from the rights attaching to the underlying shares, in particular voting rights, the conditions on which the issuer of the depositary receipts may exercise such rights, and measures envisaged to obtain the instructions of the depositary receipt holders – and the right to share in profits and any liquidations surplus which are not passed on to the holder of the depositary receipt.	Under the Deposit Agreements, two DSs carry the right to instruct the Depositary to vote with respect to one Share underlying the DSs, subject to the provisions of applicable Russian law. The Depositary has agreed to pay or distribute to investors the cash dividends or other distributions it receives on deposited Shares or other Deposited Securities, subject to restrictions and requirements imposed by applicable law and after deducting its fees and expenses. Subject to applicable law, investors will receive these distributions in proportion to the number of Shares their DSs represent, subject to fees and expenses payable under the Deposit Agreements and the exchange rate determined under the Deposit Agreements. There is no bank or other guarantee attached to the DSs and intended to underwrite the Company's obligations.
	Description of the bank or other guarantee attached to the depositary receipts and intended to underwrite the company's obligations.	Not applicable; there is no bank or other guarantee attached to the DSs.

Section D – Risks		
D.2	*Underlying Shares: Key information on the key risks that are specific to the issuer of the underlying shares.*	• The financial results of companies operating in the gold mining industry are impacted significantly by the price of gold, which may be subject to significant volatility. • The Group's Olimpiada deposit generates a significant portion of the Group's total gold production, leaving the Group exposed to adverse effects of a disruption to its operations. • The on-going conflict in Ukraine and the international reaction to Russia's action in connection with Crimea resulting in the imposition of sanctions could further materially adversely affect the economic environment in Russia, including the business, results of operations and financial condition of the Group, and create significant political and economic uncertainty.

		• The Group requires significant capital expenditures to fund the projects contemplated by its current development pipeline, which might be subject to inflationary pressures and which may require external financing that may not be available. • The Group currently executes a number of significant projects related to the internal growth program, which could be disrupted by failure of third party contractors to perform their obligations. • The Group's operations depend to a significant extent on external contractors, including with respect to maintenance services, which exposes the Group to certain risks associated with the engagement of third parties. • The Group's principal operations are located in geographically remote areas with harsh climates, which in some cases requires limiting production operations to specific times of year, and the delivery of supplies to the areas where it operates may be disrupted or transportation costs may increase. • The Group's ability to conduct operations and to continue developing mines depends on the reliability of third parties. • Success in the gold mining industry depends on maintaining a highly qualified, skilled workforce, including qualified geologists and other mining specialists. • Gold exploration and the development of mines involves a high degree of risk and uncertainty. • The volume and grade of the ore the Group extracts may not conform to current expectations. • The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary contracts, licenses and permits, including subsoil licenses, or fails to comply with the terms of its contracts, licenses and permits. • Equipment failures or production curtailments or shutdowns could adversely affect the Group's sales and profitability. • Actual and potential supply chain shortages and increases in the prices of production inputs may have an adverse effect on the Group's operations and profits. • The cost and supply of electricity, particularly self-generated electricity, can be volatile. An increase in power costs will make production more costly and alternative power sources may not be available. • The Group operates in a competitive industry and may not be able to compete successfully for licenses, exploratory prospects and producing properties. • The Group's acquisition strategy may not be successful.

		• The Group is subject to foreign currency exchange rate risks. • The Group is leveraged, and a substantial amount of its borrowings are subject to covenants which could be breached. • The Group may not be able to renew its arrangements with trade unions on favorable terms, and its operations could be adversely affected by strikes and walkouts. • The Group is responsible for maintaining part of the social and physical infrastructure in some of the regions in which it operates.
D.5/ D.3	*Depositary receipts: Key information on the key risks that is specific to the securities.*	The key risks relating to the Securities are as follows: • There may only be a limited trading market for the Securities and, as a result, the price of the Securities may be highly volatile. • The listing of the Shares on the Moscow Exchange could be revoked or the level of listing could be downgraded, which could significantly limit the Company's investor base and adversely affect the price of the Securities. • Holders of DSs may be subject to limitations or delays in repatriating their earnings from distributions made on the Deposited Securities. • Current Russian laws and regulations applicable to depositary receipts representing rights to shares of Russian companies may complicate the exercise of rights to, and the ability to derive benefits from, the underlying Shares and could expose investors to a risk of suspension of the Company's DS program. • Future sales of the Securities may affect the market price of the Securities, and holders of DSs may not be able to exercise pre-emptive rights. • The Company may decide not to pay dividends in the future. • Payments of dividends on the Shares and the GDSs will be subject to Russian withholding tax and, in the case of DSs, subject to the terms of the Deposit Agreements. • The Deposit Agreements impose practical limitations on DS holders' voting rights with respect to the Shares represented by the DSs. • A Russian court could attempt to order the seizure of the deposited Shares in legal proceedings against the Depositary or the DS holders. • There are limits to the number of Shares that can be deposited in the DS program and it may not be possible to deposit Shares in the GDS or Level I ADS facilities in order

		to receive GDSs or ADSs, and changes in Russian regulatory policy with respect to the circulation of the Shares outside Russia in the form of DSs or otherwise may negatively affect the market for the DSs. • Capital gains from the sale of the Shares and the GDSs may be subject to Russian income tax. • If the Open Subscription is not completed, the Company may not receive the proceeds from the Open Subscription and the Company's shareholding structure may differ from what is currently contemplated. • Investors may have limited recourse against the Company or its directors and members of senior management of the Company because they generally conduct their operations outside the United Kingdom and the United States and the current directors and members of senior management of the Company reside outside the United Kingdom and the United States.

Section E – Offer		
E.1	*The total proceeds and estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the company or the offeror.*	Gross proceeds from the Offering, excluding any over-allotments, are estimated to be US$799.4 million. Net proceeds to the Company from the Offering (including gross proceeds from the Russian Offering, which are estimated to be US$6.6 million) are estimated to be approximately US$385.3 million, and reflect the payment by the Company and PGIL of the aggregate underwriting commissions (assuming full payment of the discretionary fee to the Joint Bookrunners), and the payment by the Company of other expenses of the Offering. The total other expenses of the Offering are estimated to total approximately US$5.1 million. The Company will not receive any proceeds directly from the sale of Shares and GDSs by the Selling Shareholders in the Offering. However, Polyus Gold has agreed in the Underwriting Agreements (as defined in "*Licenses and Material Contracts*") to subscribe for the Committed Shares in the Open Subscription at the Offer Price with all gross proceeds of its sale of Shares and GDSs in the Offering. Polyus Gold will sell an aggregate of 5,915,979 Shares in the Offering, including Shares represented by GDSs. It intends to transfer all gross proceeds it receives from these sales to the Company by subscribing for the Committed Shares. Assuming full exercise of the Over-allotment Option, PGIL will sell an aggregate of 7,207,449 Shares in the Offering, including Shares represented by GDSs. The Company will not receive any proceeds from the sale of Shares and GDSs by PGIL.
E.2a	*Reasons for the offer, use of proceeds, estimated amount of the proceeds.*	The Company will not receive proceeds from the Offering as these will be received by the Selling Shareholders. Polyus Gold has committed to use all gross proceeds it receives in the Offering to subscribe for Committed Shares issued by the Company.

		The Company intends to use the proceeds from (i) the issue of the Pre-emption Shares, (ii) the Russian Offering and (iii) the issue of the Committed Shares, after paying all fees and expenses associated with the Offering: • to repay a portion of the Group's outstanding indebtedness (the particular indebtedness to be repaid has not yet been determined as of the date of this Prospectus) or for favorable acquisition opportunities; • to finance the operating activities and development projects of other members of the Group; • to finance capital expenditure; and • for other general corporate purposes of the Group.
E.3	*A description of the terms and conditions of the offer.*	The Offering comprises (i) an offering of Shares in Russia and (ii) an offering of Shares and GDSs outside Russia. Shares and GDSs are offered outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A under the Securities Act. The Offer Price is US$66.50 per Offer Share and US$33.25 per GDS. The Admission Date is on or about 5 July 2017. The GDS Closing Date is on or about 5 July 2017.
E.4	*A description of any interest that is material to the issue/offer including conflicting interests.*	Not applicable.
E.5	*Name of the person or entity offering to sell the security.*	Shares and GDSs are being offered by the Selling Shareholders.
	Lock-up agreements: the parties involved; and indication of the period of the lock-up.	The Company and the Selling Shareholders have undertaken that neither they nor any of their subsidiaries, affiliates nor any person acting on their behalf will, without prior written consent of the Joint Global Coordinators, issue (in the case of the Company only), offer, sell, lend, mortgage, assign, contract to sell, pledge, charge, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option right or warrant to purchase, over or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any Shares, including Shares represented by GDSs, or any securities convertible into or exchangeable for the Shares for a period of 180 days after the closing date of the Offering. The foregoing undertaking is subject to certain exemptions, including, without limitation, (i) the offer and sale of the Shares or GDSs in connection with this Offering and the Share issue; (ii) the transfer of Shares pursuant to the Securities Lending Agreement; (iii) pledging or otherwise giving security over the Shares or GDSs in connection with any financing arrangement, provided that the relevant shareholder, as applicable, will ensure that no such pledge or other security interest will be enforced prior to the expiration of the lock-up period; (iv) participating in a buy back by the Company

		of the Shares or GDSs or a takeover offer made to all holders on identical terms; (v) transfers to affiliates provided such transferee agrees to be bound by the same lock-up terms; (vi) transactions, including the granting of any option over the Shares or GDSs in connection with an employee share scheme or plan of the Selling Shareholders, the Company, or their affiliates; (vii) completion of the transaction described in "*Principal and Selling Shareholders—PGIL Agreement to Sell Shares in the Company*"; (viii) actions resulting in the conversion of Shares into GDSs and vice versa; (ix) the sale of Shares or GDSs to a strategic investor in the amount of up to 5 per cent of the share capital of the Company in the aggregate, provided such purchaser agrees to be bound in writing not to sell such Shares or GDSs, as applicable, until the expiration of the 180 day lock-up period; and (x) any sale or transfer of up to 5 per cent of the Shares or GDSs in the aggregate for the purposes of merger and acquisition transactions, provided such transferee agrees to be bound in writing not to sell such Shares or GDSs, as applicable, until the expiration of the 180 day lock-up period.
E.6	*The amount and percentage of immediate dilution resulting from the offer.*	Prior to the Offering, the Company had 127,545,429 Shares outstanding. Following the Offering, the Russian Offering, and assuming the exercise by all eligible shareholders of their pre-emptive rights to subscribe for the Pre-emption Shares, the full exercise of the Over-allotment Option and the subscription by Polyus Gold of the Committed Shares, the Company's share capital will consist of 133,561,513 issued and outstanding Shares. The Shares currently outstanding will comprise 95.50 per cent of the Company's total share capital. On 22 December 2016, the Company's Extraordinary General Meeting approved the reorganization of the Company in the form of a merger of LLC Polyus-Invest, a then subsidiary of the Company, into the Company and the decrease of the Company's charter capital by way of cancellation of 63,082,318 Shares then held by LLC Polyus-Invest following completion of the merger. The merger and subsequent cancellation of the Company's Shares were completed on 7 April 2017 and 10 April 2017, respectively. Prior to the completion of the merger, the Company's share capital consisted of 190,627,747 Shares. Following the completion of the merger and cancellation of 63,082,318 Shares held by LLC Polyus-Invest, the share capital of the Company was decreased by 63,082,318 Shares. The Company has not cancelled the 1,913,200 Shares that it received from LLC Polyus-Invest in the merger. These Shares are being held by the Company as treasury shares primarily for general corporate purposes, including possible sale and the LTIP. Such treasury shares will not have voting rights or be taken into account for the purposes of quorum requirements at General Shareholders' Meetings and will not be entitled to dividends. The Company will be required to either dispose of such treasury shares within one year following completion of the merger or, if such shares are not disposed of, cancel the treasury shares and decrease its charter capital accordingly.
E.7	*Estimated expenses charged to the investor by the company or the offeror.*	Not applicable; the investor will not be charged any expenses by the Company or the Selling Shareholders or the Joint Bookrunners.

RISK FACTORS

Investment in the Securities involves a high degree of risk. Prospective investors in the Securities should carefully consider the following information about the risks described below, together with other information contained in this Prospectus prior to making any investment decision with respect to the Securities. The risks highlighted below could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, the trading price of the Securities could decline if any of these risks materialize, and investors may lose some or all of their investment.

Prospective investors should note that the risks relating to the Group, its industry and the Securities summarized in the section of this document headed "Summary" are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Securities. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarized in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below. There may be additional risks of which the Company is currently unaware, and any of these risks could have the effect set forth above.

RISKS ASSOCIATED WITH THE GROUP'S BUSINESS AND THE GOLD MINING INDUSTRY

The financial results of companies operating in the gold mining industry depend largely on the price of gold, which may be subject to significant volatility

The Group derives substantially all of its revenue from the sale of gold. Accordingly, its financial results largely depend on the price of gold. The gold market is cyclical and sensitive to changes in general economic conditions, and may be subject to significant volatility. As a result, it is not possible to forecast accurately the price of gold. The price of gold is influenced by various factors, many of which are outside the control of the Group, including, but not limited to:

- global and regional economic and political conditions;
- global and regional supply and demand and expectations of future supply and demand;
- speculative trading activities in gold;
- actual, expected or rumored purchase or release of built-up reserves of gold by central banks or other large holders or dealers, as well as purchases under hedging contracts;
- military conflicts and acts of terrorism;
- changes in the use of gold in industrial applications or as an investment, as well as fluctuations in the demand for jewellery;
- local and foreign government regulations and regulatory actions, including export quotas;
- the overall level of forward sales by other gold producers;
- the overall level and cost of production of other gold producers;
- currency exchange rates, particularly movements in the value of the U.S. dollar against other currencies; and
- actual or expected inflation and interest rates.

The global gold price has declined significantly since 2012, and has been subject to volatile movements over short periods of time. In 2014, the gold price fluctuated between US$1,142 per ounce and US$1,385 per ounce. In 2015, the average London afternoon gold pricing fixing was US$1,160 per ounce, 8 per cent lower than in 2014, when it averaged US$1,266 per ounce. In 2016, the average London afternoon gold pricing fixing was US$1,251 per ounce, 8 per cent higher than in 2015. Gold opened in 2017 at US$1,151 per ounce and was US$1.247 per ounce on 29 June 2017.

In the case of a significant and prolonged reduction in the price of gold, the Group may be required to revise its exploration and development plans and budget, and if the price falls below the Group's cost of production, it may determine that it is not economically feasible to continue commercial production at some or all of its operations or the development of all of its current prospects. In such circumstances, the Group may curtail or suspend some or all of its exploration and production activities or be required to draw down (without replacement) or restate downwards its reserves, which may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Significant sustained declines in the price of gold may render any of the gold exploration or development activities to be undertaken by the Group less profitable or unprofitable and may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

In March 2014, the Group initiated the Strategic Price Protection Program ("**SPPP**"), comprised of a series of zero cost Asian gold collars and gold forward contracts, aimed at increasing the price certainty of a material proportion of the Group's cash flow in light of gold price volatility (44.5 per cent of total gold sold in 2016 was covered by the SPPP). See note 13 to the 2016 Financial Statements. Although hedging can generally reduce exposure to volatility in the gold price, it may also deprive the Group of the benefits of a possible appreciation in the gold price to the extent of the proportion of sales covered by the hedge. Even if the Group has hedging in place, it cannot be guaranteed that the counterparties to the hedging arrangements will not fail to comply with the terms of these arrangements. Any of the foregoing risks, if materialized, may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group's Olimpiada deposit generates a significant portion of the Group's total gold production, leaving the Group exposed to adverse effects of a disruption to its operations

In 2016, the Group derived 48 per cent of its gold production from its operations at the Olimpiada deposit. The Krasnoyarsk business unit, which includes the Olimpiada deposit together with other producing mines, generated 76 per cent of the Group's Adjusted EBITDA, 73 per cent of its total gold sales and 72 per cent of its total revenue. In 2015, the Group derived 43 per cent of its total gold production from its operations at the Olimpiada deposit. The Krasnoyarsk business unit, which includes the Olimpiada deposit together with other producing mines, generated 79 per cent of the Group's Adjusted EBITDA, 75 per cent of its total gold sales and 74 per cent of its total revenue in 2015. See "*Business — Principal Operations — Krasnoyarsk region — Olimpiada deposit*" and "*Operating and Financial Review — Summary of performance results by business units — Krasnoyarsk business unit (Olimpiada, Blagodatnoye and Titimukhta mines)*". To the extent that the Group's operations at Olimpiada are subject to a temporary or prolonged disruption, including, among other things, as a result of suspension or termination of mining licenses, major equipment failure, failure to receive required supplies in a timely manner or at all, or catastrophic events, such as fires, floods or adverse weather conditions, the Group's business, results of operations and financial condition or the trading price of the Securities could be materially adversely affected. See "*—The Group may incur losses from uninsured or self-insured risks*".

The development of Sukhoi Log is subject to risks

The Group participated in the auction announced by the Russian government on 2 December 2016 (Decree of the Government of the Russian Federation No. 2550-r dated 30 November 2016) for the Sukhoi Log deposit, one of the 30 largest gold mineral deposits globally in terms of resources according to Metals Focus' Gold Focus 2016 report. On 21 February 2017, further to the Governmental decree confirming the results of the auction, the Russian Federal Agency for Subsoil Use ("**Rosnedra**") issued a license for the development of the Sukhoi Log deposit to SL Gold (as defined below).

In order to be eligible under applicable Russian laws to participate in the auction for Sukhoi Log, the Group established a subsidiary, LLC "SL Gold" ("**SL Gold**"). The Group holds a 54.6 per cent interest in SL Gold, with the remaining 45.4 per cent interest held by LLC "RT Business Development" ("**RT**"), a wholly owned subsidiary of Russian state-owned Rostec Corporation (see "*—The on-going conflict in Ukraine and the international reaction to Russia's action in connection with Crimea resulting in the imposition of sanctions could further materially adversely affect the economic environment in Russia, including the business, results of operations and financial condition of the Group, and create significant political and economic uncertainty*").

Sukhoi Log is situated in a region with difficult conditions, and no assurance can be given that the project plan for the development of Sukhoi Log, when prepared, will meet expectations or that the Group will be able to obtain financing for the development of Sukhoi Log on terms acceptable to the Group. Any failure to fulfil the development expectations of Sukhoi Log could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Information related to future capital expenditures, future operating costs, TCC and AISC for Sukhoi Log are preliminary estimates, based on publicly available information related to Sukhoi Log. The Group has not yet conducted exploration and feasibility studies related to Sukhoi Log and these estimates may change, subject to such studies being carried out. See "*Business — Advanced stage exploration projects — Sukhoi Log — 4. Next Steps*". Furthermore, capital expenditures, operating costs, TCC and AISC are subject to market and other factors which cannot be predicted, including the impact of inflation, the price of gold, the RUB/US$ exchange rate and the actual costs of labor and materials. As a result, actual capital expenditures, operating costs, TCC and AISC may vary from the Company's current preliminary estimates, perhaps significantly.

To the extent that the Group's future operations at Sukhoi Log are subject to a temporary or prolonged disruption, including as a result of major equipment failure, failure to receive required supplies in a timely manner or at all, or natural disasters such as fires, floods or adverse weather conditions, the Group's business, results of operations and financial condition or the trading price of the Securities could be materially adversely affected.

As of the date of this Prospectus, the Group's partner in SL Gold, Rostec Corporation, is on the U.S. OFAC Sectoral Sanctions Identifications List as an entity subjected to the sectoral sanctions imposed by the U.S. OFAC Directive 3, which bars U.S. persons from engaging in any dealings in Rostec Corporation's new debt of longer than 30 days maturity. Some of Rostec Corporation's affiliates and key executives are also subject to blocking sanctions (imposing asset freezes and prohibiting engaging in any activities with the persons listed in the U.S. OFAC Specially Designated Nationals List, in the case of the U.S., or annexes to the EU regulations, in the case of the EU) or sectoral restrictions (prohibiting, for instance, debt and equity financing of the listed persons) in the U.S. or EU.

Even though SL Gold is not subject to any U.S. or EU sanctions and the Group does not believe that the U.S. and EU sanctions currently in effect in respect of Rostec Corporation, its affiliates and certain of its key executives could impede future cooperation with Rostec Corporation, if new sanctions were to be imposed on Rostec Corporation, its affiliates and certain of its key executives, as a result of which the Group withdrew from SL Gold, such withdrawal would result in the Group losing its right to explore and develop the Sukhoi Log deposit, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group is subject to mining risks

The Group's operations, like those of other mining companies, are subject to all of the hazards and risks normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons, property or the environment. The Group engages in open pit mining. Hazards associated with open pit mining operations include flooding, collapses of the open pit wall or shelf, accidents associated with the operation of mining transportation equipment, accidents associated with the preparation and ignition of large-scale open pit blasting operations, production disruptions due to weather and hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination. On 23 May 2016, for example, the Group experienced a landslide at the Vostochny pit of its Olimpiada deposit, resulting in the ore supply from the Vostochny pit being temporarily suspended. The output of the Group's mines may also be adversely affected by the low winter temperatures in the regions where the Group's principal mines are located and by unforeseen geological conditions, as well as emergency breakdowns in mining equipment, such as those that the Group experienced at Verninskoye in 2012, where production was affected by the breakdown of the primary crusher.

The Group may experience any of these hazards. The occurrence of any of these or similar hazards could delay production, increase production costs, damage the Group's reputation or result in injury or death to persons and damage to property, as well as associated liability for the Group, and may result in actual production differing potentially materially from estimates of production. While the Group purchased property damage, machinery breakdown and business interruption insurance (including coverage of pollution clean-up, strikes, civil commotions, construction, and damage or collapse of tailings dam) for its main production units (JSC Polyus, JSC Pervenets, and JSC Aldanzoloto GRK) with one-year coverage starting from 1 September 2016, the Group may incur costs that are not covered under this insurance, which may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities. See "*—The Group may incur losses from uninsured or self-insured risks*".

The on-going conflict in Ukraine, the international reaction to Russia's action in connection with Crimea resulting in the imposition of sanctions, and other disputes between Russia and other countries could further materially adversely affect the economic environment in Russia, including the business, results of operations and financial condition of the Group, and create significant political and economic uncertainty

The continuing political crisis and armed conflict in Ukraine have affected Russia's relations with the EU, the United States and certain other countries (including Canada, Australia, Japan and Norway). In March 2014, a referendum on the status of Crimea was held there and resulted in a substantial majority of votes in favor of seceding from Ukraine and joining the Russian Federation as a federal constituent entity. On 18 March 2014, Russia and Crimea signed an agreement on the accession of the Republic of Crimea to the Russian Federation. On 21 March 2014, the Russian parliament passed legislation extending the effect of Russian laws and operation of governmental authorities to the territory of Crimea.

The events in Ukraine and Crimea and the resulting change in its legal status brought about a negative reaction from the EU, the U.S. and a number of other countries. Several countries imposed sanctions against Russia and refused to recognize the referendum held in Crimea as legal. The U.S. and the EU have imposed sanctions on a number of Russian officials and individuals, former Ukrainian officials, and several Russian companies, banks and businessmen with the consequence that entities and individuals in the U.S. and the EU cannot do business with them or provide funds or economic resources to them, with assets in the relevant sanctioning jurisdictions subject to seizure and the individuals to visa bans. In addition, the U.S. and the EU have applied "sectoral" sanctions, whose principal consequences are that several leading Russian state-owned banks have been restricted from accessing Western capital. Similar sanctions have been imposed on major companies in the oil and gas and defense sectors of the Russian economy. The U.S. executive order implementing sectoral sanctions also permits sanctions to be applied against companies in the metals and mining sectors, although such sanctions are not currently in effect against any Russian metals and mining companies. The current sanctions regime is a result of multiple extensions by the U.S. and the EU in the scope and, in the case of the EU, the term of sanctions, the most recent of which were taken in June 2017. As a countermeasure to the Western sanctions, Russia imposed its own sanctions.

The reaction of Western countries to the events in Ukraine and Crimea, in particular the economic sanctions described above, has had an adverse impact on the Russian economy and Russia's financial markets, increased the cost of capital and capital outflows and worsened the investment climate in Russia. During the course of 2014, the international rating agencies, including S&P and Moody's, downgraded their foreign currency sovereign debt rating for the Russian Federation to 'BBB-' and 'Baa2', respectively, with negative outlook. Currently, S&P and Moody's foreign currency sovereign debt rating for the Russian Federation is 'BB+' and 'Ba1', respectively.

As the Group's production assets are located in the Russian Federation, if the sectoral sanctions were to be expanded to the companies in the metals and mining sector, then the Company or any or all of its subsidiaries, including SL Gold (the company established in connection with the Sukhoi Log auction; see "*—The development of Sukhoi Log is subject to risks*"), could be restricted from accessing Western capital markets and acquiring certain U.S. manufactured equipment, which could cause difficulties in the implementation of investment projects, securing supplies of imported equipment and raising funds on EU and U.S. markets. Potential risks include an inability to execute new contracts for the supply of equipment, machines, components and spare parts manufactured in the U.S., an inability to finance such purchases under existing contracts and a delay in the execution of the investment program and development of major deposits, including Natalka and Sukhoi Log, as a result of the failure to secure financing from EU and U.S. financial institutions. In addition, U.S. and EU sanctions apply to U.S. and EU employees, officers or directors of the Group, meaning such individuals could not approve or in any other way participate in operations with the banned organizations or enter into transactions to which sanctions apply. The Company and Group entities registered in the EU and U.S. are required to comply with applicable EU and U.S. sanctions with the consequence that such entities may not conduct business with any sanctioned persons in violation of EU and U.S. sanctions that apply to them. Non-compliance with applicable sanctions could result in civil and criminal liability, imposition of substantial fines, breaches of contractual undertakings, negative publicity and reputational damage. None of the proceeds from (i) the issue of the Pre-emption Shares, (ii) the Russian Offering and (iii) the issue of the Committed Shares will be used to fund activities or persons in violation of sanctions introduced by the EU and U.S.

Tensions between Russia and the U.S. and the EU have increased recently as a result of the conflict in Syria, increasing the risk of imposition of additional sanctions on Russia. The impact of any escalation in confrontation between Ukraine and Russia or escalation of Russia's tensions with the EU and U.S. over the conflict in Syria would likely cause additional economic disruption. This, in turn, could result in a general lack of confidence among international investors in the region's economic stability and in Russian investments generally. Such a lack of confidence could result in reduced liquidity, trading volatility and significant declines in the price of listed securities of companies with significant operations in Russia, and in the Group's inability to raise debt or equity capital in the international capital markets, which may materially adversely affect its business, financial condition, results of operations and prospects. The conflict in Ukraine remains to be resolved and could continue or escalate. Hostilities between Ukraine and Russia, if such were to occur, would likely cause substantial economic disruption to both countries. There could also likely be calls from the West for a comprehensive sanctions regime that would seek to isolate Russia from the world economy. If no resolution of the current conflicts in eastern Ukraine is forthcoming and Russia is continued to be perceived as acting uncooperatively, there may well be further strengthening and broadening of sanctions against Russian persons. Should either the EU or U.S. expand the existing sanctions to designate existing or future customers, suppliers or other counterparties of the Group, such expansion could disrupt business with important customers, suppliers and other counterparties. The escalation of confrontation in Ukraine, the rise in tensions between Russia and the EU and U.S. and the expansion of sanctions may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Various prominent U.S. politicians have already called for a strengthening of sanctions. In January 2017, an agency of the U.S. government released a report alleging that the Russian government had covertly attempted to influence the 2016 U.S. presidential election. Investigations into these allegations are currently conducted by agencies of the U.S. government, including the Federal Bureau of Investigations (the "**FBI**"), and in May 2017, the U.S. Justice Department appointed special counsel to oversee the FBI investigation. Concurrently with these investigations, the U.S. Senate, including its Judiciary Committee and Select Committee on Intelligence, are conducting their own investigations and hearings into these allegations. These allegations have already led to proposals from some prominent U.S. politicians for additional sanctions against Russian interests and in the event investigations result in any confirmation of such allegations, the U.S. may impose additional sanctions on Russia and Russian companies. On 12 June 2017, a draft legislation was submitted to the U.S. Senate aimed at codifying and expanding existing sanctions imposed on Russia and Russian interests pursuant to Executive Orders issued by the U.S. President, including authorizing the Secretary of the Treasury to expand sanctions to state-owned companies operating in the railway, shipping or metals and mining sectors of the Russian economy, as well as imposing several categories of new sanctions, including sanctions with respect to activities of Russia undermining cybersecurity, sanctions relating to special Russian crude oil projects, sanctions on persons engaging in transactions with intelligence and defense sectors of the Russian government, sanctions with respect to corruption in Russia and sanctions with respect to certain transactions with sanctions evaders and serious human rights abusers in Russia.

Although none of the Company or its shareholders or subsidiaries is currently subject to any U.S. or EU sanctions, more expansive sanctions targeting metals and mining companies, including the Group and its shareholders, or a broader segment of the Russian economy could interfere with the Group's operations, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Global economic developments could have a significant adverse impact on the Group's total revenue and results of operations

The global economic downturn which occurred from 2008 to 2010 had an extensive adverse impact on the global commodities markets. While many economies have subsequently experienced some recovery from the economic crisis, growth in many markets remains slow, and many markets which previously had seen very high growth have exhibited slower growth in recent years. For instance, China has recently seen a substantial decline in its rate of growth, as well as significant devaluations of its currency and volatility on Chinese stock exchanges, which may be signs of further difficulties for the Chinese economy in the future.

The region comprising the member states of the European Union that have adopted the euro (the "**Eurozone**") has been affected by the general slow growth in the economies of its Member States, following the global economic crisis, as well as the continued financial crisis in Greece and negotiations over its inability to repay its substantial debt. On 30 June 2015, Greece became the first developed country to miss its loan payment to the International Monetary Fund. Although the payment was finally made during a grace period, Greece remains in a difficult position and may not be able to meet its further loan repayments without further bailouts from the European Central Bank.

Financial markets and the supply of credit are likely to continue to be impacted by concerns surrounding the sovereign debts of Greece and potentially other EU countries, the prospective exit of the UK from the European Union, the possibility of further credit rating downgrades of, or defaults on, such sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. Governments and regulators have implemented austerity programs and other remedial measures to respond to the Eurozone debt crisis and stabilize the financial system but the actual impact of such programs and measures is difficult to predict.

If the Eurozone debt crisis is not resolved, it may be the case that one or more countries may default on their debt. If such an event were to occur, it could result in unpredictable market volatility as customers in the region could potentially reduce purchases from the Group, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities. In addition, the departure of one or more countries from the European Monetary Union may result in the imposition of, among other things, exchange controls and mandatory payment laws.

The exact nature of the risks that the Group faces is difficult to predict and guard against in light of the difficulties in predicting the outcomes of the remedial measures being undertaken in Europe, the extent to which the Eurozone debt crisis, in a slowdown in growth or recession in Europe and elsewhere, will impact the global economy and the fact that the risks are outside of the Group's control. To the extent that the economic conditions in the European Union worsen, the Group's business, results of operations and financial condition or the trading price of the Securities could be materially adversely affected.

The Group requires significant capital expenditures to fund the projects contemplated by its current development pipeline, which might be subject to inflationary pressures and which may require external financing that may not be available

Management's current development pipeline contemplates significant investments in 2017–2018, including capital expenditures required in connection with the on-going construction projects at Natalka in connection with the planned commissioning of Natalka in 2017. See "*Business — Development Projects — Natalka*". The Group's capital expenditures might be subject to inflationary price pressures resulting from price increases, as well as price increases caused by an undersupply of critical equipment for mining and processing.

As the Group's strategy involves both acquisitions and the development of existing assets, further exploration and development may be dependent upon the Group's ability to obtain financing through the raising of equity or debt financing or other means. The Group's ability to secure debt or equity financing in amounts sufficient to meet the financial needs of the Group could be adversely affected by many factors beyond the Group's control, including, but not limited to, economic conditions, the level of liquidity in the Russian and international banking sectors and the impact of the U.S. and EU sanctions resulting from the Ukrainian crisis. There can be no assurance that additional funding required by the Group for its current development projects or any that might be undertaken in the future will be made available to it and, if such funding is available, that it will be offered on reasonable terms. If the Group is unable to obtain additional financing as needed, it may be required to delay or reduce the scope of its operations or anticipated capital investments, which may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group currently executes a number of significant projects related to the internal growth program, which could be disrupted by failure of third-party contractors to perform their obligations

Management's current development pipeline contemplates the execution of a number of significant projects as part of the internal growth program. The Group relies on various third-party contractors to execute the projects on time, on budget and as otherwise planned. Failure by third-party contractors to meet schedules, budgets and/or specifications for the execution of the projects could adversely affect the introduction of both new production capacity and existing production plans, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group's operations depend to a significant extent on external contractors, including with respect to maintenance services, which exposes the Group to certain risks associated with the engagement of third parties

The Group's operations are dependent to a significant extent on the efforts and abilities of outside contractors, experts and other advisors, including with respect to maintenance services. As a result, the Group's operations at those sites at which such contractors are present are subject to a number of risks, some of which are outside the Group's control, including:

- negotiating agreements with contractors on terms acceptable to the relevant Group company;
- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement;
- reduced control over those aspects of operations which are the responsibility of the contractor;
- failure of a contractor to perform under its agreement with the Group;
- interruption of operations or increased costs in the event that a contractor ceases its business due to insolvency or other unforeseen events; and
- failure of a contractor to comply with applicable legal and regulatory requirements, to the extent it is responsible for such compliance.

The occurrence of any one of, or a combination of any of, the risks mentioned above could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group's principal operations are located in geographically remote areas with harsh climates, which in some cases requires limiting production operations to specific times of year, and the delivery of supplies to the areas where it operates may be disrupted or transportation costs may increase

The Group's principal operations are located in remote areas, some of which have harsh climates, resulting in technical and logistical challenges for conducting both geological exploration and mining. While the Group benefits from the modern mining transportation skills and technologies, that it has developed for operating in areas with harsh climates, it may sometimes be unable to overcome problems related to weather and climate at a commercially reasonable cost, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The remote location of the Group's principal operations also results in increased costs and transportation difficulties. The delivery of supplies to areas where the Group operates may be disrupted or transportation costs may increase. During winter, the minimum air temperature at the largest production sites (Olimpiada and Blagodatnoye) in Krasnoyarsk region can fall to as low as -61°C and the annual average is -5°C. The main terminal at Lesosibirsk, which is designed to handle, ship, store and deliver all supplies to sites, is connected by a 320 kilometer road with a ferry crossing over the Yenisei River, or, in winter months, an ice crossing of the frozen river. The route is impassable from the end of October to December and from March to the middle of April each year. The mud periods also significantly challenge the timely procurement of materials and technical resources for capital construction projects. The seasonality of production restricts operations only at the Group's Alluvial operations, where output temporarily stops from the end of November to the following March on an annual basis. An increase in costs of, or interruptions in, transportation could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group's ability to conduct operations and to continue developing mines depends on the reliability of third parties

The Group's operations use infrastructure provided by third parties, such as loading terminals and airfields, for transportation. The delivery of supplies may be disrupted or transportation costs may increase. Failure by suppliers to meet schedules for the production and delivery of necessary supplies could affect the Group's ability to conduct operations and to continue developing mines. The inability to obtain consumables, materials and equipment in a timely manner could adversely affect the introduction of both new production capacity and existing production plans, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Success in the gold mining industry depends on maintaining a highly qualified, skilled workforce, including qualified geologists and other mining specialists

The ability of the Group to maintain a competitive position and to implement its business strategy depends to a large degree on the services of the senior management. The business and results of operations of the Group also depend, to a large extent, on its ability to attract, retain and motivate qualified personnel, particularly qualified geologists and mining specialists. Competition in Russia for personnel with relevant expertise is intense due to the small number of qualified individuals, particularly skilled managers, accounting personnel and information technology personnel. Furthermore, only a limited number of skilled geologists and other mining specialists with adequate qualifications and experience are available in Russia and there is an increasing demand for such qualified personnel as more international companies invest in the Russian mining industries, as well as the oil and gas industries, which often compete for the same personnel. This competition for attracting and retaining qualified personnel is the main factor behind the recent increase in labor costs in the gold mining industry. The Group has experienced difficulties in the past in recruiting and retaining a sufficient number of qualified engineers and technicians for some of its facilities and there can be no certainty that the services of current key personnel will continue to be available to the Group. To the extent that labor costs were to keep increasing in the gold mining industry, this could result in a reduction in the Group's profit margins, while failure to retain an adequate number of qualified geologists or other mining specialists may hinder the development of the Group's gold assets and have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Gold exploration and the development of mines involve a high degree of risk and uncertainty

To maintain future gold production beyond the life of the current reserves or to increase production materially through mining new deposits, the Group will need to extend its mineral base through geological exploration. Gold exploration may require substantial expenditure and involves a high degree of risk, and exploration projects are frequently unsuccessful. Once gold deposits are discovered, it can take several years to determine whether gold reserves exist and few prospects that are explored are developed into productive mines. The long-term success of the Group's operations will be related to the cost and success of its exploration programs. The risks associated with gold exploration include the identification of potential gold mineralization based on analysis of geological data, the technological challenges of exploration and development, the receipt of necessary governmental permits and licenses and the construction of mining and processing facilities at any site chosen for mining. A decline in the market price of gold may render reserves containing relatively lower grades of gold mineralization uneconomic. No assurance can be given that any exploration program undertaken by the Group will result in the discovery of new resources or in any new commercial mining operation.

Substantial expenditure may be required to establish reserves through drilling and to determine technological processes to extract metals from ore. If reserves are developed, it can take a number of years from the initial phases of drilling and identification of mineralization until production is possible. During this period, the assumptions on which the Group has based its assessments of the economic feasibility of the mine, including in relation to future gold prices, anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed, anticipated recovery rates of gold from the ore, anticipated capital expenditures and cash operating costs, may require significant adjustment. The Group's initial access to information when forming such assumptions and making such assessments may also be limited.

Actual cash operating costs, production levels and economic returns may differ significantly from those anticipated by studies and estimates. There are a number of uncertainties inherent in the development and construction of a new mine or an extension to an existing mine. These uncertainties include, in addition to those discussed above, the timing and cost (which can be considerable) of the construction of mining and processing facilities; the availability and cost of skilled labor, power, water, consumables (such as cyanide, lubricants and fuel) and transportation facilities; the availability and cost of appropriate smelting and refining arrangements; the need to obtain necessary environmental and other governmental permits and the timing of those permits; and the availability of funds to finance construction and development activities in the longer term.

Consequently, no assurance can be given that the current and future exploration programs undertaken by the Group will result in the discovery of deposits, the expansion of existing reserves or the development of mines. This may result in a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The volume and grade of the ore the Group extracts may not conform to current expectations

Like any mining company, the future financial condition of the Group will depend on its ability to economically extract its reserves and resources. Ore Reserve and Mineral Resource estimates of mining companies are inherently imprecise and depend to some extent on statistical inferences drawn from limited drilling and other testing, which may ultimately prove unreliable. Ore Reserve and Mineral Resource estimates and classifications are also affected by economic factors, such as significant changes in metal prices.

In 2016, AMC conducted a review of the Group's Ore Reserve and Mineral Resource estimates in conjunction with preparation of the AMC Report. Ore Reserve and Mineral Resource estimates are expressions of professional judgment, based on knowledge, experience and industry practice, but are subject to considerable uncertainties. As a result, the Group cannot be certain that its estimated Ore Reserve and Mineral Resources are completely accurate. Moreover, future volumes of mining, which may not occur for many years, and rates of recovery of metals could differ materially from such estimates. Should the Group discover, in the course of mining its deposits, that those deposits differ from those predicted by drilling, sampling and similar examinations, it may have to adjust its reserve and resource estimates and alter its mining plans in a way that might adversely affect the results of operations. The estimated Mineral Resources described in this Prospectus should not be interpreted as a statement of the commercial viability, potential or profitability of any future operations. Although most of the Group's Ore Reserve and Mineral Resource estimates have been prepared and reported according to the JORC Code, further exploration or evaluation may significantly alter their value. Moreover, some of the Group's mineral deposits have not been subject to preparation or reporting of estimates according to the JORC Code or any other internationally recognized classification scheme and have been subject only to internal evaluation.

If estimates of the Group's Mineral Resources based on the results of exploration activities prove to be inaccurate or lower than forecast, the Group's business, results of operations and financial condition or the trading price of the Securities could be materially adversely affected. Alternatively, if the Group's Ore Reserve and Mineral Reserve estimates exceed current forecasts, it is not certain that it will be able to develop the production capacity to exploit those Ore Reserves commercially, and the Group's business, results of operations and financial condition or the trading price of the Securities could be materially adversely affected.

For instance, the Natalka Ore Reserve and Mineral Resource estimates previously were based on the 2011 resource block model reviewed by Micon International and documented in its mineral expert report of February 2012 prepared according to JORC Code (2004 requirements). When the Company hired Micromine Pty Ltd ("**Micromine**") and AMC in 2013 to update the resource block model and the Ore Reserve and Mineral Resource estimates, they found that in the 2011 resource model, the channel sampling information, comprising approximately 60 per cent of the resource database, was derived from historical Soviet-era underground samples dating as far back as 1945, which had significant location errors, caused by coordinate conversions, and poor quality control support, which resulted in a systematic positive bias on the order of 40 per cent to 60 per cent. Following a review of Ore Reserve and Mineral Resource estimates for the Natalka deposit in 2014 and reassessment of the deposit's Ore Reserves in the second half of 2014, the deposit's development was put on hold pending a detailed operational review. Following completion of a detailed operational review in August 2015, a project plan for the development of Natalka was prepared and approved by the Federal Agency for Subsoil Use. No assurance, however, can be given that the review has eliminated inaccuracies, or that the project plan for the development of Natalka will meet expectations. This may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary contracts, licenses and permits, including subsoil licenses, or fails to comply with the terms of its contracts, licenses and permits

The Group's exploration, mining and processing activities are dependent upon the grant, renewal and continued enforceability of appropriate contracts, licenses, permits and regulatory approvals and consents, which may be valid only for a defined period of time, may be subject to limitations and may provide for withdrawal in certain circumstances. In particular, companies seeking to explore or mine mineral deposits in Russia must obtain a subsoil license issued by the Federal Agency for Subsoil Use for an identified mineral deposit. Subsoil rights are not granted in perpetuity in Russia, and any renewal of the relevant license must be granted before expiry of the relevant current term.

The legal and regulatory basis for the licensing requirements in Russia is often unclear and subject to frequent change, which increases the risk that the Group may be found to be non-compliant, and the regulatory authorities in Russia exercise considerable discretion in the timing of license issuances and renewals. In addition, it is possible that licenses applied for or issued in reliance on acts and instructions relating to subsoil rights issued by the relevant regulatory agencies in Russia could be challenged by governmental prosecutorial authorities or otherwise challenged as being invalid if such acts or instructions were found to be beyond the authority of that ministry or agency or if the licenses were issued in breach of the required procedures. Deficiencies of this nature may subject subsoil licensees and contracts to selective governmental claims. Any alleged non-compliance by the Group with licensing regulations or the terms of any of its licenses could lead to suspension or termination of the licenses and permits and to administrative, civil and criminal liability.

Compliance

Regulatory authorities in Russia exercise considerable discretion in the monitoring of a licensee's compliance with the terms of a license. Conditions imposed by those authorities may include requirements to comply with numerous industrial standards, recruit qualified personnel and subcontractors, maintain necessary equipment and quality control systems, monitor the operations of the Group's license-holders, maintain appropriate filings and, upon request, submit appropriate information to the licensing authorities. As a result, compliance with such conditions may be costly and time-consuming, and delays in the commencement or continuation of exploration or mining operations may occur as a result of delays to fulfil a license-holder's obligations. The Group's current subsoil use contracts impose, on an annual basis, various social, financial, tax, insurance and other obligations and require the application of a specified period of time between the termination of exploration activities and the commencement of mining operations at the relevant site (for purposes of commercial discovery evaluation). The authorities have the power to impose fines for administrative violations of the terms and conditions of subsoil use contracts and licenses and can require that those violations be remedied. In such circumstances, any failure to implement the required remedial measures under two or more notifications from the competent authority within the period prescribed in such notification could result in the termination of the relevant subsoil use contract, as well as the imposition of administrative and civil liabilities on the license-holder or subsoil user. There can be no assurance that all license-holders within the Group will comply or continue to comply with their respective license or contractual obligations.

Specific requirements of the Russian Federation

The Group currently holds licenses for the use of subsoil plots that are considered subsoil plots of federal importance and may in the future acquire further licenses, that may relate to subsoil plots of federal importance or under which the Group may discover such subsoil plots. As a result of the composition of the Group's shareholders, some of the Russian subsidiaries of the Group are currently designated under Russian law as companies with foreign participation. The Law of the Russian Federation No. 2395-1, dated 21 February 1992, "On the Subsoil", as amended (the "**Russian Subsoil Law**"), provides that, if in the course of geological research at a subsoil plot, a Russian legal entity with foreign participation discovers a deposit which meets the criteria for a subsoil plot of federal importance and, as a result, the national security of the Russian Federation may be threatened, the licensing authorities have the right to revoke the relevant subsoil license or refuse to grant an exploration and production subsoil license. The license for the Bamskoye gold ore site, for example, has been temporarily suspended in the past because the deposit was recognized as a subsoil plot of federal importance, and the Group stopped all exploration works at the deposit pending receipt of permission of the Russian Government to continue works in accordance with Article 2.1 of the Russian Subsoil Law. An application to carry out exploration and mining works at the Bamskoye deposit was filed with the state authorities in the first quarter of 2013 and the Group received approval to carry out exploratory and mining works at the Bamskoye gold ore site in August 2014.

Companies which extract precious metals are required to offer refined precious metals on a priority basis to the relevant governmental authorities, which may use their pre-emptive rights if certain conditions are met. Refined precious metals, which have not been sold to governmental authorities under this priority system, may be sold in the domestic market, used in internal production or exported. In addition, gold producers are required to obtain a license from the Russian Ministry of Industry and Trade in order to export gold. For non-banking institutions, the Russian Ministry of Industry and Trade only issues such licenses with respect to each particular export contract for a term of no longer than one year. In 2016, substantially all of the Group's gold sales were made to Russian banks in roubles (linked to the official exchange rate of the U.S. dollar to the rouble at the date of transaction and at a gold price with a reference to London Metal Exchange Quotations) with immediate payment terms. Depending on market conditions, however, the Group may decide to export its products in the future, for which it would be required to obtain such a license in advance.

As a result of the foregoing uncertainties, there can be no assurance that the contracts, licenses, permits and regulatory approvals and consents that the Group requires to conduct its operations will be granted, renewed or continue in force, or, if so, on what terms. The withdrawal of licenses, termination of subsoil use contracts or failure to secure requisite licenses or subsoil use contracts in respect of any of the Group's operations may, therefore, have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Equipment failures or production curtailments or shutdowns could adversely affect the Group's sales and profitability

The Group may experience plant shutdowns or period of reduced production as a result of major equipment failures. Interruptions in production capacities may increase production costs and reduce sales revenue. In addition to equipment failures, the Group's facilities are also subject to the risk of catastrophic loss or production curtailments due to unanticipated events, such as fires, explosions or adverse weather conditions. If any of these events were to occur, future sales and the Group's profitability could be adversely affected. While the Group has in place property damage insurance covering, among other things, business interruption risks and the Group's gross profit for 12 months starting from the event date over an excess period of 30 days, a longer-term business disruption could result in a loss of customers and the Group's sales and profitability could be adversely affected, which may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities. See "*—The Group may incur losses from uninsured or self-insured risks*".

The Group is subject to extensive environmental, health and safety controls and regulations, and any breach of these regulations could result in fines or the suspension of operations, which could have a material adverse effect on its reputation, operating results and financial condition

The Group is subject to extensive environmental controls and regulations in Russia. Its operations involve the use of environmentally hazardous materials, such as cyanides, as well as processes that could lead to the discharge of materials and contaminants into the environment, disturbance of land, potential harm to flora and fauna and other environmental concerns. In addition, environmental hazards may exist on the Group's properties, or may be encountered when its products are in transit. Environmental laws and regulations are continually changing and are generally becoming more restrictive. New laws and regulations, the imposition of more stringent requirements in licenses, increasingly strict enforcement or new interpretations of existing environmental laws, regulations or licenses, or the discovery of previously unknown contamination, may require further expenditures to modify operations, install pollution control equipment or perform site clean-ups; the curtailment of operations; or the payment of fees, fines and other penalties. The terms of the Group's subsoil licenses contain extensive site clean-up, restoration and rehabilitation obligations due in the future that are mandatory for the Group, and the Group is required to have a closure plan for each mine and to allocate a budget for site rehabilitation in the event of a mine closure. The Group could also be liable for losses associated with environmental hazards and rehabilitation. The Group's operations are associated with the emission of "greenhouse gases". Ongoing international negotiations, which aim to limit greenhouse gas emissions, may result in the introduction of new regulations, which may have an adverse impact on Group's operations.

In addition, the licenses and subsoil use contracts under which the Group operates include conditions regarding environmental compliance. For example, each operating mine of the Group is required to obtain a mandatory environmental permit in order to conduct atmospheric emissions, discharge waste water and dispose of waste. Failure to obtain such a permit could lead to administrative penalties, civil sanctions and, in certain circumstances, may result in the issuance of a court order prohibiting and suspending those operations of the relevant mine causing atmospheric emissions, waste water discharge or waste disposal, although the Company believes that such a severe sanction is unlikely to occur. The introduction of more stringent environmental laws and regulations could lead to the need for new or additional rehabilitation and decommissioning reserves or to an increase in the Group's environmental liabilities, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities. See "*Regulatory Matters — Environmental Law*".

Under Russian law, any company or individual violating industrial safety rules may incur administrative or civil liability, and individuals may also incur criminal liability.

A company that violates safety rules that results in health problems for an individual may also be obliged to compensate the individual for lost earnings, as well as for other damages and, in certain cases, its activity may be suspended. In addition, if the operations of a company violate environmental requirements or are harmful to the environment or any individual or legal entity, the environmental authorities may suspend such operations for up to 90 days or a court action may be brought to limit or ban such operations and require the company to remedy the effects of the violation.

Even though in the past Russian competent authorities have not suspended the Group's operations, no assurance can be given that they will not do so in the future in case of even minor breaches and violations of applicable environmental, health and safety control and regulations. Any such suspension or other sanction could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Actual and potential supply chain shortages and increases in the prices of production inputs may have an adverse effect on the Group's operations and profits

The Group's results of operations may be affected by the availability and pricing of raw materials and other essential production inputs, including fuel, grind balls, and cyanide and other reagents. A sustained interruption in the supply of any of these materials would require the Group to find acceptable substitute suppliers and, in relation to cyanide, the Group believes that the alternatives to its two current suppliers are limited. Most of the Group's fuel is supplied by one supplier and any sustained interruption in the supply of fuel would require the Group to replace such supplier with a substitute supplier within a short time frame. The Group is also reliant on one shipping contractor for the transportation of coal supplies since there are currently no feasible alternatives. To the extent that the Group is unable to obtain alternative sources in the event of a prolonged disruption to its usual supply network, the Group may be forced to reduce its operating levels. Furthermore, even if the Group were able to obtain supplies of production inputs from alternative sources, it may incur substantially higher costs, particularly in relation to purchases of grind balls. More generally, the price of raw materials may be substantially affected by changes in global supply and demand, along with weather conditions, governmental controls and other factors. Any significant increase in the prices of these materials will increase the Group's operating costs and affect production considerations, which may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The cost and supply of electricity, particularly self-generated electricity, can be volatile. An increase in power costs will make production more costly and alternative power sources may not be available

Power is one of the Group's largest operating expenses. Some of the Group's mines currently purchase power from state-controlled regional energy agencies, which charge consumers a rate based on tariffs that are modified from time to time. The Russian Government initiated the deregulation of electricity prices for industrial consumers in 2011, which has resulted in higher prices for the Group's electricity needs.

There is a deficit of power grid facilities in the Krasnoyarsk region (Olimpiada, Blagodatnoye and Titimukhta deposits). As a result, the Group is required to use more expensive captive generations, reducing the security of the energy supply for existing operations. The implementation of new power line construction projects may be threatened by a poor road infrastructure and harsh climatic conditions. The deficit of generating and power grid facilities, along with delays in the construction of new power grids, may result in a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Some of the Group's mines generate their own power through coal, diesel or hydro-generation facilities located at the mines. These mines purchase diesel or transport coal by barges, and any increase in the costs of these supplies, or any interruption in any of these supplies, could result in higher overall fuel costs. These mines may use a combination of self-generated and purchased power. If power costs increase, revenue and production capacity of the Group could be negatively affected, which may result in a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

In addition, some of the Group's subsidiaries in the Irkutsk region that provide connections to the power grid to the other Group companies are subject to governmental regulation, which may affect their operations. For instance, in 2014, one of the Group's companies was found to have violated regulations that require it to provide connections to the power grid within the prescribed deadline on an equal basis for Group companies and other end users, and was ordered to provide power supply to other end users on the same basis as it provides supply for the applicable Group company. Since the Company is now providing power supply to other end users, some of the Group's operations could become more expensive or made more costly, which could result in a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Wage increases in Russia may reduce the Group's profit margins

Wage costs in Russia have historically been significantly lower than wage costs in the more economically developed countries of North America and Europe for similarly skilled employees. However, to the extent that wage costs keep increasing in Russia, this could result in a reduction in the Group's profit margins. To the extent that the Group is unable to continue to increase the efficiency and productivity of its employees, wage increases could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group operates in a competitive industry and may not be able to compete successfully for licenses, exploratory prospects and producing properties

The gold market is highly competitive and the Group faces competition from other competitors in all areas of its operations, including the acquisition of mineral licenses, exploratory prospects and producing properties. The Group's competitors include international gold producers, some of which are larger, have greater resources for raising capital, have more technologically advanced production facilities and, in some cases, have lower operating costs than it does. The Group cannot guarantee that it will be able to compete successfully in the future. The intensity of competition, combined with the cyclicality and unpredictability of gold markets, results in significant variations in economic performance, which may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group's acquisition strategy may not be successful

As part of its development strategy, the Group monitors potential investment opportunities in the gold mining industry, both in Russia and overseas. The Group faces significant competition for potential acquisitions of gold assets as the Company believes that some international mining companies, which have greater resources than the Group, have begun to seek investment targets in the Russian gold mining industry. The participation of such companies in an auction or sale of Russian gold deposits and assets could adversely affect the Group's ability to acquire additional gold mining operations in Russia because of, for example, the resulting increased prices for such acquisitions.

When making acquisitions, it may not be possible for the Group to conduct a detailed investigation of the nature or title of the assets being acquired, for example, due to time constraints in making the decision. The Group may also become responsible for additional liabilities or obligations not foreseen at the time of an acquisition. As a result, unforeseen expenditures may arise which may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group is subject to foreign currency exchange rate risks

The Group's income is subject to exchange rate fluctuations. The Group's revenue from gold sales is linked to U.S. dollars, whereas most of the Group's operating expenses are denominated in roubles. Accordingly, an appreciation of the rouble against the U.S. dollar may negatively affect the Group's margins by increasing the U.S. dollar value of its rouble-denominated costs. In 2016, for instance, the rouble appreciated by 20 per cent against the U.S. dollar. Conversely, an appreciation of the U.S. dollar may positively affect the Group's margins by decreasing the U.S. dollar value of its rouble-denominated costs. See "*—Inflation may materially adversely affect the Group's results of operations*". As a result of currency hedging transactions entered into primarily in the first half of 2014, the Group did not fully benefit from the rouble devaluation at the cash flow level. The negative effect from the collars in 2014 amounted to US$594 million and the Group's cross-currency swaps resulted in a loss of US$403 million.

Since 2016, the Group is fully unhedged with regard to the rouble in terms of Adjusted EBITDA. Cross-currency swaps effectively hedge the Company's debt in U.S. dollars and will expire in 2019 and 2021, matching corresponding debt maturities. However, to the extent any of its cash flows are unhedged, an appreciation of the rouble against the U.S. dollar may negatively affect the Group's margins and its results of operations.

In addition, at present, as a result of the Group's hedging arrangements, almost all of the Group's indebtedness is either denominated in or linked to U.S. dollars. However, as all of the Group's revenue is linked to U.S. dollars, to the extent the Group has any rouble-denominated or linked debt, particularly if the existing hedging arrangements were to expire or be terminated or if the Group incurs any additional rouble-denominated or linked indebtedness, an appreciation of the rouble against the U.S. dollar may adversely affect the Group's net assets by increasing such debt obligations in U.S. dollars terms.

Inflation may materially adversely affect the Group's results of operations

The activities of the Group are located primarily in Russia, and the majority of its costs are incurred in Russia and in roubles. Russia has experienced high levels of inflation since the early 1990s. Inflation, along with government measures to combat inflation and public speculation about possible future government measures, has significant negative costs, contributing to economic uncertainty. The Russian Consumer Price Index, calculated by the Russian Federal State Statistics Service, was 1.0 per cent for the three months ended 31 March 2017 and 5.4 per cent in 2016 compared to 12.9 per cent in 2015 and 11.4 per cent in 2014. Russian companies have generally experienced inflation-driven increases in their costs that are linked to the general price level in Russia, such as supplies and materials, as well as salaries. Accordingly, high rates of inflation in Russia are likely to increase the costs of the Group, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities. High inflation rates in Russia have historically been accompanied by a depreciation of the rouble relative to the U.S. dollar, which reduces the cost of the Group's rouble operating expenses in U.S. dollar terms. See "— *The Group is subject to foreign currency exchange rate risks*".

The Group is leveraged, and a substantial amount of its borrowings are subject to covenants which could be breached

The total interest-bearing loans and borrowings of the Group's companies, including the Company (excluding intercompany indebtedness), as at 31 March 2017 and as at 31 December 2016, 2015 and 2014 were US$4,615 million, US$4,981 million, US$2,189 million and US$1,818 million, respectively. Furthermore, as at 31 March 2017, the Group's net debt to Adjusted EBITDA ratio was 1.97x, and the Group's net debt was US$3,128 million. Although the Group will be seeking to deleverage, it will remain subject to fluctuations in Adjusted EBITDA as a result of the changes in market conditions and other factors, all of which could have a material adverse effect on the Group's ability to service its debt obligations, raise new debt financing (if required) or refinance existing indebtedness on commercially acceptable terms or at all.

In addition, the Group's debt instruments contain certain restrictions limiting its flexibility in operating its business, potentially placing the Group at a disadvantage compared to its less leveraged and/or restricted competitors and constraining its ability to take advantage of strategic or other opportunities if any arise. Such restrictions, among other things, limit the Group's ability to create liens, borrow money, sell or otherwise dispose of assets, engage in mergers or consolidation and transfer assets. While the Group believes it is currently in compliance with its debt obligations, the Group's debt service and compliance obligations under these and future financings and the associated risks of breaching these obligations, as well as any difficulties in obtaining financing in the future, could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group may not be able to renew its arrangements with trade unions on favorable terms, and its operations could be adversely affected by strikes and walkouts

As at 31 December 2016, approximately 38 per cent of the Group's employees at its Russian operations were represented by trade unions. The Group has not experienced any business interruption as a result of labor disputes at any of its businesses in Russia in the past. Although the Group considers its relations with its employees in Russia to be good, large union representation subjects the Group's businesses to the risk of interruptions through strikes, lockouts or delays in renegotiating collective agreements, whose terms are typically three years. The collective agreement for the Group's Yakutia (Kuranakh) business unit will expire on 23 February 2018 and the collective agreement for the Group's Krasnoyarsk business unit will expire on 31 December 2017. If the Group is unable to renew its existing arrangements with trade unions on favorable terms or at all, the Group's business, results of operations and financial condition or the trading price of the Securities could be materially adversely affected.

The Group is responsible for maintaining part of the social and physical infrastructure in some of the regions in which it operates

The Group is currently responsible for establishing and maintaining some of the social and physical infrastructure in the regions of Russia in which it operates. These regions are economically dependent on the Group's respective business operations to a significant degree, which requires a substantial commitment of resources. In addition, the Group may become liable to meet the costs of resettlement of persons living in proximity to its facilities if, as a result of changes in applicable law, such facilities no longer meet minimum standards required for industrial facilities that are located close to residential facilities. Any significant increase in such social contributions, voluntary or otherwise, could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group may incur losses from uninsured or self-insured risks

The Group purchases property damage, machinery breakdown and business interruption insurance (including coverage for pollution clean-up, strikes, civil commotions, construction, and damage or collapse of tailings dam and pit walls), which provides the main production units of the Group (JSC Polyus, JSC Pervenets and JSC Aldanzoloto GRK) with one-year coverage starting from 1 September 2016. The total insured sum under the insurance policy amounts to US$3,373 million, with liability for each event that results in a loss being incurred by the Group capped at US$400 million. Approximately 85 per cent of the risk has been placed with insurance providers in overseas markets rated A- and higher by S&P. The remainder of the risk has been placed with insurance providers in Russian markets rated Expert Ra A++.

The Group's business interruption insurance covers the loss of gross profit (the difference in actual and expected gross profit due to a reduction in revenue and an increase in the cost of production) for the 12 month period from the insured event, starting from the event date, but excluding the first 30 days from and including the event date (such 30 day period, the "**excess period**"). In addition to business interruption insurance, the insurance policy also provides the Group with cover for major property damage or machinery shutdowns above an excess of US$2.5 million.

Losses from uninsured risks or from self-insured risks, including amounts above the self-retained amounts and policy caps described above, may cause the Group to incur costs that could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group's cash reserves are held predominantly at Russian state-owned banks and bankruptcy or financial soundness concerns regarding any of such banks could result in a forfeiture of the Group's cash reserves

Most of the Group's cash reserves are kept at leading Russian state-owned banks, with a significant part of those cash reserves being held at Sberbank of Russia. Bankruptcy, revocation of banking license, failure to meet financial soundness requirements, the impact of the U.S. and EU sanctions resulting from the Ukrainian crisis or the impact of other material adverse developments on any of such banks could lead to forfeiture of, or delays in accessing, the Group's cash reserves or withdrawal/transactional limits or restrictions being imposed on the Group's accounts, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Russian currency control regulations may hinder the Group's ability to conduct business

The Group's operational expenses are primarily denominated in roubles. The current Russian currency control laws and regulations impose a number of limitations on banking and currency transactions. Currency control restrictions include a general prohibition on foreign currency operations between Russian residents, except for certain specified operations permitted by law, and the requirement to repatriate, subject to certain exceptions, export-related earnings in Russia. For example, should the Group wish to export its gold, it will have to ensure that export-related earnings are repatriated to Russia. Failure to comply with this requirement may lead to the imposition of various administrative fines on the relevant member of the Group exporting the gold. These currency control restrictions may restrict the Group's operational flexibility, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

If transactions or corporate resolutions that the Company and its Russian subsidiaries have entered into or adopted are challenged for non-compliance with applicable legal requirements, the transactions or corporate resolutions could be invalidated or liabilities could be imposed on the Group

The Company and the Group's Russian subsidiaries have taken a variety of actions relating to share issuances, corporate reorganizations, share and asset disposals and acquisitions, charter capital increases and decreases, valuation of property, interested party transactions, major transactions, currency control and antimonopoly issues, in respect of which the applicable legal procedures are not always clear and which, therefore, could be subject to legal challenges. If any such challenge was successful, it could result in the invalidation of the relevant transaction or resolution, seizure of the relevant assets and/or the imposition of liabilities on the Group. Moreover, since many provisions of Russian law are open to many different interpretations, the Company and its Russian subsidiaries may not be able to defend successfully any challenge in respect of such transactions. For example, the provisions of Russian law defining which transactions must be approved as "interrelated major transactions" are subject to differing interpretations and there is no assurance that former or current minority shareholders of the Company or shareholders of its Russian subsidiaries or any other interested parties will not challenge such transactions in the future. Although the Company does not expect any past transaction to be so challenged, the invalidation of any such transactions or imposition of any such liabilities could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

For instance, on 22 December 2016, the Company's Extraordinary General Meeting approved the reorganization of the Company in the form of a merger of LLC Polyus-Invest, a then subsidiary of the Company, into the Company and the decrease of the Company's charter capital by way of cancellation of 63,082,318 Shares then held by LLC Polyus-Invest following completion of the merger. The documentation for the liquidation of LLC Polyus-Invest was filed on 31 March 2017 and the merger and subsequent cancellation of the Company's Shares were completed on 7 April 2017 and 10 April 2017, respectively. Under the Russian Civil Code, a Company's shareholder who (i) did not participate in the general shareholders' meeting approving the reorganization, or (ii) voted against the reorganization, may seek rescission of the reorganization on the basis that the decision was not properly approved by the Company's shareholders or that the documents filed for state registration of the reorganization contained fraudulent information. The Company does not believe that there would be any basis for such claim but, if such a claim is made and is successful, the court may order rescission of the reorganization, in which case LLC Polyus-Invest may be re-established as a standalone legal entity, leading to an uncertainty as to whether and on what terms LLC Polyus-Invest would receive the Company's shares transferred to the Company in the course of the merger. The Russian Civil Code provisions on rescission of reorganizations came into effect on 1 September 2014 and their application and interpretation by Russian courts and state authorities remain untested.

The Group is subject to antimonopoly laws enforced by the Federal Antimonopoly Service, which may result in certain limitations being imposed on the Group's activities

The Federal Law No. 135-FZ "On Protection of Competition", dated 26 July 2006, which came into force on 26 October 2006 (the "**Competition Law**"), generally prohibits any concerted action, agreement or coordination of business activities that results or may result in, among other things, fixing or maintaining of prices, discounts, surcharges or margins; coordination of auction bids; allocation of a market by territory, volume of sales or purchases, types of goods, customers or suppliers; refusal to enter into contracts with certain buyers (customers) in the absence of economic or technological justification therefor; imposing unfavorable contractual terms; fixing disparate prices for the same goods, for reasons other than economic or technological reasons; creation of barriers to entering or exiting a market; and restriction of competition in any other way. There is no uniform court practice on what concerted actions or coordination of business activity are and the regulator and courts interpret these concepts inconsistently. As a result, there is significant uncertainty as to what actions may be viewed as a violation of the Competition Law. In a number of court cases, Russian courts found concerted actions where market participants acted in a similar way within the same period of time, although, arguably, there have been legitimate economic reasons for such behavior and the behavior was not aimed at restriction of competition. Therefore, there is a risk that the Group can be found in violation of the Competition Law if its market behavior vis-à-vis its customers or suppliers is viewed as being similar to behavior of the Group's competitors and perceived by the Federal Antimonopoly Service (the "**FAS**") as a purported restriction of competition. See "*Regulatory Matters — Regulation of Competition*".

The Competition Law also prohibits any form of unfair competition, including, among other things, through defamation or otherwise. Such broad interpretations of the Competition Law may result in the FAS imposing behavioral limitations on the Group's activities, may limit operational flexibility and may result in civil, administrative and even criminal liability.

If the Group's activities are found to be in violation of antimonopoly legislation, the Group could be subject to penalties or requested to change its business operations in a manner that may increase the Group's costs or reduce the Group's profit margin and revenues. Such factors could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Company believes that the Group's operations are currently in compliance with Russian antimonopoly regulations. However, if the FAS undertakes an investigation into some aspect of the Group's operations or transactions and decides to impose penalties or other sanctions against the Group, such penalties or sanctions could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Legal uncertainties relating to privatization of the Group's assets may exist

Some of the companies comprising the Group were formed on the basis of assets that had been privatized in the middle of the 1990s. Russian privatization laws at that time were vague, inconsistent or in conflict with other laws, including conflicts between federal and regional privatization laws, and consequently many Russian privatizations may be arguably deficient and, therefore, vulnerable to challenge. For example, a series of Presidential decrees issued in 1991 and 1992 that granted to the Moscow City government the right to adopt its own privatization procedures were subsequently invalidated by the Constitutional Court of the Russian Federation, ruling, in part, that the Presidential decrees addressed issues that were the subject of federal law. Although the statute of limitations for challenging transactions entered into in the course of privatizations is now only three years from the time when an affected party learned of the infringement on its rights and in any event not later than 10 years from the time of an alleged infringement, a residual risk still remains that privatization transactions of the Group may be vulnerable to challenge, including selective action by governmental authorities and inconsistent application of the statute of limitations by courts. Should the privatization of any relevant predecessor companies be challenged in court on the grounds that these companies or any of their assets have been improperly privatized, and should the court for any reason disapply the limitation periods, the Group may lose its rights to some of its assets, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group's acquisitions or title to, or other rights in, land that it owns or leases may be challenged

The Group companies either own or lease the land plots on which their mines and other production facilities are located. Any challenge to the validity or enforceability of the Group companies' title to, or rights in, such land may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The Group is beneficially controlled by a single shareholder

The Group is beneficially controlled by Mr. Said Kerimov (the "**Principal Shareholder**"), who controls indirectly 100 per cent of the share capital of PGIL, which, as of the date of this Prospectus, owns

91.73 per cent of the Company's shares. As a result, the Principal Shareholder has the ability to exert control over certain actions in respect of the Company. While transactions with the Principal Shareholder and affiliates of the Principal Shareholder can benefit the Group and the Company believes that such transactions have been conducted on an arm's-length basis, there can be no assurance that the Group could not have achieved more favorable terms had such transaction not been entered into with related parties. To the extent that the interests of the Principal Shareholder were to conflict with the interests of the holders of Offer Shares and/or GDSs, the trading price of the Securities could be materially adversely affected.

RISKS RELATING TO THE RUSSIAN FEDERATION

Emerging markets are subject to greater risks than more developed markets, including significant legal, economic and political risks

Investors in emerging markets such as Russia should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in debt or equity markets of all emerging market countries as investors move their money to more stable, developed markets. As has happened in the past, including during the current global economic crisis, and the developments affecting the Russian economy in 2014, 2015 and 2016, including the current political and economic crisis in Ukraine and related sanctions imposed on certain Russian individuals and legal entities by the U.S. and the EU, as well as the sharp decrease in oil prices, financial problems or an increase in the perceived risks associated with investing in emerging economies may adversely affect the level of foreign investment, which may, in turn, adversely affect the economies in those countries. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. As a result, financial turmoil in Russia could result in a decrease in the trading price of the Securities. Companies operating in emerging markets may also be exposed to political risks. Investors should also note that an emerging economy such as that of Russia is subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Potential investors are urged to consult with their own legal and financial advisors before making an investment in the Securities.

Instability in the Russian economy could materially adversely affect the Group's business

Over the last two decades, the Russian economy has experienced or continues to experience at various times:

- significant declines in its GDP and rate of GDP growth;
- high levels of inflation;
- high and fast-growing interest rates;
- unstable credit conditions;
- instability of the rouble;
- pervasive capital flight;
- high levels of government debt relative to GDP;
- a weakly diversified economy which depends significantly on global prices of commodities;
- sudden price declines in commodities;
- a lack of reform in the banking sector and a weak banking system, providing limited liquidity to Russian enterprises;
- continued operation of loss-making enterprises due to the lack of effective bankruptcy proceedings;

- high levels of corruption and the penetration of organized crime into the economy;
- widespread tax evasion;
- significant increases in unemployment and underemployment;
- ethnic and religious tensions;
- low personal income levels of a significant part of the Russian population; and
- major deterioration of physical infrastructure.

In the past few years, the Russian economy has been characterized by significant volatility in the debt and equity markets, including the suspension of trading several times in 2014. The Russian economy has experienced significantly fluctuating growth rates over the last two decades, including recent significant declines. In 2014, Russia's GDP growth rate slowed to 0.6 per cent; in 2015, Russia's GDP declined by 3.7 per cent in real terms; and in 2016, Russia's GDP declined by 0.2 per cent in real terms.

As Russia produces and exports large quantities of crude oil, natural gas, petroleum products and other commodities, the Russian economy is particularly vulnerable to fluctuations in oil and gas prices, as well as other commodities prices, which historically have been subject to significant volatility over time, as illustrated by the recent decline in crude oil prices. The price of the global benchmark Brent crude has fallen from US$96 per barrel Brent in 2014 to US$57 per barrel Brent on 31 December 2016 and is widely predicted not to recover to its previous levels for some time to come. The international sanctions arising from the Ukraine crisis have also undercut confidence in the Russian economy and added to the cost of capital. The lack of confidence in the Russian economy led to a decline in the rouble/U.S. dollar exchange rate in late 2014, which continued in 2015. This has been accompanied by rising inflation and a declining trend in real average wages from 8.4 per cent growth in 2012, to 4.8 per cent in 2013, to 1.2 per cent in 2014, to a 9.0 per cent decline in 2015 and to 0.7 per cent growth in 2016. There can be no assurance that any measures adopted by the Russian Government to mitigate the effect of any financial and economic crisis will result in a sustainable recovery of the Russian economy. Russian banks, and the Russian economy generally, were also adversely affected by the global financial crisis. Current macroeconomic challenges, low or negative economic growth in the United States, China, Japan and/or Europe and market volatility may provoke or prolong any economic crisis. As an emerging economy, Russia remains particularly vulnerable to further external shocks. Events occurring in one geographic or financial market sometimes result in an entire region or class of investments being disfavored by international investors – so-called "contagion effects". Russia has been adversely affected by contagion effects in the past, and it is possible that the market for Russian investments will be similarly affected in the future by negative economic or financial developments in other countries. Economic volatility, or a future economic crisis, may undermine the confidence of investors in the Russian markets and the ability of Russian businesses to raise capital in international markets, which in turn could have a material adverse effect on the Russian economy and the Group's results of operations, financial condition and prospects. In addition, any further declines in oil and gas prices or other commodities pricing could disrupt the Russian economy and materially adversely affect the Group's business.

The Group is subject to limitations imposed by Russian legislation that restricts the rights of foreign entities to invest in certain Russian companies and in the subsoil sector

Under the Strategic Investment Laws of the Russian Federation, including the Foreign Investments Law (as defined in "*Regulatory Matters*"), the acquisition by a foreign investor, or a "group" of persons, as such term is defined under Russian law, including one or more foreign investors, of 25 per cent or more of the voting shares in a company undertaking operations at subsoil plots of federal importance (a "**Strategic Subsoil Company**"), requires the prior approval of the Foreign Investment Commission (as defined in "*Regulatory Matters*"). Furthermore, if a foreign investor, or a group of persons including one or more foreign investors, already exercises direct or indirect "control" (as defined in the Foreign Investments Law) of over 25 per cent (but less than 75 per cent) of the voting shares of a Strategic Subsoil Company, each subsequent acquisition of shares of the Strategic Subsoil Company by the foreign investor, or group of persons including a foreign investor, whether directly or indirectly, requires the prior approval of the Foreign Investment Commission (with the exception of transactions that do not result in the increase of the ownership percentage of a foreign investor of a group including a foreign investor in the charter capital of a Strategic Subsoil Company or by persons that are under control of the person which controls such Strategic Subsoil Company). Additional restrictions apply to foreign states and governmental organizations and investors controlled by them, to which lower approval thresholds apply and which are generally prohibited from establishing control over strategic entities. Failure to obtain a prior approval renders the transaction void or may lead to limitations on the foreign investor's voting rights. As at the date of this Prospectus, gold mining subsidiaries within the Group, comprising subsidiaries of the Company, including JSC Polyus, JSC Tonoda, JSC Matrosova Mine, LLC Amurskoye GRP, LLC Krasnoyarskoye GRP, LLC Magadanskoye GRP, JSC Pervenets and SL Gold, hold licenses to subsoil plots of federal importance, as defined in the Russian Subsoil Law, which comprise in aggregate approximately 90 per cent of the Group's reserves. As a result, each of these subsidiaries is considered a Strategic Subsoil Company. Under a strict interpretation of the Strategic Investment Laws, the acquisition of 25 per cent or more of the voting shares in a direct or indirect holding company of a Strategic Subsoil Company, such as the Company, is generally subject to similar limitations.

In addition to the above, some Russian subsidiaries of the Company, which are not Strategic Subsoil Companies, are engaged in other types of activities considered strategic under the Foreign Investments Law, which technically include production of industrial explosives and activities in the sphere of securing air safety and providing airport services. On these grounds, members of the Group JSC Dalnyaya Taiga, JSC Sevzoto, JSC Svetlyi, JSC Marakan, JSC Aldanzoloto GRK, LLC Novyi Ugahan and CJSC Lensib are considered strategic companies. Acquisition of more than 50 per cent of shares in such companies by a foreign investor or a group comprising a foreign investor, directly or through acquisition of shares in their holding companies, including the Company, is also subject to approval by the Foreign Investment Commission.

If shares of the Company are acquired in circumstances where approval under the Foreign Investments Law is required but has not been obtained, there is a risk that action could be taken against the Company to limit its voting rights in respect of the Group's Strategic Subsoil Companies, or to invalidate the corporate decisions and transactions of such Strategic Subsoil Companies that were made following the relevant acquisition of shares of the Company without approval.

For a more detailed discussion of implications of the Strategic Investment Laws, see "*Regulatory Matters — Foreign Investment in Sectors that are of Strategic Importance for the National Security and Defense of the Russian Federation, including the Subsoil Sector*".

Changes in Russian legislation aimed at the "deoffshorisation" of the Russian economy may negatively affect the Group's operations and financial position

Russian government officials and representatives have increasingly made statements encouraging the deoffshorisation of businesses with predominantly Russian assets that are held through ownership structures outside of Russia. A corresponding piece of legislation, the "Foreign Companies Act", was signed by the Russian President in November 2014. The Russian Ministry of Finance has introduced significant amendments to Russian tax legislation as part of the "deoffshorisation" process and further measures, tax-related and otherwise, may be implemented in the future to support these initiatives. These amendments will remove tax breaks associated with foreign-based structures and disallow their access to state support, in particular, offshore companies are prohibited from participating in public procurement. As a result, companies registered under foreign jurisdictions, but which operate in Russia, may find that the Russian Government's deoffshorisation policies could lead to restrictions on contracts with state bodies, and limits being placed on state support and tax relief.

Changes in Russian law aimed at implementing "deoffshorisation" initiatives could increase the Group's taxes, or otherwise have a negative effect on the Group's business, results of operations and financial condition or the trading price of the Securities. In particular, the Group, which is controlled by PGIL, an entity incorporated in Jersey, Channel Islands, may face:

- difficulties in obtaining relief on mining and income tax if restrictions are placed on such relief measures;

- an absence of state support or co-funding of infrastructure and power projects considered to be of local or federal importance; or
- an increased tax burden on the Group due to the implementation of new tax residency rules for corporations, which could lead to increased taxes payable by the Group and its subsidiaries.

Any such amendments to Russian laws could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities. See "*Risks relating to taxation — Risks relating to the Russian taxation system — The Russian taxation system is not fully developed and is subject to frequent changes, which could have an adverse effect on the Group*".

Some of Russia's physical infrastructure requires significant on-going investment, and any disruption of normal business activity of the Group may lead to increased costs and efforts by the Russian Government to improve the country's infrastructure, and which may result in increased costs for the Group

Russia's physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained since the dissolution of the Soviet Union. The rail and road networks, power generation and transmission, communications systems and building stock have been particularly affected. In the past, Russia has experienced electricity and heating shortages and blackouts, and the Russian railway system is subject to risks of disruption as a result of the declining physical condition of rail tracks and a shortage of rail cars. For example, in May 2005, an electricity blackout affected much of Moscow for one day, disrupting normal business activity, and in August 2009, an accident at the Sayano Shushenskaya hydroelectric facility resulted in power shortages for both residential and industrial consumers. The poor condition or further deterioration of the physical infrastructure in Russia may harm its national economy, disrupt the transportation of goods and supplies, increase the costs of doing business and interrupt business operations, each of which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Investments in Russia may be adversely affected by fluctuations in the global economy

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. Since Russia is one of the world's largest producers and exporters of oil, natural gas and metal products, the Russian economy is especially sensitive to commodity prices on the world markets. The sharp decrease in prices for natural resources in 2008 and 2014-2016 resulted in a significant decrease of governmental revenues, which had a negative effect on the Russian economy. Commodity prices, including gold, continue to be volatile and future fluctuations in the global markets could substantially limit the Group's access to capital. These developments could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Potential political or social conflicts could create an uncertain operating environment hindering the Group's long-term planning ability and could have a material adverse effect on the value of investments in Russia, including the trading price of the Securities

The Russian Federation is a federation of sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts, some of which have the right to manage their internal affairs pursuant to agreements with the federal government and in accordance with applicable laws. The delineation of authority and jurisdiction among the members of the Russian Federation and the federal government is, in some instances, unclear. In practice, the division of authority and uncertainty could hinder the Group's long-term planning efforts and may create uncertainties in the Group's operating environment, which may prevent it from effectively carrying out its business strategy.

Emerging markets such as Russia are also subject to heightened volatility resulting from political and economic conflicts. Any disruption or reversal of the reform policies or any recurrence of political or governmental instability or significant terrorist attacks (to which Russia is potentially particularly exposed given on-going ethnic and religious tensions, notably with peoples and regions from and in the Caucasus and Central Asia) may lead to a deterioration in Russia's investment climate and trading volatility, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, acts of terrorism (principally connected with the North Caucasus region) and military conflict, including the military conflict between the Russian Federation and Georgia in 2008, recent deterioration in relations between the Russian Federation and Turkey as a result of the shooting down of the Russian military jet by Turkish Air Forces along the Syrian-Turkish border in November 2015 and on-going participation of the armed forces of the Russian Federation in the Syrian conflict. If existing conflicts, tensions or terrorist activities, or threats thereof, remain unresolved, or new disturbances or hostilities arise, this could have significant political and economic consequences and the Group may be unable to access capital, or access capital on terms reasonably acceptable to it, and its sales may be impacted, which may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Political and governmental instability could adversely affect the value of investments in Russia, including the underlying shares of the DSs

Since 1991, Russia has been moving from a one-party state with a centrally planned economy to a federal republic with democratic institutions and a market-oriented economy. The Russian political system, though more stable than in the 1990s, remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatizations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups. The course of political, economic and other reforms has in some respects been uneven, and the composition of the Russian Government has, at times, been unstable. However, over the period from 2000 to 2008, President Vladimir Putin achieved and generally maintained political and governmental stability in the country, which accelerated the reform process and made the political and economic situation in Russia more conducive to investment. In March 2008, Mr. Dmitry Medvedev was elected as the President of Russia, and a significant degree of continuity has been maintained, due in large part, to the appointment by President Medvedev of Vladimir Putin as the Russian Prime Minister, and, following Mr. Putin's election as President of Russia in March 2012, the subsequent appointment of Mr. Medvedev as Prime Minister. It is possible, however, that future presidents may take a different approach to reforms and to the state's foreign and domestic policies in the future. Moreover, in December 2011 and in 2012, there have been public protests alleging voting irregularities in federal parliamentary and presidential elections and demanding political reform. Any significant further increases in political instability, including as a result of the presidential elections in Russia in 2018, could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Changes in the Russian Government, the State Duma or the presidency, major policy shifts or eventual lack of consensus between the President, the Russian Government, Russia's parliament and powerful economic groups could lead to political instability, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading prices of the Securities.

A reversal of government reforms or policies targeted at specific individuals or companies could have an adverse effect on the Group's business, as well as investments in Russia more generally

From 2001 until 2013, the political situation in Russia became more stable and conducive to investment. Such stability, however, has been negatively affected by the global financial crisis and economic sanctions imposed in 2014 by the United States and the EU and the on-going economic recession. See "— *The on-going armed conflict in Eastern Ukraine and the international reaction to Russia's action in connection with Crimea resulting in the imposition of sanctions could further materially adversely affect the economic environment in Russia, including the business, results of operations and financial condition of the Group, and create significant political and economic uncertainty*" and "— *Investments in Russia may be adversely affected by fluctuations in the global economy*". Any significant struggle over the direction of future reforms, or a reversal of the reform process, could lead to another deterioration in Russia's investment climate, which might constrain the Group's ability to obtain financing in the international capital markets, limit its sales in

Russia or otherwise have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

In the past, Russian authorities have prosecuted some Russian companies, their executive officers and their shareholders on tax evasion and related charges. In some cases, the result of these prosecutions has been the imposition of prison sentences for individuals and significant claims for unpaid taxes. According to some commentators, such prosecutions have called into question the security of property and contractual rights, the independence of the judiciary and the progress of the market and political reforms in Russia. Any similar actions by governmental authorities could lead to further negative effect on investor confidence in Russia's business and legal environment and the Group's ability to raise equity and debt in the international markets, as well as the Group's business, results of operations and financial condition or the trading price of the Securities.

The Russian banking system remains under on-going development

Russia's banking and other financial systems are in a period of on-going development, and Russian legislation relating to banks and bank accounts is subject to interpretation and some inconsistent applications. There are currently a limited number of creditworthy Russian banks (most of which are headquartered in Moscow) with the capacity to service companies of the size of those found in the Group. Another banking crisis in Russia or globally, or the expansion of international sanctions against Russia, could place severe liquidity constraints on the Russian banking system. Although the CBR has the mandate and authority to suspend banking licenses of insolvent banks, a number of insolvent banks still operate. Some banks do not follow existing CBR regulations with respect to lending criteria, credit quality, loan loss reserves or diversification of exposure. Many Russian banks also do not meet international banking standards, and the transparency aspects of the disclosures of the Russian banking sector still do not follow all internationally accepted norms.

The CBR's supervisory/control mechanisms may be in certain cases insufficient to timely identify non-compliance with banking legislation. As part of a gradual consolidation process, which started in 2014, Russia's larger banks have acquired smaller banks and increased their market share, and banks with stronger credit profiles have merged with distressed banks. In connection with this consolidation, the CBR has revoked the banking licenses of a substantial number of Russian banks. The CBR's orders on revocation of such licenses state that the banks were in breach of banking laws and regulations and were found to have false statements in their reports. The revocations have raised some concerns about the stability of some of the smaller banks in the Russian banking system and their liquidity on the domestic market.

These deficiencies in the Russian banking sector may result in the banking sector being more susceptible to a deterioration of the current global macroeconomic situation. Due to the imposition of Ukraine-related sanctions and the recent oil price weakness, among other things, Russian banks experienced difficulties in recent years with funding on international markets. As a result, credit ratings of several banks were lowered. With the Russian economy experiencing a recession in 2015 and continuing slow growth in 2016, the Russian banking sector has experienced renewed instability. For example, according to the United Credit Bureau, the level of non-performing loans in the Russian banking sector has increased from 15.66 per cent at the end of 2014 to 17.5 per cent at the end of 2016. The CBR's December 2014 RUB 127 billion bail-out of Trust Bank, Russia's 22nd largest bank by assets, the largest bank bail-out in Russian history to date, is illustrative of weaknesses in the Russian banking sector. Risk management, corporate governance and transparency and disclosure often remain below international best practices. During the 2007-2008 global financial crisis, Russian banks were faced with a number of problems simultaneously, such as withdrawal of deposits by customers, payment defaults by borrowers, deteriorating asset values and rouble depreciation and currency mismatching (foreign currency denominated liabilities against rouble denominated assets), all of which could re-occur if another banking crisis were to occur. Russia's current economic circumstances are likely to continue to put stress on the Russian banking system.

In response to the situation in Ukraine and Crimea, sanctions have been imposed by a number of countries against certain Russian banks, financial institutions and companies, as well as certain Russian individuals who hold interests or positions in such entities. Among other measures, the United States and the European

Union, among others, have recently imposed sectoral sanctions on certain major Russian financial institutions. These sectoral sanctions generally prohibit persons from engaging in transactions involving new equity or new debt (in the case of the United States) or transferable securities, money market instruments, and loans or credit (in the case of the European Union) of greater than 30 days maturity with the targeted entities and entities owned and/or controlled by such entities (including Bank of Moscow, VTB Bank, Vnesheconombank, Gazprombank, Russian Agricultural Bank and Sberbank), substantially cutting off these financial institutions from the U.S. and EU debt and equity markets. It is difficult to predict the full impact of the foregoing sanctions on the Russian banking sector over time; however, there is a risk that Russian banks could be unable to refinance their existing debt or that such refinancing may become more expensive, and/or that Russian banks could be unable to issue loans in amounts necessary for borrowers, and/or that the cost of borrowing could increase significantly for borrowers. Moreover, over time, the above prohibitions could lead to a shortage of U.S. dollars or euros in the Russian markets, which may affect a borrower's performance under contracts with settlement occurring in such currencies. As the Group relies substantially on financing from Russian financial institutions, any of these risks could have a material adverse effect on its ability to raise new capital or refinance existing indebtedness.

A significant part of the Group's cash reserves are held at Russian state-owned banks. Various prominent Western politicians have already called for strengthening U.S. and EU Ukraine-related sanctions against certain Russian companies and state-owned financial institutions. For example, there have been proposals to cut off Russia from the international SWIFT payment system, which would disrupt ordinary banking services in Russia and any cross-border trade. More expansive sanctions targeting Russian banks, including Russian state-owned banks, where a significant part of the Group's cash reserves is held, could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The on-going development in the Russian banking sector, combined with the risk of deterioration in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to any worldwide credit market downturn and economic slowdown. A prolonged or serious banking crisis or the bankruptcy of a number of Russian banks could materially adversely affect the Group's business and its ability to complete banking transactions in Russia.

The accession of the Russian Federation to the World Trade Organization may lead to changes in the business and legal environment in Russia

The Russian Federation officially became a member of the World Trade Organization ("**WTO**") on 22 August 2012. The accession may lead to significant changes in Russian legislation including, among others, the regulation of foreign investments in Russian companies and competition laws, as well as changes in the taxation system and customs regulations in Russia. In addition, implementation of the WTO rules may result in an increase in competition in the markets where the Group operates. Although during 2012-2015, Russia adopted certain changes to its legislation related to its accession to the WTO (for example, for regulation of intellectual property), it is unclear yet if and when all necessary legislative changes related to the accession will take place. If further new legislation is implemented in Russia as a result of its accession to the WTO, such legislation could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Russia's property law is subject to uncertainty and contradiction and title to some of the Group's mineral properties or production facilities may be challenged

The legal framework relating to the ownership and use of land and other real property in the Russian Federation is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in some of the more developed market economies, such as those of North America and Western Europe. During the Russian Federation's transformation from a centrally planned economy to a market economy, legislation was enacted to protect private property against expropriation and nationalization. However, it is possible that, due to a lack of experience in enforcing these provisions and due to political changes, these protections would not be enforced in the event of an attempted expropriation or nationalization, or in the event that the Group's business is reorganized. It is often difficult to determine with certainty the validity and enforceability of title to land in the Russian Federation and the extent to which it is encumbered. Moreover, in order to use and develop real property in the Russian Federation, approvals, consents and registrations of various federal, regional and local governmental authorities are required, and this can be a lengthy and cumbersome process. Further, it is not always clear which governmental body or official has the right to lease or otherwise regulate the use of real property. In addition, building and environmental regulations often contain requirements that are impossible to fully comply with in practice. Failure to obtain or comply with the required approvals, consents, registrations or other regulations may lead to severe consequences, including with regard to any current construction activities. If the real property owned or leased by the Group is found not to be in compliance with all applicable approvals, consents, registrations or other regulations, the Group may lose the use of such real property, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Negative publicity could harm the Group's business

The local and international press has reported high levels of corruption and extortion in the Russian Federation, including selective investigations and prosecutions to further the personal or commercial interests of certain favored companies or individuals. There is also a tendency among the local and international press to generate speculative reports that contain allegations of criminal conduct or corruption on the part of Russian companies or individuals within Russian companies or the Russian government. In addition, the Russian press and other non-traditional media are suspected of publishing biased articles and reports in return for payment. Such negative publicity could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The on-going development of the Russian legal system and Russian legislation creates an uncertain environment for investment and for business activity

Russia continues to develop its legal framework in accordance with international standards and the requirements of a market economy. Since 1991, new Russian domestic legislation has been put into place. Currently, this system includes the Constitution of the Russian Federation of 1993, the Civil Code of the Russian Federation and other federal laws, decrees, orders and regulations issued by the President, the Russian Government and federal ministries, which can be complemented by regional and local rules and regulations, and adopted in certain spheres of regulation. Several fundamental Russian laws have only recently become effective, including laws amending procedures for approval of interested party and major transactions, and there still remain gaps and inconsistencies in regulatory infrastructure. Consequently, certain areas of judicial practice are not yet fully settled, and are therefore sometimes difficult to predict.

Among the risks of the current Russian legal system are:

- inconsistencies among federal laws; decrees, orders and regulations issued by the President, the Russian Government, federal ministries and regulatory authorities; and regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- the relative inexperience of judges, courts and arbitration tribunals in interpreting new principles of Russian legislation, particularly business and corporate law;
- a lack of judicial independence from political, social and commercial forces;
- bankruptcy procedures that are still under development;
- difficulty in enforcing court judgments in practice;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation; and
- a high degree of unchecked discretion on the part of governmental and regulatory authorities.

Unlawful, selective or arbitrary governmental actions have reportedly included denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions and the expropriation of property. The possibility of unlawful, selective or arbitrary governmental action also enhances opportunities for official corruption and extortion, as well as the penetration of organized crime into the economy, all of which is widely reported to be high in Russia. Press reports have described instances in which governmental officials have engaged in selective investigations and prosecutions to further their personal interests. The Russian Government has pursued a campaign against corruption, the results of which have not been yet achieved. See "*—Findings of failure to comply with existing laws or regulations, unlawful or arbitrary government action or increased governmental regulation of the Russian operations of the Group could result in substantial additional compliance costs or various sanctions*".

Even minor or immaterial breaches and violations of Russian legislation may result in claims to be brought by the Russian state authorities. Any such claims by the Russian state authorities could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

There are also legal uncertainties relating to property rights in Russia. During Russia's transformation to a market economy, the Russian Government has enacted legislation to protect property against expropriation and nationalization, and, if property is expropriated or nationalized, legislation provides for fair compensation. There is, however, no assurance that such protections would be enforced.

Russia is not party to any multilateral or bilateral treaties with most Western jurisdictions for the mutual enforcement of court judgments. Consequently, should a judgment be obtained from a court in any of such jurisdictions, it is difficult to predict whether a Russian court will give direct effect to such judgment. Russia (as successor to the Soviet Union) is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). A foreign arbitral award obtained in a state that is party to the New York Convention should be recognized and enforced by a Russian court (subject to the qualifications provided for in the New York Convention and compliance with Russian civil procedure regulations and other procedures and requirements established by Russian legislation and non-violation of Russian public policy), but in practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of Russian courts or other officials, thereby introducing delays and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in Russia. In addition, the Russian courts may, and in certain cases must, accept jurisdiction notwithstanding the submission by the parties to arbitration (*e.g.*, where a dispute is within the exclusive competence of the Russian courts or in insolvency of the Russian obligor). There is also a risk that Russian procedural legislation will be changed by way of introducing further grounds preventing foreign court judgments and arbitral awards from being recognized and enforced in Russia.

In addition, the Law on Arbitration and the related amendments to the Russian legislation, which came into force in September 2016, introduced significant changes to the arbitrability of disputes and the way the arbitration process is regulated. In particular, such laws limit the arbitrability of corporate disputes to permanent arbitration institutions that have received the necessary regulatory approvals in the Russian Federation and meet certain formal criteria (including compliance of the rules of the permanent arbitration institution with the Law on Arbitration, existence of a recommended panel of arbitrators, accuracy of information and reputational requirements). In the event the dispute underlying an award rendered by LCIA in accordance with the Deposit Agreement is deemed non-arbitrable as a matter of Russian law or LCIA does not apply or fails to obtain necessary Russian regulatory approvals, the Russian courts may refuse to recognize and enforce the relevant arbitration award in the Russian Federation.

Notwithstanding recent reforms of the Russian court system, the transitional state of the Russian legal system could affect the Group's ability to enforce its rights under contracts, or to defend itself against claims by others, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The implementation of certain amendments to the Russian Civil Code may create an uncertain environment for business activities and investments

The Russian parliament has recently implemented widespread amendments to the Russian Civil Code, many of which became effective in 2014 and 2015. The scope of these amendments modify existing laws governing, among other things, regulation of legal entities, certain types of transactions, pledges, mortgages, other security arrangements and property rights. As of the date of this Prospectus, the potential interpretation of these amendments by state authorities and the courts, along with their impact on the Group's business and corporate governance, remains unclear.

Findings of failure to comply with existing laws or regulations, unlawful or arbitrary government action or increased governmental regulation of the Russian operations of the Group could result in substantial compliance costs or various sanctions.

The Group's operations and properties in Russia are subject to regulation by various government entities and agencies at both the federal and regional levels. Regulatory authorities often exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits and in monitoring licensees' compliance with license terms, which may lead to inconsistencies in enforcement. Russian authorities have the right to, and frequently do, conduct periodic inspections of operations and properties of Russian companies throughout the year. Any such future inspections may conclude that the Group violated applicable laws, decrees or regulations. Findings that the Group failed to comply with existing laws or regulations or directions resulting from government inspections may result in the imposition of fines, penalties or more severe sanctions, including the suspension, amendment or termination of the Group's licenses or permits or in requirements that the Group cease certain business activities, or in criminal and administrative penalties being imposed on the Group's officers. Any such decisions, requirements or sanctions, or any increase in governmental regulation of the Russian operations of the Group, could increase the Group's costs and could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

In addition, government officials have a high degree of discretion in Russia and at times act selectively or arbitrarily, without a hearing or prior notice, and sometimes in a manner that is contrary to law or is influenced by political or commercial considerations. Unlawful, selective or arbitrary actions of Russian government officials have reportedly included the denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. The Group's competitors may receive preferential treatment from Russian government officials, potentially giving them a competitive advantage over the Group. Unlawful, arbitrary or selective government actions directed against other Russian companies (or the consequences of such actions) may generally impact the Russian economy, including the securities markets. Any such actions, decisions, requirements or sanctions, or any increase in governmental regulation of the Russian operations of the Group, could increase the Group's costs and could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Shareholder liability under Russian legislation could cause the Company to become liable for the obligations of its applicable subsidiaries

Under Russian law, the Company may be primarily liable for the obligations of its Russian subsidiaries jointly and severally with such entities if: (i) the Company has the ability to make decisions for such Russian subsidiaries as a result of its ownership interest, the terms of a binding contract or in any other way; and (ii) the relevant Russian subsidiary concluded the transaction giving rise to the obligations pursuant to the Company's instructions or with the Company's consent. The Company, if it is viewed as having the actual ability to determine its Russian subsidiaries' operations, may also be held liable for the losses incurred by such subsidiaries and caused by the Company. In addition, the Company may have secondary liability for the obligations of its Russian subsidiaries if the subsidiary becomes insolvent or bankrupt as a result of the Company's action. This liability could result in significant losses, and could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

In addition, some of the Company's Russian subsidiaries do not comply with formal requirements of Russian law that provide that a shareholder of a wholly-owned subsidiary cannot itself be a wholly-owned company.

In such circumstances, competent authorities could request that the existing breaches are rectified and, in case these are repeated or remain unrectified, bring a claim seeking liquidation of the company on the basis of gross or repeated breaches of law. The Group does not believe that its existing shareholding structure could result in any claims against its subsidiaries, however, if the Group's ownership structure were challenged and the challenge was successful, the Group would be forced to restructure its existing shareholding structure. Any such challenge or restructuring, if successful, could lead to additional costs and affect the relevant companies' operations.

Protection provided by Russian legislation against expropriation and nationalization may not be adequately enforced

The Russian Government has enacted legislation to protect foreign investment and other property against expropriation and nationalization. If property is expropriated or nationalized, legislation provides for fair compensation. However, there is no assurance that such protections would be enforced. This uncertainty is due to several factors, including weaknesses in the judiciary and insufficient mechanisms to enforce judgments, as well as reports of corruption among state officials. In addition, it is possible that, due to a lack of experience in enforcing these provisions or due to political change, legislative protections may not be enforced in the event of an attempted nationalization. Furthermore, there is little experience in enforcing legislation enacted to protect private property against nationalization. Although the Company does not believe that there is a legal basis for the expropriation or nationalization of any of its assets, any expropriation or nationalization of the Group's business could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Unlawful or arbitrary government actions may be directed at the Group

State authorities have a high degree of discretion in Russia and at times exercise such discretion arbitrarily, without conducting a hearing or giving prior notice, and sometimes they illegally go beyond the limits of their discretion. There is a risk that state authorities may arbitrarily nullify or terminate contracts, withdraw licenses, conduct sudden and unexpected tax audits, initiate criminal prosecutions and civil actions and use common defects in documentation of financing activities, accounting or share issues and registration as pretexts for court claims and other demands to liquidate companies or invalidate such financing activities, share issues and registrations and/or to void transactions. Unlawful or arbitrary state action, if directed at the Group, could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

The limited independence and experience of the judiciary, the complexity of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Group from obtaining effective redress from a court or tribunal

The court system in Russia is understaffed and under-funded and not immune to external influences. Judges and the courts in Russia can be inexperienced in interpreting and applying many aspects of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all court decisions are readily available to the public. Enforcement of court judgments can in practice be very difficult in Russia. All of these factors make judicial decisions in Russia difficult to predict and effective redress subject to uncertainty. Additionally, court claims and prosecutions are sometimes influenced by, or used in furtherance of, private interests. The Group may be subject to such claims and may not be able to receive a fair trial.

Publicly available data may be unreliable

The Group has derived substantially all of the information contained in this Prospectus concerning its competitors and market share from publicly available information and has relied on the accuracy of this information without independent verification.

In addition, some of the information contained in this Prospectus has been derived from official data of Russian government agencies and the CBR. Some of the official data published by Russian federal, regional and local governments may not be complete or researched to the standard of Western countries. The veracity of some official data released by the Russian government may be inaccurate. Official statistics, including those produced by the CBR, may also be produced to a different standard than those used in Western countries. Any discussion of matters relating to the Russian Federation in this Prospectus must, therefore, be subject to uncertainty due to the potential inaccuracy of available official and public information.

RISKS RELATING TO TAXATION

RISKS RELATING TO THE RUSSIAN TAXATION SYSTEM

The Russian taxation system is continually evolving and is subject to frequent changes, which could have an adverse effect on the Group

A significant part of the Group's assets and operations is located in Russia and, therefore, weaknesses in the Russian tax system could adversely affect the Group. The Russian subsidiaries of the Group are subject to a broad range of taxes and charges imposed at the federal, regional and local levels, including but not limited to, corporate income tax, the mineral extraction tax, value added tax ("**VAT**"), property tax and payroll-related social security contributions.

The Tax Code of the Russian Federation (the "**Russian Tax Code**") has been in force for a short period relative to tax laws and regulations in more developed market economies. Moreover, provisions of the Russian tax law applicable to financial instruments (including, securities) may be subject to more rapid and unpredictable changes than similar tax laws in jurisdictions with more developed financial markets or more developed taxation systems. The implementation of Russian tax laws and regulations is often unclear or inconsistent.

Historically, the system of tax collection in Russia has been relatively ineffective, resulting in continual changes in the tax legislation, which sometimes occur on short notice and apply retrospectively. The interpretation and application of existing laws and regulations by various authorities is often unclear, unstable or non-existent. Although Russia's tax climate and the quality of Russian tax legislation have generally improved with the introduction of the Russian Tax Code, there can be no assurance that the Russian Tax Code will not be changed or interpreted in the future in a manner adverse to the stability and predictability of the Russian tax system. The possibility exists that Russia may impose arbitrary or onerous taxes, levies, fines and penalties in the future, which could adversely affect the Group's business.

Since Russian federal, regional and local tax laws and regulations have been subject to frequent changes and some of the sections of the Russian Tax Code relating to the aforementioned taxes are comparatively new, the interpretation and application of these laws and regulations is often unclear, unstable or non-existent. Differing interpretations of tax laws and regulations may exist both among and within government bodies at federal, regional and local levels, increasing the amount of uncertainty and tax risks and leading to the inconsistent enforcement of these laws and regulations. Furthermore, taxpayers, the Russian Ministry of Finance and the Russian tax authorities often interpret tax laws and regulations differently. In some instances, the Russian tax authorities have applied new interpretations of tax laws and regulations retroactively. Private clarifications to specific taxpayers' queries in respect of particular situations issued by the Russian Ministry of Finance are not binding on the Russian tax authorities. There can be no assurance, therefore, that the representatives of the local Russian tax authorities will not take positions contrary to those set out in the private clarification letters issued by the Russian Ministry of Finance. Moreover, there can be no assurance that the Russian legislation and regulations will not be altered, in whole or in part, or that the Russian tax authorities and/or Russian courts or other regulatory authorities will not interpret these rules and regulations in such a way that the arrangements described in the Prospectus would be subject to different tax treatment than the treatment described in the Prospectus, whether retroactively or otherwise, or would be adversely affected in some other way.

In practice, taxpayers often have to resort to court proceedings to defend their position against the Russian tax authorities. In the absence of binding precedent or consistent court practice, rulings on tax or other related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

Despite the Russian Government having taken steps to reduce the overall tax burden in recent years in line with its objectives, the possibility exists that the Russian Federation would impose arbitrary or onerous taxes and penalties in the future, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions. These uncertainties could possibly expose the Group to significant fines and penalties and potentially severe enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden, and could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Tax declarations, together with related documentation, are subject to review and investigation by a number of Russian authorities, which are empowered by Russian law to impose fines and penalties on taxpayers. Generally, tax declarations, together with the related documentation, remain subject to inspection by the Russian tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. The fact that a particular year has been reviewed by the Russian tax authorities does not prevent further review and investigation by the Russian tax authorities of any tax declarations and other documentation relating to that year during the three-year limitation period. In particular, a repeated tax audit may be conducted (i) by a higher-level tax authority as a measure of control over the activities of lower-level tax authorities, or (ii) in connection with the reorganization/liquidation of a taxpayer, or (iii) as a result of the filing by such taxpayer of an amended tax return decreasing the tax payable to the revenue. Therefore, previous tax audits may not preclude subsequent claims relating to the audited period.

Additionally, the Russian Tax Code provides for possible extension of the three-year statute of limitations for liabilities for tax offences if the taxpayer has actively obstructed the performance of the tax audit and such obstruction has become an insurmountable obstacle for the tax audit. As the terms "obstructed" and "insurmountable obstacles" are not specifically defined in Russian tax law or any other branches of Russian law, the Russian tax authorities may attempt to interpret these terms broadly, effectively linking any difficulty experienced by them in the course of their tax audit with obstruction by the taxpayer and use that as a basis to seek tax adjustments and penalties beyond the three-year limitation period. Therefore, the statute of limitations is not entirely effective with respect to liability for tax offences in Russia. An extended tax audit, if it is concluded that the Group had significant tax underpayments relating to previous tax periods, may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities. Tax audits may also impose additional administrative burden on the Group by diverting the attention of its management and financial personnel and requiring resources for defending the Group's tax-filing position, including for any tax litigation.

In its Decision No. 138-O of 25 July 2001, the Constitutional Court of the Russian Federation introduced the concept of "a taxpayer acting in bad faith" without clearly stipulating the criteria for its interpretation and application. Similarly, this concept is not defined in the Russian tax legislation or other branches of Russian legislation. Nevertheless, in practice, this concept has been used by the Russian tax authorities in order to deny, for instance, the taxpayer's right to rely on the letter of the tax law. Based on available practice, the Russian tax authorities and courts often exercise significant discretion in interpreting this concept in a manner that is at times unfavorable to taxpayers.

In October 2006, the Plenum of the Supreme *Arbitrazh* Court of the Russian Federation issued ruling No. 53 ("**Ruling No. 53**"), which introduced a concept of an "unjustified tax benefit" defined mainly by reference to specific examples of such tax benefits (for example, tax benefits obtained as a result of a transaction that has no reasonable business purpose) which may lead to disallowance of their application. Based on the available court practice relating to Ruling No. 53, it is apparent that the Russian tax authorities have been actively seeking to apply this concept when challenging tax positions taken by taxpayers. Although the explicit intention of Ruling No. 53 was to combat tax law abuses, based on the available judicial interpretations relating to Ruling No. 53, the Russian tax authorities have started to apply this concept in a broader sense than may have been intended by the Supreme Arbitrazh Court. Importantly, the Group is aware of cases where this concept has been applied by the Russian tax authorities in order to disallow benefits granted by double tax treaties. In many cases where this concept has been applied, the courts have ruled in favour of taxpayers, although recent trends demonstrate the tendency for the courts to support the position of tax authorities.

The Group operates in various jurisdictions and includes companies incorporated outside of Russia. Russian tax laws currently in effect are not well developed as far as taxation of foreign companies in Russia or operations of Russian companies abroad are concerned. The Russian Tax Code contains a concept of permanent establishment in Russia as a means for taxing foreign legal entities which carry out regular entrepreneurial activities in Russia beyond preparatory and auxiliary activities. However, the practical application of the concept of a permanent establishment under Russian law is not well developed and foreign companies having even limited operations in Russia, which would not normally satisfy the conditions for creating a permanent establishment under international rules, may be at a risk of being treated as having a permanent establishment in Russia. It is possible that with the evolution of these rules or changes in the approach of the Russian tax authorities and/or courts to their interpretation and application, the Group might become subject to additional taxation in Russia in respect of its operations outside Russia.

In addition, the Russian Tax Code contains the "controlled foreign companies" rules (the "**Russian CFC Rules**"), the concept of tax residency for legal entities and the beneficial ownership concept, which came into force on 1 January 2015. Under the Russian CFC Rules, in certain circumstances, undistributed profits of foreign companies and non-corporate structures (*e.g.*, trusts, funds or partnerships) domiciled in foreign jurisdictions, which are ultimately owned and/or controlled by Russian tax residents (legal entities and individuals) will be subject to taxation in Russia. The Russian CFC Rules are being further developed. Certain provisions of the Russian CFC Rules are still ambiguous and may be subject to arbitrary interpretation by the Russian tax authorities.

Under the concept of tax residency for legal entities, a foreign legal entity may be recognized as a Russian tax resident if such entity is in fact managed from Russia. When an entity is recognized as a Russian tax resident, it is obligated to register with the Russian tax authorities, calculate and pay Russian tax on its worldwide income and comply with other tax-related rules established for Russian entities. The new rules set principal and secondary criteria for determining the place of management (among other things, the place where the company's executive body operates). However, there is some uncertainty as to how these criteria will be applied by the Russian tax authorities in practice.

A beneficial ownership concept, which is broadly in line with the concept developed by the Organization for Economic Co-operation and Development (the "**OECD**"), has also been added to the Russian Tax Code. In particular, based on this concept the treaty relief should be available to foreign legal entities provided they have the actual right to receive income (*i.e.*, they qualify as a "beneficial owner of income"). A beneficial owner is defined as a person holding directly, through its direct and/or indirect participation in other organizations or otherwise, the right to own, use or dispose of income, or the person on whose behalf another person is authorized to use and/or dispose of such income. When determining the beneficial owner, the functions of a foreign person that is claiming the application of reduced tax rates under an applicable double tax treaty and the risks that such person takes should be analyzed. The benefits of a double tax treaty will not apply if a foreign person claiming such benefits has limited powers to dispose of the relevant income, fulfils intermediary functions without performing any other duties or taking any risks and paying such income (partially or in full) directly or indirectly to another person who would not be entitled to the same benefits had it received the income in question directly from Russia. Starting from 1 January 2017, a non-resident income recipient should be obliged to provide a tax agent with confirmation that it is the beneficial owner of the income. However, at the moment it is still not clear in what form such confirmation should be obtained.

Introduction of these new rules and concepts is likely to impose additional administrative burden on the Group. No assurance can currently be given as to how the above concepts will be applied in practice, their potential interpretation by the Russian tax authorities and the possible impact (including additional tax liability, if any) on the Group. Therefore, it cannot be excluded that the Group might be subject to additional tax liabilities because of these changes being introduced and applied to transactions carried out by the Group, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

On 1 July 2015, the Convention on Mutual Administrative Assistance in Tax Matters developed by the Council of Europe and the OECD came into effect in Russia. On 12 May 2016, the Russian Federation signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (thereby joining the Standard for Automatic Exchange of Financial Account Information (Common Reporting Standard)) which enables the Russian tax authorities (from 2018), provided the required conditions are met, to automatically obtain certain information for tax purposes from foreign countries, including certain offshore jurisdictions.

Each of the foregoing factors creates tax risks in Russia that may be substantially more significant than those typically found in countries with more developed tax systems. These tax risks impose additional burdens and costs on the Group's operations, including management resources. Although the Group undertakes measures aimed at minimising tax risks and strives to comply with Russian tax laws and regulations, there can be no assurance that the Group would not be required to make substantially larger tax payments in the future and that certain transactions and activities of the Group that have not been challenged in the past may be challenged in the future, resulting in a greater than expected tax burden. These risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing the Group to significant fines, penalties and enforcement measures, and could materially adversely affect the Group's business, results of operations or financial condition or the trading price of the Securities.

Furthermore, Russian tax legislation is consistently becoming more sophisticated. It is possible that new revenue-raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect the Group's overall tax efficiency and may result in significant additional taxes becoming payable. No assurance can be given that no additional tax exposures will arise. Additional tax exposures could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Russian transfer pricing rules may adversely affect the Group's business, financial condition and results of operations

The Russian transfer pricing legislation allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities with respect to "controlled" transactions. The list of "controlled" transactions under the transfer pricing legislation includes transactions performed with related parties and certain types of cross-border transactions. This legislation shifts the burden of proving market prices from the Russian tax authorities to the taxpayer. Although this legislation has been modelled on the basis of the transfer pricing principles developed by the OECD, there are some peculiarities as to how the OECD transfer pricing principles are reflected in the Russian rules. Special transfer pricing rules continue to apply to transactions with securities and derivatives.

Accordingly, due to uncertainties in the interpretation of Russian transfer pricing legislation and the absence of court practice, no assurance can be given that the Russian tax authorities will not challenge the Group's prices and make adjustments which could adversely affect the Group's tax position. The imposition of additional tax liabilities under the Russian transfer pricing legislation may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Capital gains from the sale of the Shares and the GDSs may be subject to Russian income tax

To the extent that (1) the Shares and the GDSs qualify as securities traded on an organized securities market as defined in the Russian Tax Code, and/or (2) less than 50 per cent of the asset base of the Company consists (directly or indirectly) of immovable property located in Russia, the proceeds (capital gain) realized by a Non-Resident Holder – Legal Entity (as defined in "*Taxation—Russian Federation*") from the sale (or other disposal) of the Shares and the GDSs should not be subject to Russian income tax withholding. However, there is a risk that the Russian tax agents may not have sufficient information with respect to the Company's asset base composition and may therefore conservatively seek to apply Russian income tax withholding to the amount of consideration paid to, or capital gain realized by, a Non-Resident Holder – Legal Entity that sells (or otherwise disposes) of the Shares and the GDSs. See "*Taxation—Russian Federation*".

Where the proceeds from the sale (or other disposal) of the Shares and the GDSs are deemed to be received from a source within Russia by a Non-Resident Holder – Individual (as defined in "*Taxation—Russian Federation*"), Russian personal income tax at the rate of 30 per cent (or such other tax rate as could be effective at the time of such sale or other disposal) will apply to the gross amount of proceeds from the sale or other proceeds from the disposition of the Shares and the GDSs decreased by any available duly documented cost deductions (including the acquisition cost of the Shares and the GDSs and other documented expenses related to the acquisition, holding and sale or other disposition of the Shares and the GDSs), provided that the duly executed documentation supporting cost deductions is provided to the tax agent obliged to calculate and withhold Russian personal income tax in a timely manner. Although technically Russian personal income tax due on proceeds from the disposition of the Shares and the GDSs may be reduced or eliminated under provisions of an applicable double tax treaty concluded between Russian and the country of tax residency of a particular Non-Resident Holder – Individual, subject to timely compliance by that Holder with the treaty clearance procedures, in practice such Holders might not be able to obtain advance treaty relief on receipt of proceeds, as may be relevant, received from a source within Russia, while obtaining a refund of Russian personal income tax that was excessively withheld at source could be extremely difficult, if not impossible. Further, even though the Russian Tax Code required only a Russian professional asset manager or broker acting under an asset management agreement, a brokerage service agreement, an agency agreement, a commission agreement or a commercial mandate agreement to withhold the tax from payment to an individual associated with the disposition of securities, there is no guarantee that other Russian companies or foreign companies operating in Russia or an individual entrepreneur located in Russian would not seek to withhold the tax.

The imposition or possibility of the imposition of the above tax liabilities in the Russian Federation, as applicable, could adversely affect the value of the Securities. See "*Taxation—Russian Federation*". In addition, while some Holders might be eligible for an exemption from or a reduction in Russian withholding tax under applicable double tax treaties, there is no assurance that such exemption or reduction will be available in practice.

RISKS RELATING TO THE SECURITIES AND THE TRADING MARKET

There may only be a limited trading market for the Securities and, as a result, the price of the Securities may be highly volatile

The Level I ADSs currently trade on the over-the-counter ("**OTC**") market and are not listed or admitted to trading on any stock exchange. In addition, before the Offering, there has been no public market for either the Rule 144A GDSs or the Regulation S GDSs. Although the Company has submitted an application for admission to trading of the DSs on the LSE and the Shares are traded on MOEX, there can be no assurance that an active liquid trading market for the Securities will develop following the admissions of the DSs to trading on the LSE or will be sustained. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If a liquid trading market for the Securities does not develop, the price of the Securities may become more volatile and it may be more difficult to complete a buy or sell order for the Securities.

The trading prices, if any, of the Securities may be subject to wide fluctuations in response to a number of factors, including:

- variations in the Group's operating results and those of other gold mining companies and those of other Russian companies generally;
- the Group's performance vis-à-vis its competitors;
- changes in governmental legislation or regulation;
- general economic conditions within Group's business sector or in Russia;
- price and volume fluctuations on the Russian or other emerging market stock exchanges;

- sales, or the possibility of sales, of substantial numbers of Securities in the public markets; or
- reductions in global market liquidity and restrictions on the ability of key market participants to operate in certain financial markets or changes in liquidity and trading on the LSE, including as a result of the United Kingdom's anticipated exit from the European Union as a result of the referendum held on 23 June 2016.

In addition, the Russian stock market has historically experienced extreme price and volume fluctuations. These market fluctuations could adversely affect the value of the Securities.

Moreover, the market price of the Securities may decline below the Offer Price per Offer Share and the Offer Price per GDS, as applicable, which have been determined by the Selling Shareholders in consultation with the Company and the Joint Bookrunners, and the Offer Price may not be indicative of the price at which the Securities will trade following completion of the Offering. After the Offering, the Securities could be subject to significant volatility and investors may not be able to resell the Securities at or above the Offer Price.

The listing of the Shares on the Moscow Exchange could be revoked or the level of listing could be downgraded, which could significantly limit the Company's investor base and adversely affect the price of the Securities

On 13 April 2016, the listing of the Shares on the Moscow Exchange was upgraded to the First Level and, effective from 16 June 2016, the Moscow Exchange approved the inclusion of the Company's ordinary shares in the RTS and MOEX indices.

The listing was approved provisionally and based on the assumption that the Company will subsequently comply with the free float requirements applicable to Russian issuers having their shares listed on the First Level of the Moscow Exchange, including having a minimum 10 per cent free float. Currently, the Company's free float is approximately 6.76 per cent. There is no assurance or guarantee that, as a result of the Offering, the Company will comply with the free float level requirements applicable to companies having shares included on the First Level quotation list. Failure to meet the free float requirements for a continued period of time could result in the downgrade of the listing level of the Shares or to the delisting of the Shares from the Moscow Exchange. Any such listing downgrade or delisting of the Shares may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

For some Russian institutional investors and certain international investors, the listing of Shares on the highest level of the quotation list of a relevant recognized stock exchange may be a requirement for the purchase or holding of such Shares. The downgrade of the listing of the Company's Shares or the delisting of the Company's Shares from the Moscow Exchange could significantly limit the Company's investor base and have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Securities.

Holders of DSs may be subject to limitations or delays in repatriating their earnings from distributions made on the Deposited Securities

The Company anticipates that any dividends that it may pay in the future in respect of the Shares held by the Depositary or its nominee on behalf of DS holders will be declared and paid to the Depositary in roubles and will be converted into U.S. dollars by the Depositary and distributed to holders of the DSs, net of all fees, taxes, duties, charges, cost and expenses which may become or have become payable under the Deposit Agreements or under applicable law in respect of such DSs. Accordingly, the value of dividends received by holders of the DSs will be subject to fluctuations in the exchange rate between the rouble and the U.S. dollar and the exchange rate used for the conversion of U.S. dollars to roubles determined pursuant to the Deposit Agreements. Such fluctuations could have an adverse effect on the price of the Securities.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the applicable Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under the Deposit Agreements will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to DS holders, subject to the depositary's obligations under the applicable Deposit Agreement. The methodology used to determine exchange rates used in currency conversions is available upon request from the Depositary.

Although current Russian legislation permits distributions in roubles to be converted into U.S. dollars by the Depositary without restriction, the ability to convert roubles into U.S. dollars is subject to the availability of U.S. dollars in Russian currency markets. Although there is an existing market within the Russian Federation for the conversion of roubles into U.S. dollars, including the Moscow Exchange's foreign exchange market, the interbank market and over-the-counter and currency futures markets, further development of this market is uncertain. At present, there is no viable market in which to hedge rouble and rouble-denominated investments.

In addition, dividends that the Company may distribute to the Depositary will be subject to applicable Russian withholding taxes. See "*—Payments of dividends on the Shares and the GDSs will be subject to Russian withholding tax*" below.

Current Russian laws and regulations applicable to depositary receipts representing rights to shares of Russian companies may complicate the exercise of rights to, and the ability to derive benefits from, the underlying Shares and could expose investors to a risk of suspension of the Company's DS program

Russian corporate law does not recognize a holder of DSs as a shareholder. This results in the holders of DSs not being able to exercise certain rights attached to the shares represented by DSs. In addition, these shareholder rights, which can be exercised by the holders of DSs, can only be exercised indirectly to the extent the holders of DSs are able to do so through the Depositary. As a result of amendments to Russian securities laws introduced over the course of recent years, the ability of the DS holders to exercise rights available to shareholders generally, with the exception of voting and dividends, has been limited, and this legislative and regulatory trend may continue in the future. In particular, the Depositary is no longer viewed as a holder of title to the underlying Shares for the purposes of Russian corporate and securities laws and, accordingly, the Depositary is no longer able to exercise all rights as a shareholder of the Company. For example, the Depositary may be unable to exercise, on behalf of the DS holders, pre-emptive rights granted to shareholders under Russian law, nor the right to participate in mandatory or voluntary share repurchases conducted by the Company, nominate directors for the election at the annual or extraordinary shareholders meeting and take certain other actions available to shareholders. In certain cases, DS holders may still be able to exercise such shareholder rights by timely cancelling their DSs and receiving the underlying Shares in advance of the relevant deadline, subject to the payment of cancellation and other fees to the Depositary in accordance with the terms of the Deposit Agreements. Holders of DSs may be unable to seek damages from the Company, its directors and officers arising out of breaches of corporate laws and violations of fiduciary duties, nor challenge shareholder and board resolutions adopted by the Company and transactions entered into by the Company even where such resolutions and transactions violated Russian corporate laws. Under Russian procedural rules, such claims may only be brought by a shareholder of record, and a DR holder may not be able to establish its standing to bring such claims in Russian courts.

The exercise of voting rights at shareholders' meetings by holders of DSs may be restricted if a DS holder or the Depositary is not able to comply with the increasingly demanding ownership disclosure requirements imposed under applicable Russian laws and CBR regulations. DS holders may not be able to comply with all ownership disclosure requirements, which may be inconsistent with the customary infrastructure of DR programs and confidentiality obligations of the Depositary under regulations in its home jurisdiction. The new requirements may also impose additional burdens upon the Depositary, holders of DSs or their respective securities intermediaries, making investments in DSs less attractive. It also remains unclear how the competent authorities, such as the CBR, investigative, tax authorities and courts, will use their right to request information on the DS holders. The CBR may order the Depositary to cure any violation of the relevant Russian securities laws, including, potentially, an ownership reporting violation by a DS holder. A failure to cure would entitle the CBR to suspend or limit all or part of the operations with the "depo" account of a depositary receipts program for up to six months, which may have an adverse effect on the trading and value of the DSs.

The Russian regulator has been consistently taking measures aimed at increasing the liquidity in the local shares on the local exchanges and the attractiveness of the Russian securities market generally, and it is possible that the regulatory regime in respect of the depositary receipts and depositary shares may be further tightened and further limitations imposed. Any such limitations, if introduced, may affect the rights of the DS holders, and, consequently, the value of the shares and the DSs.

Future sales of the Securities may affect the market price of the Securities, and holders of DSs may not be able to exercise pre-emptive rights

Generally, existing holders of shares of Russian public joint stock companies are in certain circumstances entitled to statutory pre-emptive rights with respect to newly issued shares, pursuant to Russian law and a company's charter (see "*Description of Share Capital and Certain Requirements of Russian Law—Description of Share Capital—Pre-emptive Rights*"). Holders of the DSs in certain jurisdictions may face restrictions under relevant local law on their ability to exercise statutory pre-emptive rights with respect to any new equity issuances by the Company. In particular, holders of DSs located in an EEA Member State may not be able to exercise their statutory pre-emptive rights, unless a prospectus pursuant to the Prospectus Directive is effective with respect to those rights, or an exemption under the Prospectus Directive from the requirement to produce such a prospectus is available. The Company does not currently expect to produce such a prospectus or take steps to receive an exemption from the requirement to produce such a prospectus. Furthermore, U.S. holders of DSs may not be able to exercise such statutory pre-emptive rights, unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirement under the Securities Act is available. The Company does not currently expect to file any such registration statement, and no assurance can be given that an exemption from the registration requirements of the Securities Act would be available to enable such U.S. holders to exercise such statutory pre-emptive rights and, if such exemption were available, the Company may not take the steps necessary to enable U.S. holders of DSs to rely on it. In particular, the existing holders of DSs and investors purchasing GDSs in the Offering will not be permitted to participate in the Open Subscription. See "*The Open Subscription*". In addition, as described above (see "*—Current Russian laws and regulations applicable to depositary receipts representing rights to shares of Russian companies may complicate the exercise of rights to, and the ability to derive benefits from, the underlying Shares and could expose investors to a risk of suspension of the Company's DS program*"), the DS holders may be required to cancel their DSs and receive the underlying Shares in order to exercise such rights. As a result, subsequent equity offerings, if any, by the Company may reduce the percentage ownership of holders of the DSs. Moreover, newly issued preferred shares may have rights, preferences or privileges senior to those of the Shares underlying the DSs.

In addition to the legal risks described in the preceding paragraph, under the Deposit Agreements, the Depositary is not required to make rights available to DS holders. In practice, the Depositary would not make rights available to DS holders unless the Company requests and agrees with the Depositary as to the conditions and procedures that would be applicable.

The Company may decide not to pay dividends in the future

Although the Company has paid dividends on the Shares in the past and has announced the Dividend Policy, it may be unable or elect not to declare such dividends in the future. The payment of dividends, if any, by the Company to holders of the Securities will depend (in addition to applicable regulatory requirements) on, among other things, its future profits, financial position and capital requirements, the sufficiency of its distributable reserves, credit terms, general economic conditions and other factors that the members of the Company's Board of Directors deem to be important from time to time. See "*Dividend Policy*". Should the Company decide in the future against declaring dividends on the Shares or decide to declare dividends on its preference shares in excess of the minimum amount set forth in the Company's charter, the trading price of the Securities may be adversely affected.

Payments of dividends on the Shares and the GDSs will be subject to Russian withholding tax

In general, payment of dividends by a Russian legal entity to a Non-Resident Holder is subject to Russian withholding tax at a rate of 15 per cent (or such other rate as may be effective at the time of payment) unless such withholding tax rate is reduced based on an applicable double tax treaty.

The procedure of application of the reduced withholding tax rates envisaged by the relevant double tax treaties depends on the status of the Holder and/or whether the Shares and the GDSs are held through the Special Depositary Account (as defined in the section "*Taxation—Russian Federation*"). Generally, the reduction of the Russian withholding tax rate (based on the applicable double tax treaty) could be made only with respect to the Non-Resident Holders that are the beneficial owners of the dividends paid. See "*Taxation—Russian Federation*". The beneficial ownership concept was officially introduced into the Russian Tax Code starting from 1 January 2015; and as of the date of this Prospectus, there is a limited practice as to the interpretation of this concept by the Russian tax authorities and/or Russian courts. In this respect, there is no assurance that, while some Non-Resident Holders may be eligible for the reduction in Russian income withholding tax or personal income tax, as applicable, under relevant double tax treaties the respective treaty benefits will be available to them in practice (and, particularly, with respect to non-Russian tax residents who are individuals, as a result of difficulties related to the advance tax relief). See "*Taxation—Russian Federation*".

Moreover, there is no assurance that the Russian depositaries, upon payment of dividends on the Shares and the GDSs held through the Special Depositary Accounts, will apply the Russian withholding tax at a reduced tax rate (which envisaged by the Russian Tax Code or the relevant double tax treaty) to which the relevant Holder is eligible and will not conservatively seek to apply the Russian withholding tax at the standard tax rate of 15 per cent for non-resident holders.

Although the Holders may apply for a refund of a portion of the amount of the Russian income withholding tax or personal income tax excessively withheld by the Russian tax agent (under the relevant double tax treaty or the Russian Tax Code), there is no assurance that the Russian tax authorities will grant any such refunds. See "*Taxation—Russian Federation*".

On 7 June 2017, 68 countries and jurisdictions, including the Russian Federation, signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "**Multilateral Convention**"), and a further 9 countries and jurisdictions formally expressed their intention to sign the Multilateral Convention. The Multilateral Convention will implement a series of measures to update international tax treaties. In particular, the Multilateral Convention sets forth additional requirements for the purposes of application of the reduced tax rates on dividend payments (for example, in certain cases a minimum holding period of shares may be introduced). Currently, it is not entirely clear how each individual double tax treaty to which the Russian Federation is a party will be affected by the Multilateral Convention with respect to the taxation of dividends. However, it is likely that additional requirements for the application of double tax treaties might be introduced. In some cases, it is possible that the Multilateral Convention may no longer allow the application of reduced withholding tax rates to dividends paid on the Shares and the GDSs, where such reduced rates might have been applicable previously. Consequently, there is a risk that upon payment of dividends on the Shares and the GDSs, the Russian tax agents might apply the Russian income tax withholding at the standard tax rate of 15 per cent for non-resident holders. With respect to a specific bilateral tax treaty, the measures will enter into effect after both parties to the treaty have deposited its instrument of ratification, acceptance or approval of the Multilateral Convention and a specified time has passed. The specified time differs for different provisions of double tax treaties. For provisions relating to withholding taxes, the effective date is 1 January of the following year after the last party has notified its ratification. It is possible that the changes made as a result of being a party to the Multilateral Convention will be effective from 2019, though some tax treaties may be affected as early as 2018. These developments may have an adverse impact on the availability of double taxation treaty benefits to Non-Resident Holders.

The imposition or possibility of the imposition of the above tax liabilities in the Russian Federation, as applicable, could adversely affect the value of the Securities. See "*Taxation—Russian Federation*". In addition, while some Holders might be eligible for an exemption from or a reduction in Russian withholding tax under applicable double tax treaties, there is no assurance that such exemption or reduction will be available in practice.

The Deposit Agreements impose practical limitations on DS holders' voting rights with respect to the Shares represented by the DSs

DS holders will have no direct voting rights with respect to the Shares represented by the DSs. DS holders will be able to exercise voting rights with respect to the Shares represented by the DSs only in accordance with the provisions of the relevant Deposit Agreement and applicable law. There are practical limitations on the ability of DS holders to exercise their voting rights due to the additional procedural steps involved in communicating with DS holders. For example, the Joint Stock Companies Law requires the Company to notify holders of Shares at least 20 days in advance of any meeting, at least 30 days in advance of a meeting relating to a reorganization and at least 50 days in advance of an extraordinary meeting relating to any election of directors or a reorganization in the form of merger, spin-off or demerger and the election of directors of the company established as a result of any such reorganization in the form of merger, spin-off or demerger. The holders of Shares will receive notice directly from the Company and will be able to exercise their voting rights by either attending the meeting in person, completing a voting ballot or voting by power of attorney.

DS holders, by contrast, will not receive notice directly from the Company. Rather, in accordance with the relevant Deposit Agreement, the Company will provide the notice to the Depositary. The Depositary has undertaken, in turn, as soon as reasonably practicable thereafter, if requested by the Company in writing, and provided there are no UK, U.S. or Russian legal prohibitions, including, without limitation, the rules of the LSE or the rules of any Russian stock exchange on which the Shares are listed or admitted to trading, to mail to DS holders notice of such meeting, copies of voting materials, if and as received by the Depositary from the Company, and a statement as to the manner in which instructions may be given to the Depositary by the DS holders. To exercise their voting rights, DS holders must then instruct the Depositary how to vote the Shares represented by the DSs which they hold. Because of this additional procedural step involving the Depositary, the process for exercising voting rights may take longer for DS holders than for holders of the Shares, and the Company will not be able to assure DS holders that they will receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. Shares underlying DSs for which the Depositary does not receive timely voting instructions will not be voted.

In addition, although Russian securities regulations currently expressly permit depositaries under depositary receipt programs to split the votes with respect to the shares underlying depositary shares in accordance with instructions from those holders of depositary shares, such regulations remain untested. Therefore, the Depositary may face difficulties in voting Shares in accordance with the instructions of DS holders. There can be no assurance that holders and beneficial owners of DSs will (1) receive notice of shareholders' meetings to enable the timely return of voting instructions to the Depositary, (2) receive notice to enable the timely cancellation of DSs in respect of shareholder actions or (3) be given the benefit of dissenting or minority shareholders' rights in respect of an event or action in which the holder or beneficial owner has voted against, did not participate in voting or not given voting instructions.

See "*Description of Level I ADSs*" and "*Description of GDSs*" for a description of the voting rights of DS holders.

Furthermore, as a matter of Russian law, the Depositary is able to vote at the Company's general shareholders' meeting only on instructions from those DS holders who have provided the required information to the Company (including the corresponding number of the underlying ordinary shares). See "*Description of Share Capital and Certain Requirements of Russian Law—Description of Share Capital —Dividends*".

DS holders will not be able to introduce proposals for the agenda of a General Shareholders' Meeting, request the calling of a General Shareholders' Meeting, nominate candidates to the Company's Board of Directors or the Audit Committee or otherwise exercise the rights of a shareholder arising under the Joint Stock Companies Law. DS holders who wish to take such actions will need to timely request the cancellation of their DSs and take delivery of Shares, thus becoming the registered holders of the Shares.

A Russian court could attempt to order the seizure of the deposited Shares in legal proceedings against the Depositary or the DS holders

Most jurisdictions recognize DS holders as the beneficial owners of the Shares underlying their DSs. For example, in the United States and the United Kingdom, although shares may be held in a depositary's name, thereby making the Depositary the legal owner of the shares, DS holders are recognized as the beneficial, or real, owners. Therefore, in U.S. or UK courts, any action against the Depositary, as the legal owner of the underlying Shares, would not result in DS holders (as the beneficial owners of the underlying Shares) losing their rights to such underlying Shares.

Although Russian law provides that where the underlying Shares are recorded in the name of the Depositary on the so-called "depo account of depositary programs", which is the case in respect of the Company's ADS and GDS facilities, such Shares may not be attached to enforce the obligations of the Depositary, Russian law remains unclear as to who is considered the beneficial owner of the Shares underlying the DSs and Russian courts may attempt to treat the underlying Shares as assets of the Depositary or a DS holder open to seizure or attachment. If a Russian court were to order the seizure or attachment of the Depositary's assets in Russia, DS holders could lose all of their rights to the Shares underlying their DSs.

There are limits to the number of Shares that can be deposited in the DS program and it may not be possible to deposit Shares in the GDS or Level I ADS facilities in order to receive GDSs or ADSs, and changes in Russian regulatory policy with respect to the circulation of the Shares outside Russia in the form of DSs or otherwise may negatively affect the market for the DSs

The Depositary may refuse deposits of Shares and suspend the delivery of the DSs if the Depositary has closed its books or if the Depositary or the Company considers that action as necessary or advisable because of any requirement of law or any governmental or regulatory body, under any provision of the applicable Deposit Agreement or for any other reason.

In accordance with the Securities Market Law, the circulation of securities of a Russian company outside of Russia (including through an offering of foreign-issued depositary shares representing the company's securities) is subject to the prior approval by the CBR. Current CBR regulations generally limit the amount of shares in Russian companies that can be represented by depositary receipts to a maximum of 25 per cent. At the time the FSFM DS Approval was issued to the Company, the relevant threshold was higher and the DR programs of Russian issuers were subject to a restriction that no more than 35 per cent of a Russian company's aggregate shares could be traded abroad in the form of depositary receipts. The statutory and CBR regulations relating to DSs are not entirely clear in a number of respects, including the extent to which existing permissions are grandfathered following changes in regulations and the applicability of domestic offering requirements and limits on the percentage of Shares that can be sold in the form of DSs pursuant to follow-on offerings. The adverse interpretation and application of these regulations may further limit the ability to deposit the Shares into the DS facilities. Although the Company believes that the new lower threshold does not apply to the Company's DSs, no assurance can be given that current securities legislation will not be amended or that the CBR would not otherwise apply a new lower threshold retroactively to depositary receipt programs of Russian issuers established at a time when prior relevant thresholds applicable to the depositary receipt programs were higher. If this were to occur, the Company may be required to reduce the size of its DS program or amend the Deposit Agreements for the DSs to comply with the lower threshold currently in effect.

The restrictions described above have been changed in the past, may be subject to change at any time in the future by the Russian regulatory authorities, and there can be no assurance that changes by the authorities will not adversely affect the legality or the size of the DS facilities, which could adversely affect the value of the Shares and/or the DSs.

If the Open Subscription is not completed, the Company may not receive the proceeds from the Open Subscription and the Company's shareholding structure may differ from what is currently contemplated

Polyus Gold has agreed in the Underwriting Agreements that, following the Offering, it will use the new proceeds received by it in consideration for its sale of Shares and GDSs in the Offering to subscribe for the

Committed Shares at the Offer Price in the Open Subscription. See "*The Open Subscription*" and "*Use of Proceeds*". Under certain circumstances, prior to the commencement of the New Shares issuance, the CBR or a court of law could invalidate the proposed issuance of the New Shares. Similarly, a Russian court could invalidate the sale and purchase transactions entered into in the course of the issuance of the New Shares pursuant to a claim brought by the CBR, the Russian tax authorities or a shareholder of the Company. Such claim may be brought within six months following the date of the relevant sale and purchase transaction. In addition, if Polyus Gold does not subscribe for all or any Committed Shares in the Open Subscription for any reasons, the proceeds received by Polyus Gold in the Offering for its sale of Shares and GDSs would be transferred by it to PGIL pursuant to the terms of the Securities Lending Agreement in settlement of Polyus Gold's obligations thereunder. Were this to occur, the Company would not receive the proceeds from the Open Subscription, and the Company's shareholding structure would differ from what is currently contemplated. See "*Principal and Selling Shareholders*". In addition, the Company would have to find alternative sources of funding to support the Company's planned expenditures, as discussed under "*Use of Proceeds*".

Investors may have limited recourse against the Company or its directors and members of senior management of the Company because they generally conduct their operations outside the United Kingdom and the United States and the current directors and members of senior management of the Company reside outside the United Kingdom and the United States

The Company's presence outside the United Kingdom and the United States may limit the legal recourse of investors against it. The Company is organized under the laws of the Russian Federation. A majority of the current directors and members of senior management of the Company reside outside the United Kingdom and the United States, principally in Russia. All or a substantial portion of the Company's assets and the assets of the current directors and members of senior management of the Company are located outside of the United Kingdom and the United States, principally in Russia. As a result, investors may not be able to effect service of process within the United Kingdom or the United States upon the Company or the directors and members of senior management of the Company or to enforce UK or U.S. court judgments obtained against the Company or its directors and members of senior management in jurisdictions outside the United Kingdom and the United States, including actions under the civil liability provisions of U.S. securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions outside the United Kingdom and the United States, liabilities predicated upon UK or U.S. securities laws.

There is no treaty between the United Kingdom and Russia or the United States and Russia providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. These limitations may deprive investors of effective legal recourse for claims related to their investment in the Securities. The Deposit Agreements provide for actions brought by any party thereto against the Company to be settled by arbitration in accordance with the rules of the London Court of International Arbitration. Russia is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards, but it may be difficult to enforce arbitral awards in Russia due to a number of factors, including the inexperience of the Russian courts in international commercial transactions, official and unofficial political resistance to the enforcement of awards against Russian companies in favor of foreign investors and Russian courts' inability to enforce such awards and corruption in Russia. In addition, the Law on Arbitration and the related amendments to the Russian legislation, which came into force in September 2016, introduced significant changes to the arbitrability of disputes and the way the arbitration process is regulated. In particular, such laws limit the arbitrability of corporate disputes to permanent arbitration institutions that have received the necessary regulatory approvals in the Russian Federation and meet certain formal criteria (including compliance of the rules of the permanent arbitration institution with the law, existence of a recommended panel of arbitrators, accuracy of information and reputational requirements). In the event the dispute underlying an award rendered by the LCIA in accordance with the Deposit Agreement is deemed non-arbitrable as a matter of Russian law or the LCIA does not apply or fails to obtain necessary Russian regulatory approvals, the Russian courts may refuse to recognize and enforce the relevant arbitration award in the Russian Federation.

GROUP OVERVIEW

This overview may not contain all of the information that may be important to prospective purchasers of the Securities and, therefore, should be read in conjunction with this entire Prospectus, including the more detailed information regarding the Group's business and the financial statements and related notes included elsewhere in this Prospectus. Prospective purchasers of the Securities should also carefully consider the information set forth under the heading "Risk Factors". Certain statements in the Prospectus include forward-looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements".

Overview of the Group

The Group is the largest gold mining group in Russia by both production and reserves, according to Metals Focus' Quarterly Gold Mine Cost Service report dated 24 February 2017. The Group is also the eighth largest gold company globally in terms of production, based on the Metals Focus Quarterly Gold Mine Cost Service report and publicly available reports, and is the second largest gold company globally in terms of attributable gold reserves (excluding Sukhoi Log), based on the latest reserves and resources statements of other gold mining companies. Since 2007, the Group's gold production has increased at a compound annual growth rate ("**CAGR**") of 6 per cent to 1,968 thousand ounces in 2016, principally as a result of expanding Olimpiada; launching production at the Blagodatnoye, Titimukhta and Verninskoye deposits; and introducing targeted optimization and debottlenecking projects at each of its mines.

The Group is committed to the Russian market and operates a portfolio of four core producing open pit mines with a major near-term greenfield development project. Its principal assets are located in the Krasnoyarsk, Irkutsk, Magadan and Republic of Sakha (Yakutia) regions of Russia.

The Group's mineral base as classified and reported according to the JORC Code includes 71 million ounces of Proved and Probable Ore Reserves and 193 million ounces of Measured, Indicated and Inferred Mineral Resources (including 58 million ounces of Inferred Mineral Resources for Sukhoi Log on a 100 per cent basis) as at 31 December 2016. Based on attributable 2016 production volumes and attributable Proved and Probable Ore Reserves, the Group has an average mine life of approximately 37 years.

In 2016, the Group had total gold sales of US$2,429 million, total revenue of US$2,458 million and profit for the year of US$1,445 million, and, as at 31 December 2016, total assets of US$5,666 million and a total equity deficit of US$414 million. The Group's Adjusted EBITDA was US$1,536 million in 2016. The Group is well-positioned to maintain its position as one of the lowest-cost producers globally with total cash cost per gold ounce sold ("**TCC/oz**") of US$389/oz and average all-in sustaining cost per gold ounce sold ("**AISC/oz**") of US$572/oz in 2016, placing the Group in the first decile of the 2016 global cost curves according to Metals Focus' Quarterly Gold Mine Cost Service report. According to Bloomberg Intelligence, the Group is also one of the most profitable gold producers globally, with an Adjusted EBITDA margin of 62 per cent in 2016.

Going forward, the Group is aiming to increase production from approximately 2.0 million ounces in 2016 to approximately 2.1 million ounces in 2017, approximately 2.35-2.4 million ounces in 2018 and 2.8 million ounces by 2019 (which would make the Group the fourth largest gold company globally in terms of production, based on production volumes for the largest gold producers as estimated by Wood Mackenzie), while keeping TCC below US$400/oz. This anticipated increase is expected from the planned commissioning of the Natalka project, which is currently under construction, at the end of 2017, and further anticipated production increases at existing operational assets identified in the Strategic Asset Review Program carried out in 2014 and 2015 with respect to the development of low-risk, low-cost brownfield projects. Approximately 420-470 thousand ounces per annum (average over the life of mine) of targeted incremental gold production from 2018 onwards is expected from the anticipated commissioning of Natalka at the end of 2017, while further gold production growth is expected from brownfield expansion projects at the Group's core assets, including reconfiguration of Olimpiada's Mill No. 1 to process higher-grade ore from the Olimpiada deposit; productivity increase at the Blagodatnoye, Verninskoye and Kuranakh mills; introduction of heap leaching at Blagodatnoye and Kuranakh; and other optimization initiatives. The Group participated in the auction announced by the Russian government on 2 December 2016 (Decree of the Government of the Russian Federation No. 2550-r dated 30 November 2016) for the Sukhoi Log deposit, one of the 30 largest gold mineral deposits globally in terms of reserves according to Metals Focus' Gold Focus 2016 report, with total reserves estimated by Russian state authorities of 62.8 million ounces with an average grade of 2.1 g/t (53.3 million ounces, with 2.0 g/t for open pit mining and 9.5 million ounces having a grade of 2.8 g/t for underground mining), classified according to the Russian Standards set by the GKZ based on publicly available information, including data derived from Decree of the Government of the Russian Federation No. 2550-r dated 30 November 2016. The auction was held on 26 January 2017 and the RUB 9,406,435,500 bid of SL Gold, the Company's indirect subsidiary established to participate in the auction, was highest. On 21 February 2017, further to the Governmental decree No. 269-r dated 15 February 2017 confirming the results of the auction, Rosnedra issued a license for the development of the Sukhoi Log deposit to SL Gold. The acquisition is expected to be a significant contributor to the Group's long-term development strategy. The Company intends to conduct additional exploration works and a feasibility study, which are currently expected to last for approximately three to four years, with the assistance of international mining and engineering consultants. Based on the results of the feasibility study, the Company will evaluate options to start construction at Sukhoi Log.

The table below sets out the Ore Reserves and Mineral Resources of the Group according to the JORC Code as at 31 December 2016. See also "*Exhibit A: AMC Competent Person's Report*" pages A30-A33.

	Proved			*Probable*			*Proved and Probable*		
	Tonnes (mln tonnes)[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*	*Tonnes (mln tonnes)*[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*	*Tonnes (mln tonnes)*[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*
Operating assets									
Olimpiada	6.5	2.5	0.51	309	3.0	30	316	3.0	30
Blagodatnoye	42	0.9	1.1	182	1.5	8.9	223	1.4	10
Titimukhta	5.3	1.6	0.27	6.5	3.1	0.65	12	2.4	0.91
Verninskoye[3]	11	1.3	0.45	86	1.7	4.8	96	1.7	5.3
Alluvials[2]	0	0	0	105	0.34	1.1	105	0.34	1.1
Kuranakh	0	0	0	136	1.0	4.5	136	1.0	4.5
Total operating assets	**64**	**1.1**	**2.4**	**824**	**1.9**	**50**	**888**	**1.8**	**52**
Mine under construction									
Natalka	146	1.6	7.3	147	1.8	8.5	293	1.7	16
Total under construction	**146**	**1.6**	**7.3**	**147**	**1.8**	**8.5**	**293**	**1.7**	**16**
Greenfield projects									
Sukhoi Log	0	0	0	0	0	0	0	0	0
Panimba	0	0	0	0	0	0	0	0	0
Poputninskoye	0	0	0	0	0	0	0	0	0
Zmeinoye	0	0	0	0	0	0	0	0	0
Chertovo Koryto	0	0	0	62	1.5	3.1	62	1.5	3.1
Bamskoye	0	0	0	0	0	0	0	0	0
Degdekan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Burgankhchany	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Zapadnoye[4]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Medvezhy[5]	0	0	0	0	0	0	0	0	0
Total greenfield projects	**0**	**N.A.**	**0**	**62**	**1.5**	**3.1**	**62**	**1.5**	**3.1**
Total	**210**	**1.4**	**9.7**	**1,033**	**1.8**	**61**	**1,243**	**1.8**	**71**

1 The estimates for all deposits are presented on a 100 per cent basis.

2 For the Alluvials, cubic meters (m^3) have been converted to tonnages using the general bulk density factor of 1.85 t/m^3 strictly for the purpose of the summary accumulations. Gold grades have been adjusted from g/m^3 to g/t, accordingly.

3 including the Smezhny deposit.

4 adjacent to the Sukhoi Log deposit.

5 adjacent to the Verninskoye deposit.

	Measured			Indicated			Inferred			Measured, Indicated and Inferred		
	Tonnes (mln tonnes)[1]	*Gold Grade (g/t)[1]*	*Gold (mln ounces)*	*Tonnes (mln tonnes)[1]*	*Gold Grade (g/t)[1]*	*Gold (mln ounces)*	*Tonnes (mln tonnes)[1]*	*Gold Grade (g/t)[1]*	*Gold (mln ounces)*	*Tonnes (mln tonnes)[1]*	*Gold Grade (g/t)[1]*	*Gold (mln ounces)*
Operating assets												
Olimpiada	6.5	2.5	0.51	340	3.1	34	127	2.9	12	474	3.0	46
Blagodatnoye	42	0.9	1.1	309	1.5	15	69	1.3	2.9	420	1.4	19
Titimukhta	5.3	1.6	0.27	7.2	3.3	0.8	0.54	1.5	0.03	13	2.5	1.1
Verninskoye[3]	11	1.3	0.45	212	1.6	11	14	2.0	0.9	237	1.6	12
Alluvials[2]	0	0	0	243	0.21	1.6	34	0.40	0.44	277	0.23	2.1
Kuranakh	0	0	0	148	1.1	5.4	100	1.2	3.8	248	1.2	9.2
Total operating assets	**64**	**1.1**	**2.4**	**1,260**	**1.7**	**67**	**344**	**1.8**	**20**	**1,669**	**1.7**	**89**
Mine under construction												
Natalka	150	1.7	8.2	261	1.8	16	148	2.1	9.9	558	1.9	34
Total under construction	**150**	**1.7**	**8.2**	**261**	**1.8**	**16**	**148**	**2.1**	**9.9**	**558**	**1.9**	**34**
Greenfield projects												
Sukhoi Log	0	0	0	0	0	0	887	2.0	58	887	2.0	58
Panimba	5.0	2.3	0.36	11	2.3	0.83	24.0	1.8	1.4	40	2.0	2.6
Poputninskoye	0	0	0	37	3.2	3.9	4.4	2.9	0.42	42	3.2	4.3
Zmeinoye	0	0	0	0.93	5.0	0.15	2.0	4.5	0.28	2.9	4.6	0.43
Chertovo Koryto	0	0	0	67	1.5	3.3	7.8	1.3	0.33	75	1.5	3.6
Bamskoye	0	0	0	15	1.8	0.9	5.1	1.6	0.26	20	1.8	1.1
Degdekan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Burgakhchany	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Zapadnoye[4]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Medvezhy[5]	0	0	0	0	0	0	6.5	1.8	0.38	6.5	1.8	0.38
Total greenfield projects	**5.0**	**2.3**	**0.36**	**131**	**2.1**	**9.0**	**937**	**2.0**	**61**	**1,073**	**2.0**	**70**
Total	**219**	**1.6**	**11**	**1,652**	**1.7**	**92**	**1,429**	**2.0**	**91**	**3,301**	**1.8**	**193**

1 The estimates for all deposits are presented on a 100 per cent basis.

2 For the Alluvials, cubic meters (m^3) have been converted to tonnages using the general bulk density factor of 1.85 t/m^3 strictly for the purpose of the summary accumulations. Gold grades have been adjusted from g/m^3 to g/t, accordingly.

3 including the Smezhny deposit.

4 adjacent to the Sukhoi Log deposit.

5 adjacent to the Verninskoye deposit.

Principal Operations

The map below shows the location of the Group's operating mines and development and exploration projects.

The Group's major gold deposits in Russia are:

- in the Krasnoyarsk region (representing 58 per cent of the Group's total Proved and Probable Ore Reserves and 74 per cent of the Group's total gold production in 2016) – the Olimpiada deposit, which is the largest operating gold mine in Russia according to Metals Focus' Quarterly Gold Mine Cost Service report for the fourth quarter of 2016, and the Blagodatnoye, Titimukhta and Poputninskoye deposits;

- in the Irkutsk region (representing 13 per cent of the Group's total Proved and Probable Ore Reserves (including the Chertovo Koryto deposit) and 18 per cent of the Group's total gold production in 2016) – the Verninskoye deposit and Alluvials;
- in the Republic of Sakha (Yakutia) region (representing 6 per cent of the Group's total Proved and Probable Ore Reserves and 8 per cent of the Group's total gold production in 2016) – the Kuranakh mine; and
- in the Magadan region (representing 23 per cent of the Group's Proved and Probable Ore Reserves) – the Natalka deposit, which is expected to commence production at the end of 2017.

On 21 February 2017, Rosnedra issued to SL Gold a license for the development of the Sukhoi Log deposit. The acquisition is expected to be a significant contributor to the Group's long-term development strategy. The Company intends to conduct additional exploration works and a feasibility study, which are currently expected to last for approximately three to four years.

Strengths

The Directors of the Company believe that the Group's competitive strengths include:

A leading position globally in terms of production with extensive and high quality reserve and resource base

With 2016 production of approximately 2.0 million ounces and 71 million ounces of Proved and Probable Ore Reserves, the Group is the largest gold mining company in Russia by both production and reserves, according to Metals Focus' Quarterly Gold Mine Cost Service report dated 24 February 2017. The Group is also the eighth largest gold company globally in terms of production, based on the Metals Focus Quarterly Gold Mine Cost Service report and publicly available reports, and is the second largest gold company globally in terms of attributable gold reserves (excluding Sukhoi Log), based on the latest reserves and resources statements of other gold mining companies. The Group benefits from an average mine life of approximately 37 years based on attributable 2016 production volumes, which is over two times higher than the average mine life of its top ten global peers. All of the Company's mines are open pit and have an average reserve grade of 1.8 g/t (2.0 g/t excluding heap leaching and the Group's alluvial operations). Because of its strong foothold in, and commitment to, the Russian market, the Group believes that it is well-positioned to capitalize on existing and future opportunities in the region and has a competitive advantage in bidding for new licenses and assets.

Industry leading production growth profile from large development assets and brownfield expansion projects

Given its track record of organic growth, asset optimization and project development, achieving a 70 per cent increase in production from the beginning of 2005 to the end of 2016 and 19 per cent from 2013 to 2016, the Company believes that the Group is well-positioned to convert its reserve base into gold production while maintaining a long-term sustainable low-cost profile. Management is targeting a robust growth profile, with the goal of increasing gold production from approximately 2.0 million ounces in 2016 to approximately 2.8 million ounces in 2019, representing 44 per cent growth and a 13 per cent CAGR. Approximately 420-470 thousand ounces per annum (average over the life of mine) are expected from the planned commencement of operations at Natalka, where construction is close to completion and commissioning is expected at the end of 2017. Further gold production growth is expected from the expansions and further debottlenecking measures at Olimpiada, Blagodatnoye, Verninskoye and Kuranakh. Given its comfortable liquidity position and experience in asset development, the Company believes that the Group is well-positioned to bring its existing development projects into production. As the Group has received the license for the Sukhoi Log deposit, the subsequent development of the Sukhoi Log deposit, one of the

Group's mid-term projects, is expected to enhance significantly the Group's existing production growth profile.

A leading low-cost profile, with sustainable cost advantage as compared to global peers

The Group efficiently manages a portfolio of high-grade large-scale open pit mines, which the Company believes provides it with a sustainable cost advantage and low operating leverage in comparison to its global gold mining peers. All of the Group's existing operations have access to power grids. The Group's cash cost advantage has been further improved by the depreciation of the rouble and on-going operational efficiency initiatives undertaken by current management between the end of 2013 and 2016. As a result, the Group's average TCC/oz and average AISC/oz of US$389/oz and US$572/oz in 2016, respectively, are in the first decile of the 2016 global cost curves, having moved from the fifth decile of the global cost curve, according to Metals Focus' Quarterly Gold Mine Cost Service report. Furthermore, in 2014, as part of its focus on operational excellence and cost discipline, the Group launched the Total Optimization Program ("**TOP**") to incentivize the implementation of capital expenditure-light operational improvements across its business. The TOP's objective is to introduce quick measures that do not require investment in excess of RUB 35 million for any given initiative. These measures are expected to have a payback period of not more than two years. The Group continues to identify further cost-cutting opportunities and to launch multifaceted initiatives under the TOP. In 2016, operational efficiency measures generated US$134 million in total EBITDA improvements. From 2013 to 2016, adjusted EBITDA increased by 68 per cent from US$917 million to US$1,536 million. The Group intends to retain its status as one of the lowest-cost gold producers globally.

Extensive and successful experience in asset development and optimization

The Group has a strong track record of organic growth and project execution from the initial exploration stage to mining and flowsheet design and development, as demonstrated with Blagodatnoye and Verninskoye. Construction of Blagodatnoye, which is one of the largest Russian exploration projects developed in the last decade and which contributed 23 per cent of the Group's output in 2016, was completed in two years from its greenfield state, including commissioning all the supporting infrastructure. In addition, the current management team has demonstrated strong capabilities in optimizing and debottlenecking existing operations. Following a number of targeted improvements in mining and processing technologies, cash costs, recovery rates and throughput capacity have improved substantially at Olimpiada, Blagodatnoye, Kuranakh and Verninskoye. Also, some of the brownfield development projects identified in the Strategic Asset Review Program either had already been completed or had entered the second execution stage by the end of 2016, facilitating an increase in production of 12 per cent to 1,968 million ounces in 2016 as compared to 2015.

Ability to efficiently expand resource base

Because of its strong foothold in, and commitment to, the Russian market, the Group believes that it is well-positioned to capitalize on existing and future opportunities in the region and has a competitive advantage in bidding for new licenses and assets. On 21 February 2017, Rosnedra issued a license for the development of the Sukhoi Log deposit to SL Gold, a company established by JSC Polyus and RT. The Sukhoi Log deposit is one of the 30 largest gold mineral deposits globally in terms of reserves, according to Metals Focus' Gold Focus 2016 report, with total reserves estimated by Russian state authorities of 62.8 million ounces with an average grade of 2.1 g/t (53.3 million ounces, with 2.0 g/t for open pit mining and 9.5 million ounces having a grade of 2.8 g/t for underground mining), classified according to Russian Standards (GKZ).

Strategy

The Group's strategy is to create value by focusing on growing organically through the execution of expansion projects and the construction and launch of projects at new deposits that the Group owns. By pursuing this strategy, the Group seeks to provide investors with access to a company capable of generating industry-leading shareholder returns, while maintaining a commitment to operational excellence and its social and environmental responsibilities. The Group's current corporate strategy focuses on the following aspects:

- ***Maintain and Expand Extensive Reserve and Resources Base***: The Group is operating in the gold-rich CIS region. According to Metals Focus' "Gold Focus 2016" report, the Group successfully operates and develops two of three Russian deposits included in the list of the 30 largest gold assets globally in terms of resources, Olimpiada and Natalka. With the acquisition of the license for the Sukhoi Log deposit, which is the third Russian deposit included in the list, the Group further enhanced its operational profile. Moreover, the Group is the largest gold mining company in Russia by reserves, according to Metals Focus' Precious Metals Investment Focus report dated 26 September 2016, and the second largest gold company globally in terms of attributable gold reserves, based on the latest reserves and resources statements of other gold mining companies, with 71 million ounces of Proved and Probable Ore Reserves. The Group's operations are supported by an average mine life of approximately 37 years based on attributable 2016 production volumes (excluding Sukhoi Log).

- ***Pursue Capital-efficient Growth Opportunities***: The group surpassed its annual production guidance in 2014, 2015 and 2016 by 5 per cent to 1,696 thousand ounces (guidance of 1,580 to 1,650 thousand ounces), 6 per cent to 1,763 thousand ounces (guidance of 1,630 to 1,710 thousand ounces) and 11 per cent to 1,968 thousand ounces (initial guidance range of 1,760 to 1,800 thousand ounces), respectively. Following a 19 per cent increase in gold production from 2013 to 2016, the Group aims to deliver sustainable organic growth by executing an identified set of brownfield development projects. These projects are expected to enable the Group to extract maximum output from existing assets through targeted expansion and debottlenecking initiatives with high internal rate of returns ("**IRRs**"). Additionally, the Group is developing a large scale greenfield project – Natalka (which is expected to commence operations at the end of 2017) – and is exploring Sukhoi Log and Chertovo Koryto. The Group intends to conduct additional exploration works and a feasibility study at Sukhoi Log, which is expected to last for approximately three to four years, supported by international mining and engineering consultants. Based on the results of the feasibility study, the Group will evaluate options to initiate construction activities at Sukhoi Log. The Company expects that eventual development of the Sukhoi Log deposit should significantly enhance the Group's existing production growth profile. The development of the Sukhoi Log deposit, along with the Chertovo Koryto deposit as part of the development of the Irkutsk business unit, will comprise the next stage of the Group's growth strategy. One of the main strategic targets for the Group is to bring extensive ounces of reserves into low-cost profitable ounces of production.

- ***Preserve Cost Leadership***: The Group intends to retain its status as one of the lowest-cost gold producers globally through its disciplined approach to project selection, concentrating on its large scale "Tier 1" assets, which are long-life, large-scale and low-cost assets. The Group also plans to continue implementing operational efficiency initiatives aimed at throughput and recovery rate increase as well as cost reduction.

- ***Striking balance between shareholder returns and optimal capital structure***: The Group has set a dividend policy that is focused on shareholder returns. Under its dividend policy, the Group will pay dividends on a semi-annual basis in an amount of 30 per cent of the EBITDA for the applicable reporting period, provided that the net debt/adjusted EBITDA ratio for the last 12 months based on the consolidated financial statements of the Group is lower than 2.5x. With net debt/adjusted EBITDA ratio at 2.0x as of 31 March 2017 and a robust cash generation profile, the Company believes that the Group is well-positioned to maintain leverage below this threshold. As at the date of the Prospectus, the Company continues to have a comfortable leverage profile with limited repayments in the coming years and a strong cash position, which the Company believes will allow it to meet its financing obligations and planned capital expenditures program.

- ***Maintain High Standards of Corporate Governance and Corporate Disclosure***: The Group is committed to maintaining high standards of corporate governance and disclosure. The Group's board of directors includes three independent non-executive directors, all of whom have extensive experience in large public companies and in the mining industry. Edward Dowling, the chairman of the Group's board of directors, former member of the board of directors and Executive Director for Mining and Exploration at De Beers, has over 30 years of experience in the mining industry and currently serves as the Chairman of the board of directors of Alacer Gold, and as a member of the board of directors of Teck Resources, Canada's largest diversified mining company, and Detour Gold Corporation, a Canadian intermediate gold mining company. Kent Potter has held various senior managerial positions in Chevron, TNK-BP and LyondellBasell Industries during a 30-year career in natural resources industry. William Champion has over 30 years of experience in the mining industry and currently serves on the board of directors of Compañía de Minas Buenaventura, Peru's largest publicly traded precious metals company. In addition, the Group's Audit, Nomination and Remuneration, Strategy and Operations Committees each have at least two independent non-executive directors as members and all such Committees are chaired by an independent non-executive director.

- ***Maintain Stringent Health and Safety Standards***: The Group is committed to the best HSE practices and is continuing implementation of a two-year action plan that commenced in 2015 to ensure full compliance with the ICMM Sustainable Development principles. According to the ICMM website, the Group is the only group in Eastern Europe and one of only three companies from emerging markets that is a member of the ICMM. The Group is committed to implement fully the ICMM Sustainable Development principles. The Group's ultimate goal is to achieve a zero fatality rate.

Strategic Asset Review

In 2014, the Group commenced a comprehensive review of its assets, with a view to monetizing its substantial resource base, identifying additional low-risk growth opportunities and optimizing its development pipeline. In March 2015, the Company developed the Strategic Asset Review Program to develop low-risk, low-cost brownfield projects. The review resulted in a number of medium-scale initiatives at its core assets at the Krasnoyarsk, Irkutsk and Yakutia business units, with the potential to deliver up to approximately 480 thousand ounces per annum (excluding the Natalka project and the gold equivalent impact from the additional bio-oxidation ("**BIO**") circuit (BIO-4)) of incremental gold production. The Group's gold production in 2016 totaled approximately 2.0 million ounces. The Group expects its production levels to further increase in 2017, allowing it to produce approximately 2.1 million ounces. In the mid-term, the Group's annual production target is at least 2.8 million ounces of gold to be produced by 2019. Achievement of these target projections depends on various factors, including market conditions, successful implementation of our development and expansion projects, and various operational and other risks described elsewhere in this Prospectus. Under the Strategic Asset Review Program, the brownfield projects include:

- the Krasnoyarsk business unit is to remain the principal growth platform of the Group, with four major projects identified:
  - reconfiguration of Mill No. 1 to process higher-grade ore from Olimpiada deposit;
  - an additional bio-oxidation circuit (BIO-4) at Olimpiada's Mills No. 1, 2 and 3 complex;
  - expansion of the Blagodatnoye Mill to 8.0 mtpa of throughput capacity; and
  - the introduction of heap leaching at Blagodatnoye;
- at Verninskoye, the Group is planning to increase the capacity of the mill to 3.0 mtpa; and
- at Kuranakh, the Group is considering commissioning a heap leach operation as well as increasing existing throughput capacity of the Kuranakh Mill to 5.0 mtpa.

In 2016, one of these projects, the reconfiguration of Mill No. 1, was completed in September, and the first stage of expansion was completed for three other projects as follows:

1. the throughput capacity at the Blagodatnoye Mill reached its target of 8.0 mtpa and the Group is now implementing initiatives to stabilize this run rate;

2. the throughput capacity at the Verninskoye Mill achieved 2.5 mtpa annualized run rate and the Group is now implementing initiatives to proceed with further capacity expansion; and

3. the throughput capacity at the Kuranakh Mill achieved 4.5 mtpa annualized run rate and the Group is now implementing initiatives to proceed with further capacity expansion.

Following the completion of the first stages, throughput capacity expansion projects are expected to be finalized in 2017-2018.

Operational performance

The following table shows selected operational data for the periods indicated.

	Year ended 31 December			*Three months ended 31 March*
	2016	*2015*	*2014*	*2017*
Production				
Ore mined (Kt)	29,682	22,012(1)	29,880	8,620
Ore processed (Kt)	26,445	24,824(1)	23,743	6,630
Gold production (Koz)	1,968	1,763	1,696	450
Sales				
Gold (Koz)	1,915	1,768	1,691	487

Note:

1. Includes volumes of ore mined at the Poputninskoye deposit.

THE OFFERING

The Company	Public Joint Stock Company Polyus, a public joint stock company organized under the laws of the Russian Federation.
The Selling Shareholders	Polyus Gold International Limited, a private limited company organized under the laws of Jersey, and Polyus Gold plc, a public limited company organized under the laws of England and Wales.
The Offering	The Offering comprises (i) an offering of Shares in Russia and (ii) an offering of Shares and GDSs outside Russia. Shares and GDSs are offered outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A under the Securities Act. The Selling Shareholders have authorized the offer of up to 13,123,427 (including the Over-allotment Option) Shares, including Shares represented by GDSs, for sale in the Offering. There is no assurance that all of these Shares will be sold as part of the Offering and the Selling Shareholders may sell less Securities than the authorized maximum number of Securities for sale in the Offering.
The GDSs	The Regulation S GDSs will be issued pursuant to a Regulation S deposit agreement governed by New York law and entered into among the Depositary, the Company and all registered holders and indirect and beneficial owners of Regulation S GDSs as of the date of this Prospectus (the "**Regulation S GDS Deposit Agreement**"), and the Rule 144A GDSs will be issued pursuant to a Rule 144A deposit agreement governed by New York law and entered into among the Depositary, the Company and all registered holders and indirect and beneficial owners of Rule 144A GDSs as of the date of this Prospectus (the "**Rule 144A GDS Deposit Agreement**" and, together with the Regulation S GDS Deposit Agreement, the "**GDS Deposit Agreements**"). Two GDSs represent an interest in one Share of the Company. The Regulation S GDSs will be evidenced by Regulation S GDRs and the Rule 144A GDSs will be evidenced by Rule 144A GDRs, which will be issued pursuant to the GDS Deposit Agreements. Except in the limited circumstances described herein, separate GDRs will not be issued to GDS holders in exchange for interests in the GDSs held through DTC, Euroclear or Clearstream, Luxembourg. Subject to the terms of the GDS Deposit Agreements, including certification requirements, Regulation S GDSs may be exchanged for a corresponding number of Rule 144A GDSs, and vice versa. See "*Description of GDSs", "Settlement and Delivery—Clearing and Settlement of GDSs"* and *"Settlement and Delivery—Closing and Settlement of GDSs—Global Clearance and Settlement Procedures— Secondary Market Trading*".
The Open Subscription	In connection with the Offering, the Company will issue up to 28,594,162 New Shares to be placed through an Open Subscription. The Company has received applications from eligible shareholders of the Company (other than PGIL, which held 116,999,862 existing Shares on the Record Date) to subscribe in aggregate for 1,046 Pre-emption Shares at the Offer Price. In addition to the Pre-emption Shares, the Company is offering in the Open

Subscription (i) 98,809 New Shares in the MOEX Offering and 250 New Shares to an investor outside of the MOEX Offering and (ii) up to 5,915,979 Committed Shares at the Offer Price to Polyus Gold. Any New Shares which are not subscribed for as Pre-emption Shares, Committed Shares or pursuant to the Russian Offering will be cancelled. The decision on the issuance of shares in connection with the Open Subscription was registered by the CBR on 31 January 2017. Under the Securities Lending Agreement, PGIL is expected to loan to Polyus Gold 5,915,979 Shares in order to allow Polyus Gold to sell Securities in the Offering. Polyus Gold has agreed in the Underwriting Agreements to subscribe for the Committed Shares in the Open Subscription at the Offer Price, the purchase of which it will fund with the gross proceeds from its sale of Shares and GDSs in the Offering. Pursuant to the Securities Lending Agreement, following completion of the Offering, Polyus Gold will deliver the Committed Shares acquired by it to PGIL in satisfaction of Polyus Gold's obligations under the Securities Lending Agreement. See "*Risk Factors—Risks Associated with the Group's Business and the Gold Mining Industry—If the Open Subscription is not completed, the Company may not receive the proceeds from the Open Subscription and the Company's shareholding structure may differ from what is currently contemplated*" and "*The Open Subscription*".

The Russian Offering .... The Company is offering 98,809 New Shares through the facilities of MOEX to certain Russian institutional investors and other investors at the Offer Price, and 250 New Shares subscribed for by an investor outside of the facilities of MOEX. Shares purchased in the Russian Offering will be paid in roubles at the official CBR US$/RUB exchange rate as of 30 June 2017, subject to rounding.

Depositary .... The Bank of New York Mellon.

Share Capital .... At the date of this Prospectus, the Company's issued and outstanding share capital consisted of 127,545,429 ordinary shares, each with a nominal value of RUB1.00, which are fully paid and issued. In addition, the Company is authorized by its charter to issue up to 28,594,162 additional Shares and, of this amount, the issuance of up to 28,594,162 New Shares has been approved by the Board of Directors of the Company and registered with the CBR. Following the Offering, the Russian Offering, and assuming the exercise by all eligible shareholders of their pre-emptive rights, the full exercise of the Over-allotment Option and the subscription by Polyus Gold of the Committed Shares, the Company's share capital will consist of 133,561,513 issued and outstanding Shares.

The Shares are subject to applicable provisions of Russian corporate law and have the rights described under "*Description of Share Capital and Certain Requirements of Russian Legislation*".

On 22 December 2016, the Company's Extraordinary General Meeting approved the reorganization of the Company in the form of a merger of LLC Polyus-Invest, a then subsidiary of the Company, into the Company and the decrease of the Company's charter capital by way of cancellation of 63,082,318 Shares then held by LLC Polyus-Invest following completion of the merger. The merger and

	subsequent cancellation of the Company's Shares were completed on 7 April 2017 and 10 April 2017, respectively. Prior to the completion of the merger, the Company's share capital consisted of 190,627,747 Shares. Following the completion of the merger and cancellation of 63,082,318 Shares held by LLC Polyus-Invest, the share capital of the Company was decreased by 63,082,318 Shares. The Company has not cancelled the 1,913,200 Shares that it received from LLC Polyus-Invest in the merger. These Shares are being held by the Company as treasury shares primarily for general corporate purposes, including possible sale and the LTIP. Such treasury shares will not have voting rights or be taken into account for the purposes of quorum requirements at General Shareholders' Meetings and will not be entitled to dividends. The Company will be required to either dispose of such treasury shares within one year following completion of the merger or, if such shares are not disposed of, cancel the treasury shares and decrease its charter capital accordingly.
The DS Facilities	The Company received permission from the FSFM, the predecessor of the CBR, for the circulation of up to 66,719,711 Shares in the form of DSs on 26 June 2006.
Offer Price	US$66.50 per Offer Share and US$33.25 per GDS.
Admission Date	On or about 5 July 2017.
GDS Closing Date	On or about 5 July 2017.
Over-allotment Option	PGIL has granted to Goldman Sachs options exercisable within 30 days after the announcement of the Offer Price, to purchase up to 1,202,044 additional Shares in the form of Shares and GDSs at the Offer Price, solely to cover over-allotments, if any, in the Offering.
Transfer Restrictions	The Offer Shares and GDSs will be subject to certain transfer restrictions set forth in "*Transfer Restrictions*".
Listing and Market for the Securities	The Shares are listed on the First Level quotation list of MOEX under the symbol "PLZL". The Company has applied to the FCA, in its capacity as competent authority under FSMA, for the DSs to be admitted to the Official List and to the LSE to admit the DSs to trading on the Regulated Market through its IOB. The Level I ADSs also trade over-the-counter in the United States. The Company expects that conditional trading in the GDSs on the LSE through the IOB will commence at 8:00 am (London time) on a "when and if issued" basis on or about 30 June 2017 and that unconditional trading in the DSs will commence at 8:00 am (London time) on or about the Admission Date. **All dealings in the GDSs before commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned**. The Company expects that trading in the New Shares on MOEX pursuant to the MOEX Offering will commence at 8:00 am (London time) on or about 30 June 2017. There is no conditional trading on MOEX and as such all dealings in the New Shares on MOEX will be unconditional

and thus will still be of effect in full even if Admission does not take place. Investors that deal in the Shares, but are unable to settle, may incur MOEX fines and charges and any such dealings and costs shall be at the sole risk and responsibility of the parties involved.

The Level I ADSs . . . . The Level I ADSs are issued from time to time pursuant to a deposit agreement governed by New York law and entered into among the Depositary, the Company and all registered holders and beneficial owners of Level I ADSs on 17 May 2006, as amended (the "**ADS Deposit Agreement**" and, together with the GDS Deposit Agreements, the "**Deposit Agreements**"), in connection with the Company's existing Level I ADS program. Two Level I ADSs represent an interest in one Share of the Company. Application has been made for the DSs to be admitted to the Official List and to the LSE to admit the DSs to trading on the Regulated Market through its IOB. The Level I ADSs also trade over-the-counter in the United States.

The Level I ADSs are evidenced by Level I ADRs, issued pursuant to the ADS Deposit Agreement. Pursuant to the ADS Deposit Agreement, the Shares represented by Level I ADSs are held in Russia by VTB Bank or any other custodian the Depositary appoints as the custodian, for the benefit of the Depositary and for the further benefit of Level I ADS holders.

For 40 days after the GDS Closing Date, shareholders seeking to deposit Shares into the Company's Level I ADS program facility for the purpose of delivery of Level I ADSs will be required to deliver a certification to the Depositary that the Shares to be deposited into the Company's Level I ADS program facility were not acquired as part of the Offering. Until the first anniversary of the GDS Closing Date, shareholders seeking to deposit Shares for the purpose of delivery of Level I ADSs will be required to deliver a certification to the Depositary that the Shares to be deposited were not acquired as part of the Offering in the United States in reliance on Rule 144A.

Settlement Procedures . . . . Payment for the GDSs is expected to be made in U.S. dollars in same-day funds through the facilities of DTC, Euroclear and Clearstream, Luxembourg on or about the GDS Closing Date. The Regulation S GDSs held through Euroclear and Clearstream, Luxembourg will be evidenced by the Regulation S GDRs registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests in the Rule 144A GDSs held through DTC will be evidenced by the Rule 144A GDRs registered in the name of Cede & Co., as nominee for DTC, which will be deposited with The Bank of New York Mellon in New York as custodian for DTC. Investors may hold beneficial interests in the GDSs evidenced by corresponding GDRs only through DTC, Euroclear or Clearstream, Luxembourg.

Transfers within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system. See "*Settlement and Delivery*".

Delivery of and payment for the Offer Shares in the Offering is expected to commence on or about 5 July 2017. Investors in the

Offer Shares must indicate the settlement currency during the bookbuilding process. In order to take delivery of the Offer Shares, an investor should have a share account either with the Company's share registrar Joint Stock Company Independent Registrar Company (the "**Registrar**") or JSC National Settlement Depositary ("**NSD**") or any other depositary that has an account with NSD. Investors may at their own expense choose to hold the Offer Shares through a direct account with the Registrar. However, directly-held Offer Shares are ineligible for trading on MOEX. Only Offer Shares deposited with NSD (or held through another depositary having an account at NSD) can be traded on MOEX.

Taxation	There are certain Russian, U.S. and UK tax considerations relevant to purchasing and holding GDSs. See "*Taxation*".
Voting Rights	Shareholders are generally entitled to one vote per Share at a shareholders' meeting. See "*Description of Share Capital and Certain Requirements of Russian Legislation—General Shareholders' Meeting*". Under the Deposit Agreements, two DSs carry the right to instruct the Depositary to vote one Share, subject to the provisions of applicable Russian law. See "*Risk Factors—Risks Relating to the Securities and the Trading Market—The Deposit Agreements impose practical limitations on DS holders' voting rights with respect to the Shares represented by the DSs*".
Lock-up	The Company and the Selling Shareholders have undertaken that neither they nor any of their subsidiaries, affiliates nor any person acting on their behalf will, without prior written consent of the Joint Global Coordinators, issue (in the case of the Company only), offer, sell, lend, mortgage, assign, contract to sell, pledge, charge, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option right or warrant to purchase, over or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any Shares, including Shares represented by GDSs, or any securities convertible into or exchangeable for the Shares for a period of 180 days after the closing date of the Offering. The foregoing undertaking is subject to certain exemptions, including, without limitation, (i) the offer and sale of the Shares or GDSs in connection with this Offering and the Share issue; (ii) the transfer of Shares pursuant to the Securities Lending Agreement; (iii) pledging or otherwise giving security over the Shares or GDSs in connection with any financing arrangement, provided that the relevant shareholder, as applicable, will ensure that no such pledge or other security interest will be enforced prior to the expiration of the lock-up period; (iv) participating in a buy back by the Company of the Shares or GDSs or a takeover offer made to all holders on identical terms; (v) transfers to affiliates provided such transferee agrees to be bound by the same lock-up terms; (vi) transactions, including the granting of any option over the Shares or GDSs in connection with an employee share scheme or plan of the Selling Shareholders, the Company, or their affiliates; (vii) completion of the transaction described in "*Principal and Selling Shareholders—PGIL Agreement to Sell Shares in the Company*"; (viii) actions resulting in the conversion of Shares into GDSs and vice versa; (ix) the sale of Shares or GDSs to a strategic investor in the amount of up to 5 per cent of the share capital of the

Company in the aggregate, provided such purchaser agrees to be bound in writing not to sell such Shares or GDSs, as applicable, until the expiration of the 180 day lock-up period; and (x) any sale or transfer of up to 5 per cent of the Shares or GDSs in the aggregate for the purposes of merger and acquisition transactions, provided such transferee agrees to be bound in writing not to sell such Shares or GDSs, as applicable, until the expiration of the 180 day lock-up period.

Dividend Policy . . . . Subject to applicable Russian law, purchasers of the Securities are entitled to dividends declared, if any, as of any record date for determining the shareholders entitled to attend the General Shareholders' Meeting approving the dividend, which falls after the date of completion of the Offering.

In October 2016, the Board of Directors of the Company approved a new dividend policy, pursuant to which the Company will, subject to applicable requirements of Russian law for dividends to be paid out of net profit determined in accordance with Russian accounting standards, pay dividends on a semi-annual basis in an amount of 30 per cent of the EBITDA for the applicable reporting period. Payment will be calculated on the basis of the consolidated financial statements of the Group prepared in accordance with IFRS requirements, provided that the net debt/adjusted EBITDA ratio for the previous 12 months based on the consolidated financial statements of the Group is lower than 2.5x.

Should the net debt/Adjusted EBITDA ratio for the previous 12 months be higher than 2.5x, the Board of Directors of the Company will exercise discretion on dividends, taking into account the Group's financial position, free cash flow, outlook and macro-economic environment.

The Board of Directors of the Company may consider the possibility of payment of special dividends, subject to the Group's liquidity position, capital expenditure requirements, free cash flow and leverage.

The new dividend policy is intended to provide key stakeholders with visibility on the dividend distributions and aims to balance the appropriate cash returns to equity holders with the requirement of maintaining a balanced and sound financial position.

On 7 June 2017, the Board of Directors of the Company recommended that the Company's Annual General Shareholders' Meeting to be held on 30 June 2017 approve the payment of the dividends for the 2016 fiscal year in the total amount of RUB 20,062,843,800 (equivalent to US$354 million at the CBR official exchange rate of RUB 56.6747 per US$1.00 as of 7 June 2017) (see "*Dividend Policy*").

Use of Proceeds . . . . The Company will not receive proceeds from the Offering as these will be received by the Selling Shareholders. Polyus Gold has committed to use all gross proceeds it receives in the Offering to subscribe for Committed Shares issued by the Company.

The Company intends to use the proceeds from (i) the issue of the Pre-emption Shares, (ii) the Russian Offering and (iii) the issue of the Committed Shares, after paying all fees and expenses associated with the Offering:

- to repay a portion of the Group's outstanding indebtedness (the particular indebtedness to be repaid has not yet been determined as of the date of this Prospectus) or for favorable acquisition opportunities;
- to finance the operating activities and development projects of other members of the Group;
- to finance capital expenditure; and
- for other general corporate purposes of the Group.

Security Codes . . . . The security numbers for the Securities are as follows:

Regulation S GDSs:	CUSIP:	73181M117
	ISIN:	US73181M1172
	Common Code:	163383462
	SEDOL:	BYXL3S6
Rule 144A GDSs:	CUSIP:	73181M109
	ISIN:	US73181M1099
	Common Code:	163383535
	SEDOL:	BYXL3P3
Level I ADSs:	CUSIP:	73181P102
	ISIN:	US73181P1021
	Common Code:	137626802
	SEDOL:	B14XJY8
LSE Regulation S GDS trading symbol:		PLZL
LSE Rule 144A GDS trading symbol:		PLZA
LSE Level I ADS trading symbol:		PLZB

THE OPEN SUBSCRIPTION

In connection with the Offering, the Company will issue up to 28,594,162 New Shares to be placed through the Open Subscription under Russian law. Holders of Shares as of the Record Date had statutory pre-emptive rights to subscribe for the New Shares *pro rata* to their holdings of existing Shares on the Record Date. The Company has received applications from eligible shareholders of the Company (other than PGIL, which held 116,999,862 existing Shares on the Record Date) in relation to the aggregate of 1,046 Pre-emption Shares. To the extent the shareholders who have submitted applications decide to purchase these New Shares, they will need to pay for them at the Offer Price within five Russian business days after the announcement of the Offer Price, and such New Shares can be paid for in U.S. dollars or in roubles at the CBR RUB/US$ exchange rate as of 30 June 2017, subject to rounding. In addition to the Pre-emption Shares, the Company is offering in the Open Subscription (i) 98,809 New Shares in the MOEX Offering and 250 New Shares to an investor outside of the MOEX Offering and (ii) up to 5,915,979 Committed Shares at the Offer Price to Polyus Gold pursuant to a subscription application submitted by Polyus Gold. Any New Shares which are not subscribed for as the Pre-emption Shares, the Committed Shares or pursuant to the Russian Offering will be cancelled.

In connection with the Offering, PGIL concluded the Securities Lending Agreement with Polyus Gold, pursuant to which PGIL is expected to loan 5,915,979 Shares to Polyus Gold in order to allow Polyus Gold to sell Shares and GDSs in the Offering. Polyus Gold has committed to use all gross proceeds it receives in the Offering to subscribe for New Shares in the Open Subscription and consequently the Company has received an application from Polyus Gold to subscribe for the Committed Shares. Pursuant to the Securities Lending Agreement, following completion of the Open Subscription and the Offering, Polyus Gold will deliver the Committed Shares acquired by it to PGIL in satisfaction of Polyus Gold's obligations under the Securities Lending Agreement.

Although Polyus Gold has agreed in the Underwriting Agreements to use the proceeds from the Offering to purchase up to 5,915,979 New Shares in the Open Subscription, if Polyus Gold does not subscribe for all or any Committed Shares in the Open Subscription for any reason, Polyus Gold will not have New Shares to transfer to PGIL and, therefore, will be required pursuant to the Securities Lending Agreement to transfer the proceeds received by it in the Offering to PGIL in lieu of transferring the New Shares purchased by it in the Open Subscription.

The Company will not receive proceeds from the Offering as this will be received by the Selling Shareholders. The proceeds from the issue of the Pre-emption Shares, the Russian Offering and the issue of the Committed Shares received by the Company will be used as described in "*Use of Proceeds*".

The underwriters are not acting on behalf of the Company or any other person in connection with the Open Subscription and make no representation to any purchaser of the New Shares as to legality or the suitability of an investment in such New Shares by such purchaser. The Open Subscription is being made pursuant to a prospectus approved by the CBR and not this Prospectus.

USE OF PROCEEDS

Gross proceeds from the Offering, excluding any over-allotments, are estimated to be US$799.4 million. Net proceeds to the Company from the Offering (including gross proceeds from the Russian Offering, which are estimated to be US$6.6 million) are estimated to be approximately US$385.3 million, and reflect the payment by the Company and PGIL of the aggregate underwriting commissions (assuming full payment of the discretionary fee to the Joint Bookrunners), and the payment by the Company of other expenses of the Offering. The total other expenses of the Offering are estimated to total approximately US$5.1 million.

The Company will not receive any proceeds directly from the sale of Shares and GDSs by the Selling Shareholders in the Offering. However, Polyus Gold has agreed in the Underwriting Agreements to subscribe for the Committed Shares in the Open Subscription at the Offer Price with all gross proceeds of its sale of Shares and GDSs in the Offering. Polyus Gold will sell an aggregate of 5,915,979 Shares in the Offering, including Shares represented by GDSs. It intends to transfer all gross proceeds it receives from these sales to the Company by subscribing for the Committed Shares.

Assuming full exercise of the Over-allotment Option, PGIL will sell an aggregate of 7,207,448 Shares in the Offering, including Shares represented by GDSs. The Company will not receive any proceeds from the sale of Shares and GDSs by PGIL.

The Company intends to use the proceeds from (i) the issue of the Pre-emption Shares, (ii) the Russian Offering and (iii) the issue of the Committed Shares, after paying all fees and expenses associated with the Offering:

- to repay a portion of the Group's outstanding indebtedness (the particular indebtedness to be repaid has not yet been determined as of the date of this Prospectus) or for favorable acquisition opportunities;
- to finance the operating activities and development projects of other members of the Group;
- to finance capital expenditure; and
- for other general corporate purposes of the Group.

For more information on the Group's future capital requirements, see "*Operating and Financial Review*".

The following information relating to the gold market and industry overview has been provided for background purposes only. Unless specified otherwise, the information has been extracted from Metals Focus Gold Five-Year Forecasting Quarterly report dated February 2017 and World Gold Council's Gold Demand Trends Full Year 2016 report dated February 2017.

For centuries, gold has functioned as a store of value, as well as a form of money and it has been used to produce jewellery. Until recently, many economies used gold as the basis for international monetary standards, and the Company believes it remains a popular investment tool. Due to its qualities of malleability, ductility, reflectivity, resistance to corrosion and excellent thermal and electric conductivity, gold is also used in a wide variety of industrial and medical applications.

Historically, jewellery has been by far the most important market for gold. In 2016, total demand for gold equaled 4,309 tonnes, the main components of which were jewellery, which accounted for 47 per cent of total demand; bar and coin production, which accounted for approximately 36 per cent; purchases by central banks, which accounted for 9 per cent; and industrial demand, which accounted for approximately 7 per cent.

In addition to rings, brooches, necklaces and earrings, people also use gold in the form of gold leaf for decoration and protection and for screen printing (for example, directly onto bone china, earthenware, porcelain and glass surfaces). Gold is also the key component for both "liquid gold", a formulation containing up to 12 per cent gold, which is ideal for decorative applications using brushes, and gold pastes used for screen printing.

Gold is also used as a coinage metal. Apart from gold coins, gold ingots and gold bars, gold is available in numerous forms, including pure gold and alloys, such as gold flakes, foil gauzes, grain, powders, sheet, sponges, tubes, wires and even single gold crystals.

In recent years, gold catalysts have become increasingly useful in the chemical industry. Many other gold compounds, including neutral gold halides, aurates, gold cyanides, gold oxides, phosphine gold complexes, gold hydroxides and gold nitrates, are available to industrial users.

Gold is also widely used in electronics due to its inert nature and other physical properties. Examples of the use of gold in electronics include electrical contacts, bonding wire, solder alloys and electroplating. Gold is also a useful brazing material, and manufacturers use it for coating space satellites, since it reflects infrared light well and is inert.

As an alloy, gold is used extensively for dentistry in gold teeth, dental attachments, inserts and solders and is used increasingly for medical implants in eyes and ears, as well as in many other medical wires, tubes, sheets and foils.

The bulk of the gold mined throughout history is still in circulation today in one form or another due to the exceptional physical characteristics of gold.

Gold Production

According to Metals Focus' Gold Five-Year Forecasting Quarterly report dated February 2017, in 2016 global gold production totaled 3,236 tonnes.

The biggest gold producer remained China with a 14 per cent share in global production in 2016. Among the leading producers, the highest percentage growth was in Australia (+2 per cent) and Uzbekistan (+2 per cent). The largest decreases in mine output in 2016 were recorded in Mexico (-5 per cent) and Brazil (–2 per cent). Countries with the largest gold mine reserves are Australia, Russia and South Africa.

In 2016, Russia retained its position as the third-largest gold-producing country in the world in terms of production. According to Metals Focus Gold Five-Year Forecasting Quarterly report dated February 2017, mine production in Russia amounted to 267 tonnes, a decrease of one per cent as compared to 2015 levels.

The Group is the largest Russian gold producer contributing 23 per cent of the country's gold output and increased its gold production by 12 per cent in 2016.

The top five gold producers globally, measured by the amount of attributable gold JORC Proved and Probable Ore Reserves based on the most recent publicly available company reports were: Barrick Gold (approximately 86 million ounces), the Group (approximately 71 million ounces), Newmont Mining Corp. (approximately 68 million ounces), Newcrest Mining (approximately 65 million ounces) and AngloGold (approximately 50 million ounces).

Based on publicly available reports, the top ten gold producers globally, as measured by the amount of gold produced on an attributable basis in 2016, were: Barrick Gold (approximately 5.5 million ounces), Newmont Mining (approximately 4.9 million ounces), AngloGold (approximately 3.6 million ounces), Goldcorp (approximately 2.9 million ounces), Kinross Gold Corp (approximately 2.7 million ounces (based on attributable gold sales)), Newcrest Mining (approximately 2.4 million ounces (production is calendarized for December year end)), Gold Fields (approximately 2.1 million ounces), the Group (approximately 1.9 million ounces), Agnico Eagle Mines (approximately 1.7 million ounces) and Sibanye (approximately 1.5 million ounces).

Supply and Demand

Supply

According to the World Gold Council's Gold Demand Trends Full Year 2016 report dated February 2017, total gold supply amounted to 4,571 tonnes in 2016, an increase of 5 per cent as compared to 2015.

Mine production represents the main source of gold supply, accounting for 71 per cent of the global supply of gold in 2016. In 2016, mine production was flat on a year-on-year basis and totaled 3,236 tonnes as high grading continued to support mining activities. However, higher gold prices and lower costs – due to the continued appreciation of the U.S. dollar resulting in a devaluation of producer currencies and the maximization of free cash flow generation on account of cost cutting initiatives implemented by gold mining companies in 2013 – have resulted in a renewed interest in exploration.

Volumes of recycled gold amounted to 1,309 tonnes in 2016, increasing by 17 per cent as compared to 2015, due to significant levels of recycling in Europe and the Middle East, which has been driven by weak currencies and a high gold price.

Net producer hedging, which has been a feature of the gold market since the second half of 2015, increased by 95 per cent to 26 tonnes in 2016, as gold producers exploited an opportunity to secure cash flow at higher prices.

Demand

In 2016, global gold demand rose by 2 per cent as compared to 2015, to reach a three-year high of 4,309 tonnes, according to the World Gold Council's latest Gold Demand Trends report. The increase was largely driven by investment demand of 1,561 tonnes, an increase of 70 per cent as compared to 2015. However, declines in jewellery and central bank purchases almost offset this growth. As a result of higher gold prices, global demand for jewellery decreased by 15 per cent to 2,042 tonnes in 2016, as compared to 2,389 tonnes in 2015. Central bank purchases of gold declined, with increased pressure on foreign exchange reserves resulting in demand decreasing by 33 per cent to 384 tonnes in 2016. Despite an upturn in late 2016, annual demand for gold in technology decreased by 3 per cent to 323 tonnes in 2016, as compared to 332 tonnes in 2015.

The investment sector was the main contributor to the growth in total demand, as the share of investment increased by 14 per cent year-on-year and amounted to 36 per cent of the global demand for gold (22 per cent in 2015). Annual inflows into exchange traded funds ("**ETFs**") reached 532 tonnes in 2016, which was the second highest year on record, after 2009. A flow of funds into ETFs was supported by political and economic factors, for example, concerns over interest rate hikes by the U.S. Federal Reserve, the 2016 U.S. presidential election, the result of the UK's referendum to leave the European Union, negative interest rates in some countries and price momentum. At the same time, another driver of demand in the investment sector – bar and coin purchases – amounted to 1,029 tonnes in 2016, demonstrating a 2 per cent year-on-year decline, primarily due to the higher gold prices for much of the year. However, investor interest increased due to the decline in gold prices in the fourth quarter of 2016. In China, demand increased by 86 per cent in 2016 as compared to 2015, reaching 285 tonnes for the year, which constitutes approximately 28 per cent of the total annual demand for bar and coin. India's gold market suffered in 2016, as a raft of regulatory developments, fragile rural sentiment in 2014 and 2015 and an increasing gold price for most of the year, pushed bar and coin demand down to its lowest level since 2005.

Demand for jewellery, with a 47 per cent share in total demand, decreased to a seven-year low of 2,042 tonnes and remained subdued as a result of persistently high gold prices, resulting in its contribution in global gold demand decreasing by 10 per cent from 57 per cent in 2015. Nevertheless, gold price was not the only factor that negatively affected demand in the jewellery sector; for instance, demand in India was low due to strikes, new regulations and a shock demonetization policy, as well as the high gold prices. In addition, Chinese consumers exhibited changing tastes, while the consumer environment in Europe and the U.S. remained hesitant.

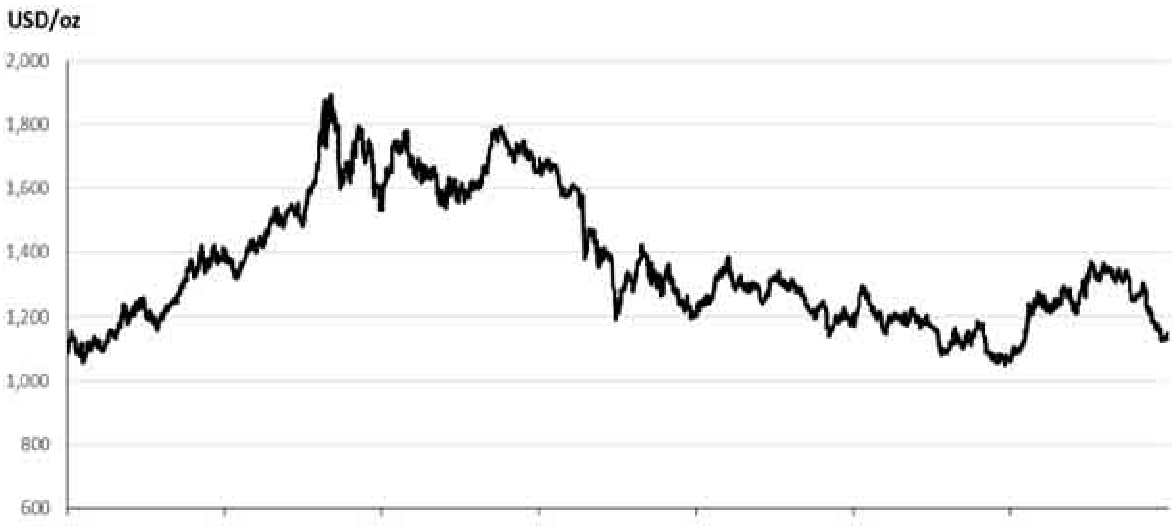
Central bank net purchases decreased by 33 per cent to 384 tonnes in 2016 as compared to 2015, while its share in the global demand declined by 5 per cent to 9 per cent in 2016. Despite this, 2016 was the seventh consecutive year of net purchases by central banks, with Russia, China and Kazakhstan pushing forward with their buying programs.

Technology recorded a relatively flat year, decreasing 3 per cent to 323 tonnes in 2016, primarily due to substitutions and savings in the wireless industry and in dentistry.

Pricing and Trading

Unlike most commodities, gold is not consumed, and most above-ground stocks of gold can be brought back to market. As a result, variations in new gold output from mines in any given time period may not have an immediate material impact on the gold price, as the amount of gold produced in any single year represents a small portion of the total potential supply of gold available for sale. During 2014 and 2015, the major factors influencing the gold prices included improving economic expectations in the United States and changes in the U.S. monetary policy, which put significant pressure on gold, restraining investment demand. However, intensifying concerns over the global economic slowdown, loosening of the monetary policy in other major advanced and several emerging economies and increasing geopolitical risks supported the price in 2016.

Historical Gold Prices – London afternoon gold price fixing (US$/oz)



Source: World Gold Council www.gold.org

Average Gold Price

Year	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*
Average gold price (US$/oz)	1,571	1,669	1,411	1,266	1,160	1,251

The price of gold has historically been significantly affected by macroeconomic factors, such as interest rates dynamics, inflation, exchange rates, reserve policy and the overall global political and economic situation. Gold is often purchased as a store of value in periods of price inflation and weakening currency.

London has the world's largest pool of gold liquidity, with trading conducted primarily via an over-the-counter format in 400 ounce gold bars with a purity of 9,950 parts per 10,000 or higher. The LBMA fixes the gold price twice daily in London (at 10.30 a.m. and 3.00 p.m.), using prices derived from five fixing members of the LBMA. These price fixings are used as a key indicator for gold market participants around the world. Leading gold futures markets are the COMEX in New York and TOCOM in Tokyo.

After the highly volatile 2013, in 2015 the gold prices started to stabilize with most aspects of supply and demand adjusting to the new lower price environment. Macroeconomic factors, including increasing expectations of a potential increase in interest rates and a stronger U.S. dollar, remained among the key factors affecting the gold price dynamics. In the United States, gold traded lower on the back of its decreasing appeal as an asset class, with lower expected risk from systematic financial instability and continued low inflationary pressures. The gold price usually decreases as higher rates and growing U.S. economy imply better returns from fixed income and equity markets.

Factors affecting the gold price outside the United States included the launch of the European quantitative easing program in 2015, higher geopolitical tensions and a slowdown in emerging economies resulting in the devaluation of many currencies against the U.S. dollar.

In the first months of 2016 gold prices were highly volatile. They surged from US$1,077/oz to almost US$1,300/oz from January to April on anticipations of fewer interest rates hikes in the U.S., as well as overall stock market instability and volatility owing to the macro issues in the U.S. and China. However, as the data started to indicate certain improvements in the U.S. economy, backed by the rhetoric of the U.S. officials, gold prices retreated during May from their annual highs to the levels slightly above $1,200/oz. In the fourth quarter of 2016, gold relinquished some of its gains amid the results of the 2016 U.S. presidential election and the expectations of interest rate hikes in the U.S. The decline in gold prices resulted in November 2016 being the worst month for gold prices since June 2013.

Overview of the Gold Mining Environment in Russia

In 2016, Russia remained the third largest gold-producing country in the world in terms of production. According to Metals Focus Gold Five-Year Quarterly report dated February 2017, mine production in Russia amounted to 267 tonnes, a decrease of 1 per cent as compared to 2015. The main gold mining regions in Russia are the Krasnoyarsk region, Chukotka, the Amur region, Yakutia and the Magadan region. The Group is the largest Russian gold producer, contributing 23 per cent of the country's gold output and increasing its gold production by 12 per cent in 2016.

BUSINESS

Overview of the Group

The Group is the largest gold mining group in Russia by both production and reserves, according to Metals Focus' Quarterly Gold Mine Cost Service report dated 24 February 2017. The Group is also the eighth largest gold company globally in terms of production, based on the Metals Focus Quarterly Gold Mine Cost Service report and publicly available reports, and is the second largest gold company globally in terms of attributable gold reserves (excluding Sukhoi Log), based on the latest reserves and resources statements of other gold mining companies. Since 2007, the Group's gold production has increased at a CAGR of 6 per cent to 1,968 thousand ounces in 2016, principally as a result of expanding Olimpiada; launching production at the Blagodatnoye, Titimukhta and Verninskoye deposits; and introducing targeted optimization and debottlenecking projects at each of its mines.

The Group is committed to the Russian market and operates a portfolio of four core producing open pit mines with a major near-term greenfield development project. Its principal assets are located in the Krasnoyarsk, Irkutsk, Magadan and Republic of Sakha (Yakutia) regions of Russia.

The Group's mineral base as classified and reported according to the JORC Code includes 71 million ounces of Proved and Probable Ore Reserves and 193 million ounces of Measured, Indicated and Inferred Mineral Resources (including 58 million ounces of Inferred Mineral Resources for Sukhoi Log on a 100 per cent basis) as at 31 December 2016. Based on attributable 2016 production volumes and attributable Proved and Probable Ore Reserves, the Group has an average mine life of approximately 37 years.

In 2016, the Group had total gold sales of US$2,429 million, total revenue of US$2,458 million and profit for the year of US$1,445 million, and, as at 31 December 2016, total assets of US$5,666 million and a total equity deficit of US$414 million. The Group's Adjusted EBITDA was US$1,536 million in 2016. The Group is well-positioned to maintain its position as one of the lowest-cost producers globally with total cash cost per gold ounce sold ("**TCC/oz**") of US$389/oz and average all-in sustaining cost per gold ounce sold ("**AISC/oz**") of US$572/oz in 2016, placing the Group in the first decile of the 2016 global cost curves according to Metals Focus' Quarterly Gold Mine Cost Service report. According to Bloomberg Intelligence, the Group is also one of the most profitable gold producers globally, with an Adjusted EBITDA margin of 62 per cent in 2016.

Going forward, the Group is aiming to increase production from approximately 2.0 million ounces in 2016 to approximately 2.1 million ounces in 2017, approximately 2.35-2.4 million ounces in 2018 and 2.8 million ounces by 2019 (which would make the Group the fourth largest gold company globally in terms of production, based on production volumes for the largest gold producers as estimated by Wood Mackenzie), while keeping TCC below US$400/oz. This anticipated increase is expected from the planned commissioning of the Natalka project, which is currently under construction, at the end of 2017, and further anticipated production increases at existing operational assets identified in the Strategic Asset Review Program carried out in 2014 and 2015 with respect to the development of low-risk, low-cost brownfield projects. Approximately 420-470 thousand ounces per annum (average over the life of mine) of targeted incremental gold production from 2018 onwards is expected from the anticipated commissioning of Natalka at the end of 2017, while further gold production growth is expected from brownfield expansion projects at the Group's core assets, including reconfiguration of Olimpiada's Mill No. 1 to process higher-grade ore from the Olimpiada deposit; productivity increase at the Blagodatnoye, Verninskoye and Kuranakh mills; introduction of heap leaching at Blagodatnoye and Kuranakh; and other optimization initiatives. The Group participated in the auction announced by the Russian government on 2 December 2016 (Decree of the Government of the Russian Federation No. 2550-r dated 30 November 2016) for the Sukhoi Log deposit, one of the 30 largest gold mineral deposits globally in terms of reserves according to Metals Focus' Gold Focus 2016 report, with total reserves estimated by Russian state authorities of 62.8 million ounces with an average grade of 2.1 g/t (53.3 million ounces, with 2.0 g/t for open pit mining and 9.5 million ounces having a grade of 2.8 g/t for underground mining), classified according to the Russian Standards set by the GKZ based on publicly available information, including data derived from Decree of the Government of the Russian Federation No. 2550-r dated 30 November 2016. The auction was held on 26 January 2017 and the RUB 9,406,435,500 bid of SL Gold, the Company's indirect subsidiary established to participate in the auction, was highest. On 21 February 2017, further to the Governmental decree No. 269-r dated 15 February 2017 confirming the results of the auction, Rosnedra issued a license for the development of the Sukhoi Log deposit to SL Gold. The acquisition is expected to be a significant contributor to the Group's long-term development strategy. The Company intends to conduct additional exploration works and a feasibility study, which are currently expected to last for approximately three to four years, with the assistance of international mining and engineering consultants. Based on the results of the feasibility study, the Company will evaluate options to start construction at Sukhoi Log.

The table below sets out the Ore Reserves and Mineral Resources of the Group according to the JORC Code as at 31 December 2016. See also "*Exhibit A: AMC Competent Person's Report*" pages A30-A33.

	Proved			*Probable*			*Proved and Probable*		
	Tonnes (mln tonnes)[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*	*Tonnes (mln tonnes)*[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*	*Tonnes (mln tonnes)*[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*
Operating assets									
Olimpiada	6.5	2.5	0.51	309	3.0	30	316	3.0	30
Blagodatnoye	42	0.9	1.1	182	1.5	8.9	223	1.4	10
Titimukhta	5.3	1.6	0.27	6.5	3.1	0.65	12	2.4	0.91
Verninskoye[3]	11	1.3	0.45	86	1.7	4.8	96	1.7	5.3
Alluvials[2]	0	0	0	105	0.34	1.1	105	0.34	1.1
Kuranakh	0	0	0	136	1.0	4.5	136	1.0	4.5
Total operating assets	**64**	**1.1**	**2.4**	**824**	**1.9**	**50**	**888**	**1.8**	**52**
Mine under construction									
Natalka	146	1.6	7.3	147	1.8	8.5	293	1.7	16
Total under construction	**146**	**1.6**	**7.3**	**147**	**1.8**	**8.5**	**293**	**1.7**	**16**
Greenfield projects									
Sukhoi Log	0	0	0	0	0	0	0	0	0
Panimba	0	0	0	0	0	0	0	0	0
Poputninskoye	0	0	0	0	0	0	0	0	0
Zmeinoye	0	0	0	0	0	0	0	0	0
Chertovo Koryto	0	0	0	62	1.5	3.1	62	1.5	3.1
Bamskoye	0	0	0	0	0	0	0	0	0
Degdekan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Burgankhchany	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Zapadnoye[4]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Medvezhy[5]	0	0	0	0	0	0	0	0	0
Total greenfield projects	**0**	**N.A.**	**0**	**62**	**1.5**	**3.1**	**62**	**1.5**	**3.1**
Total	**210**	**1.4**	**9.7**	**1,033**	**1.8**	**61**	**1,243**	**1.8**	**71**

1 The estimates for all deposits are presented on a 100 per cent basis.

2 For the Alluvials, cubic meters (m^3) have been converted to tonnages using the general bulk density factor of 1.85 t/m^3 strictly for the purpose of the summary accumulations. Gold grades have been adjusted from g/m^3 to g/t, accordingly.

3 including the Smezhny deposit.

4 adjacent to the Sukhoi Log deposit.

5 adjacent to the Verninskoye deposit.

	Measured			Indicated			Inferred			Measured, Indicated and Inferred		
	Tonnes (mln tonnes)[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*	*Tonnes (mln tonnes)*[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*	*Tonnes (mln tonnes)*[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*	*Tonnes (mln tonnes)*[1]	*Gold Grade (g/t)*[1]	*Gold (mln ounces)*
Operating assets												
Olimpiada	6.5	2.5	0.51	340	3.1	34	127	2.9	12	474	3.0	46
Blagodatnoye	42	0.9	1.1	309	1.5	15	69	1.3	2.9	420	1.4	19
Titimukhta	5.3	1.6	0.27	7.2	3.3	0.8	0.54	1.5	0.03	13	2.5	1.1
Verninskoye[3]	11	1.3	0.45	212	1.6	11	14	2.0	0.9	237	1.6	12
Alluvials[2]	0	0	0	243	0.21	1.6	34	0.40	0.44	277	0.23	2.1
Kuranakh	0	0	0	148	1.1	5.4	100	1.2	3.8	248	1.2	9.2
Total operating assets	**64**	**1.1**	**2.4**	**1,260**	**1.7**	**67**	**344**	**1.8**	**20**	**1,669**	**1.7**	**89**
Mine under construction												
Natalka	150	1.7	8.2	261	1.8	16	148	2.1	9.9	558	1.9	34
Total under construction	**150**	**1.7**	**8.2**	**261**	**1.8**	**16**	**148**	**2.1**	**9.9**	**558**	**1.9**	**34**
Greenfield projects												
Sukhoi Log	0	0	0	0	0	0	887	2.0	58	887	2.0	58
Panimba	5.0	2.3	0.36	11	2.3	0.83	24.0	1.8	1.4	40	2.0	2.6
Poputninskoye	0	0	0	37	3.2	3.9	4.4	2.9	0.42	42	3.2	4.3
Zmeinoye	0	0	0	0.93	5.0	0.15	2.0	4.5	0.28	2.9	4.6	0.43
Chertovo Koryto	0	0	0	67	1.5	3.3	7.8	1.3	0.33	75	1.5	3.6
Bamskoye	0	0	0	15	1.8	0.9	5.1	1.6	0.26	20	1.8	1.1
Degdekan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Burgakhchany	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Zapadnoye[4]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Medvezhy[5]	0	0	0	0	0	0	6.5	1.8	0.38	6.5	1.8	0.38
Total greenfield projects	**5.0**	**2.3**	**0.36**	**131**	**2.1**	**9.0**	**937**	**2.0**	**61**	**1,073**	**2.0**	**70**
Total	**219**	**1.6**	**11**	**1,652**	**1.7**	**92**	**1,429**	**2.0**	**91**	**3,301**	**1.8**	**193**

1 The estimates for all deposits are presented on a 100 per cent basis.

2 For the Alluvials, cubic meters (m^3) have been converted to tonnages using the general bulk density factor of 1.85 t/m^3 strictly for the purpose of the summary accumulations. Gold grades have been adjusted from g/m^3 to g/t, accordingly.

3 including the Smezhny deposit.

4 adjacent to the Sukhoi Log deposit.

5 adjacent to the Verninskoye deposit.

The map below shows the location of the Group's operating mines and development and exploration projects.

History of the Group

In 2002, OJSC MMC Norilsk Nickel ("**Norilsk Nickel**") acquired JSC Polyus, which held various gold mining assets in the Krasnoyarsk region of Russia, with its principal producing asset being the Olimpiada deposit. In 2003, JSC Polyus acquired the license to develop the Titimukhta deposit. In 2004, JSC Polyus completed the acquisition of a controlling interest in OJSC Lenzoloto (combining alluvial mining operations in the Irkutsk region of Russia) and JSC Matrosova Mine (owner of the Natalka deposit license in the Magadan region of Russia). In 2004-2005, JSC Polyus completed a number of license acquisitions, including the Panimba, Chertovo Koryto, Verninskoye and Bamskoye deposits. In August to September 2005, JSC Polyus further expanded its gold mining assets through the acquisition of JSC Aldanzoloto GRK (with the principal asset being the Kuranakh deposit), OJSC YMC and JSC South-Verkhoyansk Mining Company (owner of the Nezhdaninskoye deposit license) in the Republic of Sakha (Yakutia) region in Russia.

In March 2006, Norilsk Nickel spun off the gold mining business of JSC Polyus by transferring all of the shares of JSC Polyus, together with a cash contribution of RUB 10 billion (approximately US$360 million at the time), to the Company, a newly formed Russian open joint stock company. In May 2006, the shares of the Company (at that time OJSC Polyus Gold) were admitted to listing and trading on the RTS and MICEX stock exchanges (which merged in 2011 to create the Moscow Exchange). In July 2006, the Company established a Level I American depositary receipt ("**ADR**") program, and in December 2006, the ADRs were listed on the Official List of the UKLA and admitted to trading on the London Stock Exchange.

From April to June 2009, entities controlled by Suleyman Kerimov completed the acquisition of a 37 per cent stake in the Company (at that time OJSC Polyus Gold) from Interros.

On 9 July 2009, JSC Polyus's subsidiary, Jenington International Inc. ("**Jenington**"), made a partial offer for the shares of KazakhGold Group Limited ("**KazakhGold**") to the shareholders of KazakhGold. The partial offer was declared unconditional on 14 August 2009, following which Jenington became the controlling shareholder of KazakhGold, which held mining assets in Kazakhstan, Kyrgyzstan and Romania.

On 25 July 2011, KazakhGold acquired 89.14 per cent of the issued share capital of the Company through a series of transactions, including a private exchange offer by KazakhGold to holders of the Company's securities, as well as option agreements with Jenington and the principal shareholders of KazakhGold. On 26 July 2011, KazakhGold changed its name to 'Polyus Gold International Limited', which became the principal holding company of the Group. Subsequently, the Company (then OJSC Polyus Gold) delisted its ADRs from the London Stock Exchange on 20 January 2012. Following a mandatory tender offer by PGIL to the remaining shareholders of the Company in accordance with Russian law, PGIL increased its total interest in the issued share capital of the Company to 92.95 per cent. In addition, Jenington acquired ADRs representing 2.36 per cent of the Company's share capital through a private exchange offer, which were later bought by PGIL.

The Group subsequently sold its assets in Romania, Kazakhstan and Kyrgyzstan in 2012-2013. On 19 June 2012, the entire issued share capital of PGIL was admitted to the Premium Listing Segment of the Official List of the UKLA and to trading on the main market of the London Stock Exchange. On 22 December 2014, PGIL's ordinary shares were admitted to trading on the main market of the Moscow Exchange.

In April 2013, PGIL issued US$750 million guaranteed notes due 2020 with a coupon of 5.625 per cent per annum (the "**2020 Notes**"). On 21 April 2017, the terms and conditions of the 2020 Notes and the respective trust deed entered into by and among PGIL, JSC Polyus and BNY Mellon Corporate Trustee Services Limited, dated 29 April 2013 (as further amended by a supplemental trust deed dated 11 June 2015), were amended by a supplemental trust deed, pursuant to which, among other things, PGIL may be substituted as issuer of the 2020 Notes by a new issuer, which is expected to be Polyus Finance Plc, a wholly-owned subsidiary of JSC Polyus, and the Company may execute and deliver to BNY Mellon Corporate Trustee Services Limited a further guarantee by which it may accede as a guarantor under the 2020 Notes and guarantee jointly and severally with JSC Polyus the obligations of PGIL under the 2020 Notes. If such further guarantee is not given by the Company within 180 days after the noteholders meeting, which was held on 20 April 2017, any noteholder will have the right to require PGIL or, if applicable, the new issuer, to redeem or, at PGIL's or, if applicable, the new issuer's option, to purchase the 2020 Notes held by such noteholder at a price equal to 101 per cent of the principal amount of such 2020 Notes together with accrued interest. The Company expects to execute the further guarantee and deliver it to BNY Mellon Corporate Trustee Services Limited prior to the expiry of such 180-day term. On 12 May 2017, PGIL was substituted by Polyus Finance plc as the issuer of the 2020 Notes.

In 2013, Suleyman Kerimov (who was the then beneficiary of 40.22 per cent of the shares in PGIL under a trust arrangement), transferred his beneficial ownership of PGIL to the Suleyman Kerimov Foundation (the "**Foundation**"), a Swiss charitable fund. In 2014, Said Kerimov was named as a second beneficiary under the trust arrangement. On 28 November 2016, the relevant trust arrangements were amended, such that the Foundation ceased to be a beneficiary and Said Kerimov remained the sole beneficial owner of PGIL.

On 1 September 2015, the board of directors of PGIL received an unsolicited, conditional, and indicative proposal from Sacturino Limited, a wholly-owned subsidiary of Wandle Holdings Limited. The proposal envisaged an offer comprising US$2.97 per share in cash for all of the issued and to-be-issued share capital of PGIL not already owned or controlled by Sacturino Limited or its affiliates. A cash offer to acquire the issued and to-be-issued share capital of PGIL that Sacturino Limited or Wandle Holdings Limited did not already own or have an interest in, at a price of US$2.97 per share (the "**Offer**"), was announced on 30 September 2015. The Offer became wholly unconditional on 4 November 2015 and closed on 17 November 2015. On 3 December 2015, following the completion of the acquisition of PGIL by Sacturino Limited, the cancellation of the listing and the admission to trading of PGIL's shares from the London Stock Exchange took effect. PGIL's ordinary shares were also delisted from the Moscow Exchange. On 17 December 2015, Sacturino Limited completed a mandatory squeeze-out of PGIL's shares and, together with Wandle Holdings Limited, acquired 100 per cent of PGIL's share capital. Following this transaction, the Company (still at that time OJSC Polyus Gold) became the principal holding company for the Group and was renamed 'PJSC Polyus'. The Group remained public with the Company retaining its listing on the Moscow Exchange.

Recent Developments

On 13 April 2016, the listing of the Company's shares on the Moscow Exchange was upgraded to the First Level and, effective from 16 June 2016, the Moscow Exchange approved the inclusion of the Company's ordinary shares in the RTS and MICEX indices.

In May 2016, the Company completed a share buyback whereby LLC Polyus-Invest, an indirect wholly-owned subsidiary of the Company, acquired 31.75 per cent of the Company's share capital for RUB 244,656 million, which was equivalent to US$3.44 billion at the official exchange rate of the CBR. PGIL participated in the buyback, selling approximately 31.59 per cent of the Company's share capital to LLC Polyus-Invest. In addition to the share buyback, on 30 September 2016, the Group obtained from PGIL 4,476,853 ordinary shares representing 2.35 per cent of the Company's share capital, which were used as a settlement of loans issued and accrued interest in the amount of US$269 million.

In September 2016, the Company's Extraordinary General Meeting voted on the issuance of 28,594,162 authorized and non-issued ordinary shares, each with a par value of 1.00 rouble.

In October 2016, PGIL issued US$500 million guaranteed notes due 2022 with a coupon of 4.699 per cent per annum (the "**2022 Notes**"). On 13 February 2017, under the terms and conditions of the 2022 Notes, which are guaranteed by JSC Polyus, and the respective trust deed entered into by and among PGIL, JSC Polyus and BNY Mellon Corporate Trustee Services Limited, dated 26 October 2016, the Company executed and delivered to BNY Mellon Corporate Trustee Services Limited a further guarantee by which it acceded as a guarantor under the 2022 Notes and guaranteed jointly and severally with JSC Polyus the obligations of PGIL under the 2022 Notes. On 30 May 2017, PGIL was substituted by Polyus Finance plc as the issuer of the 2022 Notes.

On 22 December 2016, the Company's Extraordinary General Meeting approved the reorganization of the Company in the form of a merger of LLC Polyus-Invest, a then subsidiary of the Company, into the Company and the decrease of the Company's charter capital by way of cancellation of 63,082,318 Shares then held by LLC Polyus-Invest following completion of the merger. The merger and subsequent cancellation of the

Company’s Shares were completed on 7 April 2017 and 10 April 2017, respectively. Prior to the completion of the merger, the Company’s share capital consisted of 190,627,747 Shares. Following the completion of the merger and cancellation of 63,082,318 Shares held by LLC Polyus-Invest, the share capital of the Company was decreased by 63,082,318 Shares. The Company has not cancelled the 1,913,200 Shares that it received from LLC Polyus-Invest in the merger. These Shares are being held by the Company as treasury shares primarily for general corporate purposes, including possible sale and the LTIP.

In February 2017, PGIL issued US$800 million guaranteed notes due 7 February 2023 with a coupon of 5.250 per cent per annum (the “**2023 Notes**”). On 28 April 2017, PGIL was substituted by Polyus Finance plc as the issuer of the 2023 Notes. Following such substitution, the Company executed and delivered to BNY Mellon Corporate Trustee Services Limited a further guarantee by which it acceded as a guarantor under the 2023 Notes and guaranteed jointly and severally with JSC Polyus the obligations of Polyus Finance plc under the 2023 Notes.

On 20 March 2017, JSC Polyus signed an agreement for the sale of its 82.34 per cent interest in UVGK Holdings Limited, a joint venture entity formed by the Group with Polymetal International plc (“**Polymetal**”), which holds 100 per cent of the share capital of JSC South-Verkhoyansk Mining Company, the holder of the license for the Nezhdaninskoye deposit. The purchase price for the interest is US$158 million, payable to the Group in two instalments: US$100 million was paid upon the transfer of the shares, and the remaining contingent part of US$58 million will be paid when the Nezhdaninskoye project meets certain operational and financial criteria.

On 12 May 2017, PGIL was substituted by Polyus Finance plc as the issuer of the 2020 Notes.

On 26 May 2017, the Company’s Board of Directors convened the Company’s Annual General Shareholders’ Meeting to be held on 30 June 2017. The agenda of the meeting includes, among other things, election of members of the Board of Directors of the Company, approval of annual report, annual financial statements and new version of the charter of the Company and decision on payment of dividends to the shareholders of the Company for the financial year ended 31 December 2016. The current members of the Board of Directors are expected to be re-elected at the Annual General Shareholders’ Meeting.

On 31 May 2017, PGIL entered into an agreement with a consortium led by Fosun International Limited (the “**Consortium**”) for the sale of 12,561,868 Shares of the Company (the “**Initial Stake**”), representing 10 per cent of the Company’s share capital, excluding treasury shares, to the Consortium, together with an option to acquire, subject to completion of the acquisition of the Initial Stake, an additional number of shares to bring its stake in the share capital of the Company up to 15 per cent (including the new shares issued in the Open Subscription) of the Company’s share capital. PGIL also agreed to sell 354,095 Shares of the Company to a subsidiary of the Russian Direct Investment Fund. See “*Principal and Selling Shareholders—PGIL Agreement to Sell Shares in the Company*”.

Sukhoi Log Matters

The Group participated in the auction announced by the Russian government on 2 December 2016 (Decree of the Government of the Russian Federation No. 2550-r dated 30 November 2016) for the Sukhoi Log deposit, one of the 30 largest gold mineral deposits globally in terms of resources according to Metals Focus’ Gold Focus 2016 report.

The auction was held on 26 January 2017 and the RUB 9,406,435,500 bid of SL Gold, the Company’s indirect subsidiary established to participate in the auction, was highest. On 21 February 2017, further to the Governmental decree No. 269-r dated 15 February 2017 confirming the results of the auction, Rosnedra issued a license for the development of the Sukhoi Log deposit to SL Gold. The payment by SL Gold of the one-off license fee in the amount set forth above was financed by the Group.

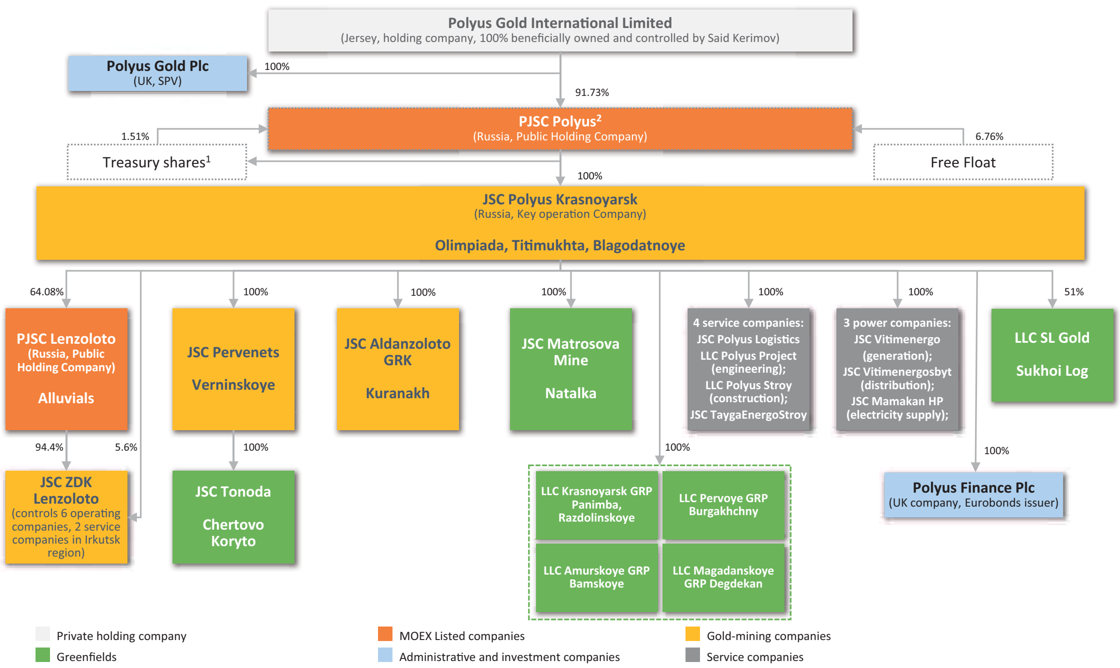
As of the date hereof, JSC Polyus holds a 54.6 per cent participation interest in SL Gold, with the remaining 45.4 per cent participation interest held by LLC “RT Business Development” (“**RT**”), a wholly owned subsidiary of Russian state-owned Rostec Corporation (See “*Risk Factors–The development of Sukhoi Log is subject to risks*”). On 25 May 2017, JSC Polyus exercised an option to acquire an additional 3.6 per cent participation interest in SL Gold (see description of options below), and the transfer of the stake was registered on 9 June 2017. Prior to the exercise of the option, JSC Polyus held 51 per cent in SL Gold, with RT holding the remaining 49 per cent. Pursuant to the terms of a shareholders' agreement between JSC Polyus and RT, dated 16 December 2016, in respect of SL Gold, JSC Polyus, as a shareholder of SL Gold, will be responsible for developing and operating the Sukhoi Log deposit, as well as procuring funding for the development of the Sukhoi Log project. Under the terms of the shareholders' agreement, JSC Polyus is entitled to nominate for appointment the CEO of SL Gold and two out of three directors to the board of directors of SL Gold.

The Group may in the future consider further increasing its stake in SL Gold, including through a number of option agreements entered into between JSC Polyus and RT on 16 December 2016, pursuant to which JSC Polyus intends to increase its stake in SL Gold by 20.3 per cent (initially, 23.9 per cent prior to the exercise of the first option) of participation interest within the next five years (with the right to accelerate) at the following prices totaling approximately US$118.1 million (US$138.9 million together with the price of the first option):

- approximately US$20.8 million for 3.6 per cent of participation interest in the first half of 2017 (exercised on 25 May 2017);
- approximately US$27.8 million for 4.8 per cent of participation interest at the beginning of 2019;
- approximately US$27.8 million for 4.8 per cent of participation interest at the beginning of 2020;
- approximately US$27.8 million for 4.8 per cent of participation interest at the beginning of 2021; and
- approximately US$34.7 million for 5.9 per cent of participation interest at the beginning of 2022.

Group Structure

The structure chart below sets out the corporate structure of the Group's principal subsidiaries as at the date of this Prospectus.



1 As approved by the Company's shareholders at the Extraordinary Shareholders' Meeting held on 22 December 2016, following the merger of LLC Polyus-Invest into the Company in April 2017, 63,082,318 Shares held by LLC Polyus-Invest were cancelled. As a result of the merger, the Company has not cancelled the 1,913,200 Shares that it received from LLC Polyus-Invest, but instead they have been reserved for possible sale and the LTIP.

2 On 3 March 2017, the Company repurchased 13,556 Shares from eligible shareholders who tendered their Shares from (i) their non-participation in the general shareholders' meeting approving the merger, or (ii) voting against the merger, which are now also held as treasury shares and are subject to the same limitations as described above.

Strengths

The Directors of the Company believe that the Group's competitive strengths include:

A leading position globally in terms of production with extensive and high quality reserve and resource base

With 2016 production of approximately 2.0 million ounces and 71 million ounces of Proved and Probable Ore Reserves, the Group is the largest gold mining company in Russia by both production and reserves, according to Metals Focus' Quarterly Gold Mine Cost Service report dated 24 February 2017. The Group is also the eighth largest gold company globally in terms of production, based on the Metals Focus Quarterly Gold Mine Cost Service report and publicly available reports, and is the second largest gold company globally in terms of attributable gold reserves (excluding Sukhoi Log), based on the latest reserves and resources statements of other gold mining companies. The Group benefits from an average mine life of approximately 37 years based on attributable 2016 production volumes, which is over two times higher than the average mine life of its top ten global peers. All of the Company's mines are open pit and have an average reserve grade of 1.8 g/t (2.0 g/t excluding heap leaching and the Group's alluvial operations). Because of its strong foothold in, and commitment to, the Russian market, the Group believes that it is well-positioned to capitalize on existing and future opportunities in the region and has a competitive advantage in bidding for new licenses and assets.

Industry leading production growth profile from large development assets and brownfield expansion projects

Given its track record of organic growth, asset optimization and project development, achieving a 70 per cent increase in production from the beginning of 2005 to the end of 2016 and 19 per cent from 2013 to 2016, the Company believes that the Group is well-positioned to convert its reserve base into gold production while maintaining a long-term sustainable low-cost profile. Management is targeting a robust growth profile, with the goal of increasing gold production from approximately 2.0 million ounces in 2016 to approximately 2.8 million ounces in 2019, representing 44 per cent growth and a 13 per cent CAGR. Approximately 420-470 thousand ounces per annum (average over the life of mine) are expected from the planned commencement of operations at Natalka, where construction is close to completion and commissioning is expected at the end of 2017. Further gold production growth is expected from the expansions and further debottlenecking measures at Olimpiada, Blagodatnoye, Verninskoye and Kuranakh. Given its comfortable liquidity position and experience in asset development, the Company believes that the Group is well-positioned to bring its existing development projects into production. As the Group has received the license for the Sukhoi Log deposit, the subsequent development of the Sukhoi Log deposit, one of the Group's mid-term projects, is expected to enhance significantly the Group's existing production growth profile.

A leading low-cost profile, with sustainable cost advantage as compared to global peers

The Group efficiently manages a portfolio of high-grade large-scale open pit mines, which the Company believes provides it with a sustainable cost advantage and low operating leverage in comparison to its global gold mining peers. All of the Group's existing operations have access to power grids. The Group's cash cost advantage has been further improved by the depreciation of the rouble and on-going operational efficiency initiatives undertaken by current management between the end of 2013 and 2016. As a result, the Group's average TCC/oz and average AISC/oz of US$389/oz and US$572/oz in 2016, respectively, are in the first decile of the 2016 global cost curves, having moved from the fifth decile of the global cost curve, according to Metals Focus' Quarterly Gold Mine Cost Service report. Furthermore, in 2014, as part of its focus on operational excellence and cost discipline, the Group launched the TOP to incentivize the implementation of capital expenditure-light operational improvements across its business. The TOP's objective is to introduce quick measures that do not require investment in excess of RUB 35 million for any given initiative. These measures are expected to have a payback period of not more than two years. The Group continues to identify further cost-cutting opportunities and to launch multifaceted initiatives under the TOP. In 2016, operational efficiency measures generated US$134 million in total EBITDA improvements. From 2013 to 2016, adjusted

EBITDA increased by 68 per cent from US$917 million to US$1,536 million. The Group intends to retain its status as one of the lowest-cost gold producers globally.

Extensive and successful experience in asset development and optimization

The Group has a strong track record of organic growth and project execution from the initial exploration stage to mining and flowsheet design and development, as demonstrated with Blagodatnoye and Verninskoye. Construction of Blagodatnoye, which is one of the largest Russian exploration projects developed in the last decade and which contributed 23 per cent of the Group's output in 2016, was completed in two years from its greenfield state, including commissioning all the supporting infrastructure. In addition, the current management team has demonstrated strong capabilities in optimizing and debottlenecking existing operations. Following a number of targeted improvements in mining and processing technologies, cash costs, recovery rates and throughput capacity have improved substantially at Olimpiada, Blagodatnoye, Kuranakh and Verninskoye. Also, some of the brownfield development projects identified in the Strategic Asset Review Program either had already been completed or had entered the second execution stage by the end of 2016, facilitating an increase in production of 12 per cent to 1,968 million ounces in 2016 as compared to 2015.

Ability to efficiently expand resource base

Because of its strong foothold in, and commitment to, the Russian market, the Group believes that it is well-positioned to capitalize on existing and future opportunities in the region and has a competitive advantage in bidding for new licenses and assets. On 21 February 2017, Rosnedra issued a license for the development of the Sukhoi Log deposit to SL Gold, a company established by JSC Polyus and RT. The Sukhoi Log deposit is one of the 30 largest gold mineral deposits globally in terms of reserves, according to Metals Focus' Gold Focus 2016 report, with total reserves estimated by Russian state authorities of 62.8 million ounces with an average grade of 2.1 g/t (53.3 million ounces, with 2.0 g/t for open pit mining and 9.5 million ounces having a grade of 2.8 g/t for underground mining), classified according to Russian Standards (GKZ).

Strategy

The Group's strategy is to create value by focusing on growing organically through the execution of expansion projects and the construction and launch of projects at new deposits that the Group owns. By pursuing this strategy, the Group seeks to provide investors with access to a company capable of generating industry-leading shareholder returns, while maintaining a commitment to operational excellence and its social and environmental responsibilities. The Group's current corporate strategy focuses on the following aspects:

- ***Maintain and Expand Extensive Reserve and Resources Base***: The Group is operating in the gold-rich CIS region. According to Metals Focus' "Gold Focus 2016" report, the Group successfully operates and develops two of three Russian deposits included in the list of the 30 largest gold assets globally in terms of resources, Olimpiada and Natalka. With the acquisition of the license for the Sukhoi Log deposit, which is the third Russian deposit included in the list, the Group further enhanced its operational profile. Moreover, the Group is the largest gold mining company in Russia by reserves, according to Metals Focus' Precious Metals Investment Focus report dated 26 September 2016, and the second largest gold company globally in terms of attributable gold reserves, based on the latest reserves and resources statements of other gold mining companies, with 71 million ounces of Proved and Probable Ore Reserves. The Group's operations are supported by an average mine life of approximately 37 years based on attributable 2016 production volumes (excluding Sukhoi Log).

- ***Pursue Capital-efficient Growth Opportunities***: The group surpassed its annual production guidance in 2014, 2015 and 2016 by 5 per cent to 1,696 thousand ounces (guidance of 1,580 to 1,650 thousand ounces), 6 per cent to 1,763 thousand ounces (guidance of 1,630 to 1,710 thousand ounces) and 11 per cent to 1,968 thousand ounces (initial guidance range of 1,760 to 1,800 thousand ounces), respectively. Following a 19 per cent increase in gold production from 2013 to 2016, the Group aims to deliver sustainable organic growth by executing an identified set of brownfield development projects. These projects are expected to enable the Group to extract maximum output from existing assets through targeted expansion and debottlenecking initiatives with high IRRs. Additionally, the Group is developing a large scale greenfield project – Natalka (which is expected to commence operations at the end of 2017) – and is exploring Sukhoi Log and Chertovo Koryto. The Group intends to conduct additional exploration works and a feasibility study at Sukhoi Log, which is expected to last for approximately three to four years, supported by international mining and engineering consultants. Based on the results of the feasibility study, the Group will evaluate options to initiate construction activities at Sukhoi Log. The Company expects that eventual development of the Sukhoi Log deposit should significantly enhance the Group's existing production growth profile. The development of the Sukhoi Log deposit, along with the Chertovo Koryto deposit as part of the development of the Irkutsk business unit, will comprise the next stage of the Group's growth strategy. One of the main strategic targets for the Group is to bring extensive ounces of reserves into low-cost profitable ounces of production.

- ***Preserve Cost Leadership***: The Group intends to retain its status as one of the lowest-cost gold producers globally through its disciplined approach to project selection, concentrating on its large scale "Tier 1" assets, which are long-life, large-scale and low-cost assets. The Group also plans to continue implementing operational efficiency initiatives aimed at throughput and recovery rate increase as well as cost reduction.

- ***Striking balance between shareholder returns and optimal capital structure***: The Group has set a dividend policy that is focused on shareholder returns. Under its dividend policy, the Group will pay dividends on a semi-annual basis in an amount of 30 per cent of the EBITDA for the applicable reporting period, provided that the net debt/adjusted EBITDA ratio for the last 12 months based on the consolidated financial statements of the Group is lower than 2.5x. With net debt/adjusted EBITDA ratio at 2.0x as of 31 March 2017 and a robust cash generation profile, the Company believes that the Group is well-positioned to maintain leverage below this threshold. As at the date of the Prospectus, the Company continues to have a comfortable leverage profile with limited repayments in the coming years and a strong cash position, which the Company believes will allow it to meet its financing obligations and planned capital expenditures program.

- ***Maintain High Standards of Corporate Governance and Corporate Disclosure***: The Group is committed to maintaining high standards of corporate governance and disclosure. The Group's board of directors includes three independent non-executive directors, all of whom have extensive experience in large public companies and in the mining industry. Edward Dowling, the chairman of the Group's board of directors, former member of the board of directors and Executive Director for Mining and Exploration at De Beers, has over 30 years of experience in the mining industry and currently serves as the Chairman of the board of directors of Alacer Gold, and as a member of the board of directors of Teck Resources, Canada's largest diversified mining company, and Detour Gold Corporation, a Canadian intermediate gold mining company. Kent Potter has held various senior managerial positions in Chevron, TNK-BP and LyondellBasell Industries during a 30-year career in natural resources industry. William Champion has over 30 years of experience in the mining industry and currently serves on the board of directors of Compañía de Minas Buenaventura, Peru's largest publicly traded precious metals company. In addition, the Group's Audit, Nomination and Remuneration, Strategy and Operations Committees each have at least two independent non-executive directors as members and all such Committees are chaired by an independent non-executive director.

- ***Maintain Stringent Health and Safety Standards***: The Group is committed to the best HSE practices and is continuing implementation of a two-year action plan that commenced in 2015 to ensure full compliance with the ICMM Sustainable Development principles. According to the ICMM website, the Group is the only group in Eastern Europe and one of only three companies from emerging markets that is a member of the ICMM. The Group is committed to implement fully the ICMM Sustainable Development principles. The Group's ultimate goal is to achieve a zero fatality rate.

Operational performance

The following table shows selected operational data for the periods indicated.

	Year ended 31 December			*Three months ended 31 March*
	2016	*2015*	*2014*	*2017*
Production				
Ore mined (Kt)	29,682	22,012[1]	29,880	8,620
Ore processed (Kt)	26,445	24,824[1]	23,743	6,630
Gold production (Koz)	1,968	1,763	1,696	450
Sales				
Gold (Koz)	1,915	1,768	1,691	487

Note:

1. Includes volumes of ore mined at the Poputninskoye deposit.

Growth projects of the Group

The table below summarizes the Group's current key growth projects.

	Capital expenditures incurred as at the date of this Prospectus, $mm	*Remaining expected development capital expenditures (2017-2021), $mm*	*Estimated additional gold production, koz/year (at run rate)[1]*
Construction projects			
Natalka – the main mill[4]	2,031	246	420-470
Brownfield projects			
Krasnoyarsk business unit - reconfiguration of Mill No. 1[5]	19	N.A.[2]	160
Krasnoyarsk business unit – BIO-4 on Mills No. 1-3[5]	4	28	40[3]
Blagodatnoye – debottlenecking[6]	8	6	70
Blagodatnoye – heap-leach project[6]	3	136	150
Verninskoye – mill expansion[7]	5	42	40
Kuranakh – mill expansion[8]	4	17	35
Kuranakh – heap-leach project[8]	6	19	25

(1) The Group has calculated estimated additional gold production for the Group's brownfield projects based on the Group's data and the AMC Report. Estimated additional gold production has been accounted for in the production schedules for the Group's assets as presented in the AMC Report.

(2) The project has been completed; US$1.5 million is being spent on auxiliary facilities that are being constructed in 2017.

(3) On a gold equivalent basis.

(4) See "—*Magadan region—Natalka*" for a description of this project.

(5) See "—*Krasnoyarsk Business Unit—Olimpiada*" for a description of this project.

(6) See "—*Krasnoyarsk Business Unit—Blagodatnoye*" for a description of this project.

(7) See "—*Irkutsk region—Verninskoye*" for a description of this project.

(8) See "—*Yakutia region—Kuranakh*" for a description of this project.

	Reserves and Resources		Estimated additional gold production, koz/year (at run rate)
	JORC Resources	*GKZ Reserves*	
Advanced stage exploration projects			
Sukhoi Log[(1)]	58	63	N.A.
Chertovo Koryto[(2)]	3.6	2.8	N.A.
Zapadnoye[(1),(3)]	N.A.	N.A.	N.A.
Early stage exploration projects			
Poputninskoye[(4)]	4.3	3.0	N.A.
Zmeinoye[(4)]	0.43	0.4	
Panimba[(5)]	2.6	2.0	N.A.
Bamskoye[(6)]	1.1	3.5	N.A.
Degdekan[(7)]	N.A.	1.2	N.A.
Burgakhchany[(8)]	N.A.	N.A.	N.A.

(1) See "—*Advanced stage exploration projects—Sukhoi Log*" for a description of this project.

(2) See "—*Advanced stage exploration projects—Chertovo Koryto*" for a description of this project.

(3) See "—*Irkutsk region—Verninskoye*" for a description of this project.

(4) See "—*Early stage exploration projects—Poputninskoye*" for a description of this project.

(5) See "—*Early stage exploration projects—Panimba*" for a description of this project.

(6) See "—*Early stage exploration projects—Bamskoye*" for a description of this project.

(7) See "—*Early stage exploration projects—Degdekan*" for a description of this project.

(8) See "—*Early stage exploration projects—Burgakhchany*" for a description of this project.

Principal operations

The Group's major gold deposits in Russia are:

- in the Krasnoyarsk region (representing 58 per cent of the Group's total Proved and Probable Ore Reserves and 74 per cent of the Group's total gold production in 2016) – the Olimpiada deposit, which is the largest operating gold mine in Russia according to Metals Focus' Quarterly Gold Mine Cost Service report for the fourth quarter of 2016, and the Blagodatnoye, Titimukhta and Poputninskoye deposits;

- in the Irkutsk region (representing 13 per cent of the Group's total Proved and Probable Ore Reserves (including the Chertovo Koryto deposit) and 18 per cent of the Group's total gold production in 2016) – the Verninskoye deposit and Alluvials;

- in the Republic of Sakha (Yakutia) region (representing 6 per cent of the Group's total Proved and Probable Ore Reserves and 8 per cent of the Group's total gold production in 2016) – the Kuranakh mine; and

- in the Magadan region (representing 23 per cent of the Group's Proved and Probable Ore Reserves) – the Natalka deposit, which is expected to commence production at the end of 2017.

On 21 February 2017, Rosnedra issued to SL Gold a license for the development of the Sukhoi Log deposit. The acquisition is expected to be a significant contributor to the Group's long-term development strategy. The Company intends to conduct additional exploration works and a feasibility study, which are currently expected to last for approximately three to four years.

Krasnoyarsk Business Unit

The Group's operations in the Krasnoyarsk region include the Olimpiada, Blagodatnoye and Titimukhta deposits, of which Olimpiada and Blagodatnoye accounted for 48 per cent and 23 per cent of the Group's total gold production in 2016, respectively. Ore from the Olimpiada deposit is processed at Olimpiada's Mills No. 1, 2 and 3 processing facilities. In 2016, Mill No. 1 started processing Olimpiada ore and mostly ceased processing Titimukhta ore as the Group reoriented its processing facilities. The Blagodatnoye deposit operates its own mill, Mill No. 4. The operations of the Krasnoyarsk business unit are located in close proximity, which allows the deposits to share infrastructure, including access to roads and electricity.

The map below shows the location of the Krasnoyarsk business unit.

The major power sources for the mines are grid electricity, an on-site coal fired power station and an on-site diesel oil-fired power station. Approximately 59 per cent of the Krasnoyarsk business unit's current power demand, depending on the season, is covered via two 110 kV lines from the regional grid. The remaining power is provided by on-site coal fired combined heat and power stations (CHP), which employ 34 MW steam turbines, and an on-site diesel oil-fired power station, which employs 16 MW diesel generator sets.

In 2016, the Group completed the construction of a 228 kilometers power grid (the Razdolinskaya-Tayga grid) as part of its broader strategy towards the development of the Krasnoyarsk business unit. By the end of 2016, the Group finalized the project's execution by connecting the Krasnoyarsk business unit with Boguchanskaya heat and power plant ("**HPP**"). These are expected to provide the Krasnoyarsk business unit with power at attractive rates and improve the reliability of the power supply. The Razdolinskaya-Tayga grid will also provide the additional power capacity required for the Krasnoyarsk business unit development program, including the expansion of processing capacities. Following commissioning, the Razdolinskaya-Tayga grid line is expected to be bought out by the Federal Grid Company for approximately RUB 6.7 (approximately US$103 million), which will cover the Group's capital expenditure for the project plus interest accrued. Payments will be made in tranches over a 10-year period.

The Krasnoyarsk business unit's operations have established logistics for the supply of materials and personnel. The transport services providing support to the Krasnoyarsk business unit include general and passenger road transport, rail, ferries and river transport. The majority of the transport infrastructure is owned or maintained by the Group, although certain transport services are also hired, in particular for the longer river routes. Rail and road transshipment is primarily from the Lesosibirsk railhead and base, located on the west bank of the Yenisey River. Materials are ferried across the Yenisey River or barged either to the Nasimovo base located 200 km to the north of Lesosibirsk, or to the Bryanka base 200 km up the Bolshoi Pit River in the Yenisey district. Eruda, the settlement where the employees of the Krasnoyarsk business unit reside, is connected by an all-season road to the Lesosibirsk crossing via Bryanka and a winter road to Nasimovo. As the Yenisey crossing is only available during the winter, material stocks are stockpiled at the bases during the spring and autumn, while coal and oil are stockpiled at Nasimovo during the summer before being transported to Eruda during the winter.

In February 2016, the regional government of the Krasnoyarsk region issued a decree allocating a RUB 3.5 billion (approximately US$54 million) subsidy for the renovation of the Episho–Severo-Eniseyskiy transportation road to the Group's assets in the Krasnoyarsk region. The Group is collaborating with the regional government to implement this infrastructure project.

A significant social infrastructure has been established by the Group at Eruda and, to a lesser extent, at Severo-Yeniseysk. At Eruda, this includes housing for shift and construction employees and for senior management.

The Group's research and design services are located in Krasnoyarsk. A modern and well-equipped technical research facility was opened in 2004 and includes the following departments: geotechnical; chemical analysis; mineralogical analysis; mineral processing; and hydrometallurgical processing. The Group's engineering design and project management functions are based in Moscow and Krasnoyarsk.

Olimpiada

1. <u>Location and history</u>

Olimpiada is the largest operating gold mine in Russia. The Olimpiada deposit is located at Eruda, a small community in the Severo-Yeniseysk administrative district (approximately 540 km north of Krasnoyarsk). Access to the deposit is provided by a regular air service from Krasnoyarsk to Severo-Yeniseysk and by an all-weather gravel road and ferry crossing at Lesosibirsk on the Yenisey River, 340 km south of Eruda.

The Olimpiada deposit was discovered in 1975. Between 1983 and 1993, extensive exploration efforts led to the discovery of multiple ore zones. Mining commenced in 1985 with the oxide ore being transported to a toll processing plant in Sovetsky, which is located 80 km from the Olimpiada mine in Severo-Yeniseysk, for gold recovery.

In 1993, reserves and resources of the deposit were booked at the Russian State Reserves Committee. Toll processing continued until 1996, when Mill No. 1, a cyanide leaching plant for treatment of oxidized ore with a capacity of 1.5 million tonnes of ore per annum, was built and full-scale open pit operations commenced at the Olimpiada deposit.

2. <u>Geology and mineralization</u>

The Olimpiada gold deposit comprises of four main mineralized zones: Ore Zones 1, 2 and 3 form the Western (Zapadny) orebody and Ore Zone 4 forms the Eastern (Vostochny) orebody. Ore Zone 4 is the most significant as it contains approximately 90 per cent of the total Mineral Resource at Olimpiada.

Gold mineralization forms two distinct mineralogical and metallurgical types; oxide ore and primary low sulphide, arsenic-antimony ore. Gold mineralization occurs as native gold encapsulated in sulphide minerals, with the gold grain size less than 10 μm and averaging 5 μm. The deportment of gold is estimated as: 35 per cent in arsenopyrite; 40 per cent in quartz; 15 per cent in pyrite; and 5 per cent in stibnite.

3. *Reserves and resources*

Total Proved and Probable Ore Reserves at Olimpiada as at 31 December 2016 were estimated to be 316 mt of ore, grading 3.0 g/t gold for 30 moz of contained gold as classified and reported according to the JORC Code.

Total Measured and Indicated and Inferred Mineral Resources, including stockpiles, at Olimpiada as at 31 December 2016 were estimated at 474 mt of ore, grading 3.0 g/t gold for 46 moz of contained gold as classified and reported according to the JORC Code.

4. *Mining*

The Olimpiada mine comprises of two open pits, the Vostochny Pit (Eastern Pit) and the Zapadny Pit (Western Pit). The Group extracts ore at Olimpiada primarily through open pit mining at the Vostochny pit using conventional excavator and truck techniques. The current pit is 575 meters deep, 1.5 kilometers in length and 1.7 kilometers in width. Mining activity at the previously closed down Zapadny pit was re-commissioned in 2016 in order to sustain the gold grade in the ore fed to the mills. The reserves of oxidized ores at the Olimpiada deposit had been fully depleted by the end of 2007, and the Group has been mining only sulphide ore since that date.

According to the Group's current life of mine plan, the mine life of Olimpiada allows for 14 years of open pit mining and 16 years of underground mining. The combined open pit and underground operations are expected to have sufficient ore to feed the Olimpiada processing complex at 11.7 mtpa for approximately 31 years until 2048.

The mine utilizes a fleet of Russian and Western mining equipment supplied by a variety of different manufacturers, consisting of: 11 drilling units, including SBSh-250MH, Atlas Copco DML, PV-275 or ROC L8 drill rigs, 22 digging units, including IZ-Kartex EKG10 electric rope shovels, Komatsu PC1250, PC2000 and PC3000 hydraulic face shovels, 117 hauling units including Caterpillar 777 and 785, Terex MT3300, Komatsu 830E and BelAZ 7540 trucks.

5. *Processing*

Ore is transported to the processing facilities by truck. The Olimpiada processing facility comprises of three processing plants – Mill No. 1, Mill No. 2 and Mill No. 3.

The tailings storage facility is located approximately one km from the plants. The dam is constructed from waste rock, with a clay core. In the summer, tailings are discharged from the dam onto the beach from numerous spigots. In the winter, the tailings are discharged under the ice. Potable water is extracted from five wells under permit within the Olimpiada production site.

Mill No. 1 was built in 1996 with an annual capacity of 1.5 million tonnes of ore and initially processed ore from the Olimpiada Zapadny open pit. The modernization of Mill No. 1 for processing ores from Titimukhta was completed in 2009, increasing its capacity to 2.2 million tonnes of ore per annum. In May 2012, the Group completed the expansion of capacity to 2.4 million tonnes of ore per annum at Mill No. 1. As part of the Krasnoyarsk business unit's production flows optimization, Mill No. 1 was reconfigured in order to process higher grade sulphide ore from the Olimpiada deposit instead of oxidized ores from Titimukhta, with a new flotation circuit being added to spare areas inside the existing mill complex. Due to the physical properties of Olimpiada ore, the processing capacity of Mill No. 1 was increased from 2.4 to 3.0 million tonnes of ore per annum. This project, which was identified as a prospective brownfield development project during the Strategic Asset Review, was completed in September 2016, on time and on budget, resulting in approximately an additional 160 thousand ounces of incremental gold production on an annualized basis. The capital expenditure for the reconfiguration project was US$19 million.

Mill No. 2, which has an annual capacity of 3.5 million tonnes, was built in 2001, while Mill No. 3, which has an annual capacity of 5.0 million tonnes, began operations in 2007.

The Mill No. 1 key processing stages include jaw crushing, semi-autonomous grinding ("**SAG**") and ball milling, gravitation, flotation of sulphide minerals, bio-oxidation, cyanide leaching of gold, carbon-in-leach ("**CIL**") for flotation concentrate and resin-in-pulp ("**RIP**") technology for flotation tailings, electrowinning and doré smelting.

The Mill No. 2 and Mill No. 3 key processing stages include crushing, milling with a SAG mill and two ball mills in parallel, gravitation, flotation of sulphide minerals, bio-oxidation, CIL for flotation concentrate and RIP technology for flotation tailings, electrowinning and doré smelting.

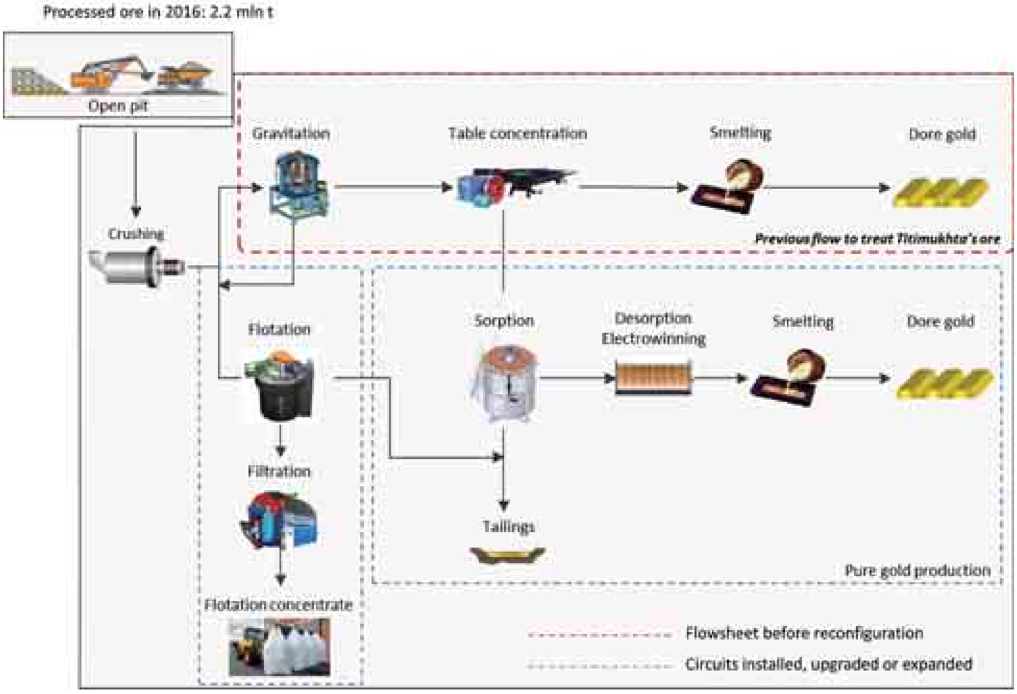
The Olimpiada processing facility employs a proprietary JSC Polyus's BIONORD® bio-oxidation process – the oxidation of sulphide minerals by bacterial action – rendering the minerals amenable to leach extraction of the metals contained in the ore. Mill No. 2 and Mill No. 3 produce 437,000 tonnes of flotation concentrate per annum that is treated at the BIO-1, -2 and -3 facilities. The BIO process has resulted in gold recovery rates of approximately 93 per cent, as compared to the 30-40 per cent recovery rates generated from direct cyanidation. The processing of ores from Olimpiada with a higher antimony content at Mill No. 1 allows for the production of antimony concentrate, which opens potential options for the sale or further treatment of the antimony concentrate to pure antimony ingots (approximately 12 ktpa), while also improving BIO recoveries.

In 2012-2015, the Group implemented a number of projects to improve the efficiency of the BIO-1, -2 and -3 facilities. The BIO-3 facility was launched in the third quarter of 2012, involving the construction of six additional bio-oxidation reactors; two blending stations for flotation concentration with a capacity of 1,000 m^3 each were launched in the second quarter of 2014; and the BIO-automation project was launched at the end of 2014 and beginning of 2015.

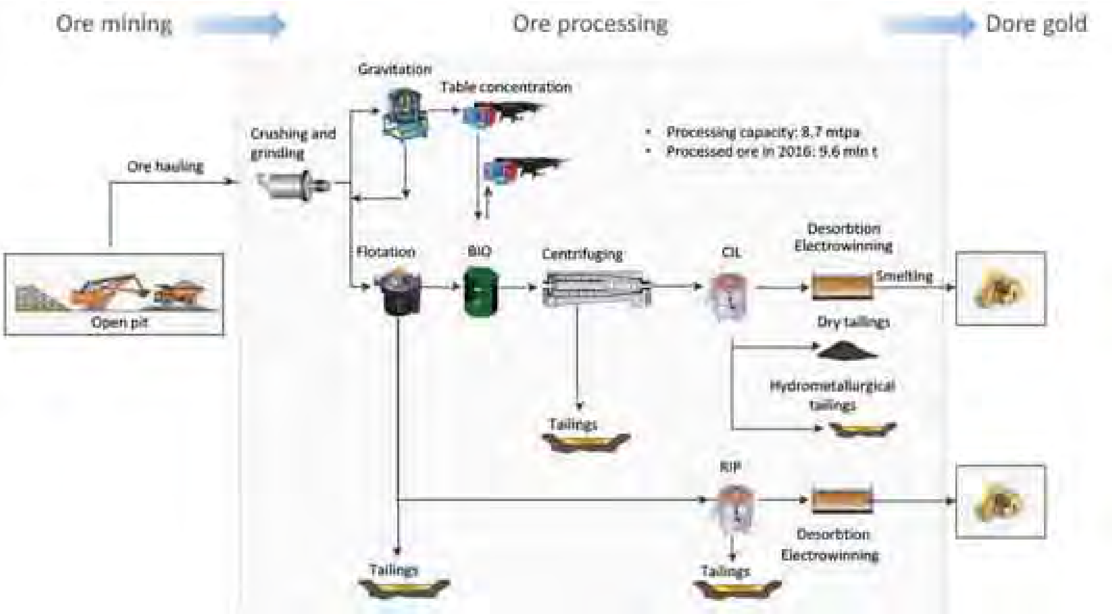
Following reconfiguration of Mill No. 1 and debottlenecking of Mills No. 2 and 3, the existing BIO capacities would not be sufficient to process the additional volumes of flotation concentrate produced in excess of the current throughput capacity of 437 ktpa at the BIO-1, -2 and -3 facilities. With a view to processing additional flotation concentrate, an additional BIO circuit (BIO-4) is planned to be launched by the end of 2017 at the Mills No. 1, 2 and 3 complex, which will have a throughput capacity of 74 ktpa of concentrate and is expected to result in approximately an additional 40 thousand ounces of annual gold production. Flotation concentrate produced at Mill No. 1 will be further processed to doré gold at the BIO-4 circuit instead of being sold at a discount. Upon completion of the BIO-expansion, the Group will be fully vertically integrated (*i.e.*, from mining ore to processing the ore into pure salable gold (doré gold)), which is expected to eliminate the commercial and shipping risks associated with the sale and purchases of semi-finished products and ore. The remaining capital expenditure for the BIO expansion is estimated to be approximately US$28 million.

6. *Flowchart*

A processing flowchart for Olimpiada's Mill No. 1 is set forth below.



A processing flowchart for Olimpiada's Mill No. 2 and Mill No. 3 is set forth below.



7. <u>Operational results</u>

The table below presents an overview of the Group's operations at the Olimpiada mine and processing facilities.

	Year ended 31 December			*Three months ended 31 March*
	2016	*2015*	*2014*	*2017*
Mining				
Total rock moved (kt)	51,917	60,317	65,130	14,798
Strip ratio (t/t)	4.3	20.7	9.8	4.0
Ore mined (kt)	9,782	2,777	6,005	2,974
Average grade in ore mined (g/t)	3.37	2.67	3.68	4.07
Processing				
Ore processed (kt)	11,336	9,506	8,526	2,930
Head grade (g/t)	3.31	3.18	3.63	3.45
Gold recovery (%)	81.0	80.1	75.9	79.9
Gold production (koz)(1)	943.4	760.0	735.7	247.3

Note:

1. Includes refined gold and gold contained in concentrate.

In 2016, the Group mined 9,782 thousand tonnes of ore at Olimpiada, as compared to 2,777 thousand tonnes of ore in 2015, an increase of 252 per cent due to planned growth in mining works after a prolonged period of extensive stripping works to conduct a pit cut back. Following the Vostochny pit wall failure at Olimpiada in May 2016, the Group initiated an intensified localized cutback of the southern pit wall as part of the pit's scheduled expansion. The cut back is not expected to have a major impact on the total volumes of stripping works within the pit. In order to increase the gold grade in the ore fed to the mills, mining activity at the previously closed down Zapadny pit has been re-commissioned. In 2015, ore mined volumes at Olimpiada decreased by 54 per cent, as compared to ore mined volumes in 2014 of 6,005 thousand tonnes due to extensive stripping works to cut back the pit and ore being mined only in the cutback zone. The stripping ratio was at an average of 4.3 t/t in 2016, as compared to 20.7 t/t in 2015 and 9.8 t/t in 2014, a decrease of 79 per cent and an increase of 111 per cent, respectively, reflecting the planned cutback initiative in 2015 and in the first quarter of 2016. At the same time, the average grade in ore mined was 3.37 g/t in 2016, 2.67 g/t in 2015 and 3.68 g/t in 2014.

In 2016, the Group processed 11,336 thousand tonnes of ore at Olimpiada, as compared to 9,506 thousand tonnes of ore in 2015, an increase of 19 per cent despite reduced hourly throughput at Mill No. 2 and reflecting the results of the reconfiguration of Mill No. 1, which was completed in September 2016 and started processing Olimpiada ore. In 2015, ore processed volumes increased by 11 per cent, as compared to ore processed volumes in 2014 of 8,526 thousand tonnes of ore, due to increased feed from ore stockpiles. Mills No. 2 and 3 operated above their nameplate capacities. The processing figures for 2016, 2015 and 2014 include ore purchased from the Veduga mine under an off-take agreement, with 551 thousand tonnes purchased (4.9 per cent of ore processed) in 2016, 50 thousand tonnes purchased (0.5 per cent of ore processed) in 2015 and 249 thousand tonnes purchased (2.9 per cent of ore processed) in 2014.

From 2014 to 2016, the Group implemented a number of measures to improve recoveries at Olimpiada Mills Nos. 1, 2 and 3, including optimization of flows in the technological scheme of the hydrometallurgical department and reactant supply process, modernization of the flotation circuit equipment and oxygen complex, stabilization of the chemical composition of flotation concentrate before feeding BIO and the sorption process, reduction of gold losses through the capture of non-conforming coal sorbent, additional recovery of gold from recycled water and the introduction of automatic surge tanks as part of the BIO process. Furthermore, the Group reduced gold losses in the sorption process by capturing non-conforming coal sorbent and stabilizing the chemical composition of flotation concentrate. As a result, recoveries at Olimpiada Mills Nos. 2 and 3 increased to 81.0 per cent in 2016 from 75.9 per cent in 2014.

In 2016, Olimpiada produced 943.4 thousand ounces of gold, as compared to 760.0 thousand ounces of gold in 2015, an increase of 24 per cent, due to higher recoveries and increased volumes of ore processed. For the same reasons, gold production increased by 3 per cent in 2015, as compared to 735.7 thousand ounces in 2014, due to an increase in ore processing volumes and a higher recovery rate, despite a decrease in head grade.

The Group plans to implement a number of additional measures to improve recoveries at Olimpiada, including higher-temperature leaching at Mill No. 3 with the introduction of sodium hydroxide at 90°C to 95°C to sorption for lower gold losses, and modernization and further automation of desorption, reactivation and oxidation equipment.

Blagodatnoye

1. *Location and history*

The Blagodatnoye deposit is located in the Severo-Yeniseysk administrative district of the Krasnoyarsk region (540 km north of Krasnoyarsk). The project is located 25 km north of the Olimpiada mine at Eruda and 35 km south of the town and district center of Severo-Yeniseysk. Access to Eruda and Severo-Yeniseysk is by all-weather gravel road. The proximity of the Blagodatnoye deposit to the Olimpiada mine allows the full use of the existing Olimpiada infrastructure, including utilities, support infrastructure and services. Vehicle maintenance is provided primarily by the facilities at Olimpiada, although limited facilities are available at the mine for immediate requirements.

The Blagodatnoye gold deposit was first discovered in 1966 when the Northwest orebody was mapped on the surface. Subsequent exploration between 1973 and 1976 confirmed the presence of gold mineralization in the Northwest orebody. In 2000, the Group obtained the license for Blagodatnoye. The Group continued exploration between 2000 to 2004 and located the Southeast orebody, which has subsequently proved to be significantly larger than the Northwest orebody.

In 2005, the Group obtained the state registration of the Blagodatnoye reserves and, in November 2007, the Board of Directors of the Company approved the construction of an open pit mine to exploit the license. In 2008, the mining pilot at the Blagodatnoye deposit was launched and, in July 2010, the Group commissioned Mill No. 4 at the Blagodatnoye deposit with a nameplate capacity of 6 mtpa.

2. *Geology and mineralization*

The Blagodatnoye gold deposit comprises of two main mineralized zones connected along strike by low-grade mineralization: the Southeast orebody and the Northwest orebody, with the Southeast orebody being significantly larger than the Northwest orebody.

The mineralization is hosted by a tectonic zone that has a length of approximately 4 km to 4.5 km, with an average thickness of 120 m to 140 m. The Northwest orebody is located to the northwest and includes one major zone, with an approximate strike length of 1.5 km, and approximately 16 smaller zones. The Southeast orebody consists of one major zone with an approximate strike length of 2.2 km and approximately 27 smaller lenticular zones. The Northwest orebody extends down dip up to 500 m. The Southeast orebody extends to 550 m.

Gold mineralization at Blagodatnoye is hosted by schist and quartzite units with sulphide mineralization. The main forms of gold in ores are free, connected with barren minerals and in aggregates.

3. *Reserves and resources*

Total Proved and Probable Ore Reserves at Blagodatnoye as at 31 December 2016 were estimated to be 223 mt of ore, grading 1.4 g/t gold for 10 moz of contained gold as classified and reported according to the JORC Code.

Total Measured and Indicated and Inferred Mineral Resources at Blagodatnoye as at 31 December 2016 were estimated at 420 mt of ore, grading 1.4 g/t gold for 19 moz of contained gold as classified and reported according to the JORC Code.

4. *Mining*

The Blagodatnoye mine is a single open pit with a smaller north pod and a larger south pod. The Group mines the deposit using an open pit method with surface stockpiling. Run of mine ("**ROM**") ore is directly fed to the processing plant, with excess material stockpiled being generally low-grade material. The stockpiles are re-handled to meet any supply requirements during the active mining period.

According to the Group's current life of mine plan, the mine life of Blagodatnoye allows for 18 years of open pit mining until 2034 based on 2016 production volumes.

The mine utilizes a fleet of Russian and Western mining equipment supplied by a variety of different manufacturers, consisting of: two EKG-10 electric rope shovels with a bucket capacity of 10 m^3, supplemented by a mixed fleet of Komatsu PC-1250 5 m^3 and Komatsu PC-3000 15 m^3 bucket capacity diesel hydraulic shovels; and a fleet of BelAZ 7540 (30t) and Caterpillar 785 (136t) and 777 (90t) haul trucks.

5. *Processing*

The Group transfers the ore it mines at Blagodatnoye by truck to its processing plant to recover gold for refinement. The Group's main processing facility is Mill No. 4, commissioned in July 2010, with a nameplate capacity of 6 million tonnes of ore per year.

Storage facilities for consumables and reagent mixing facilities are also present at the facility. The tailings storage facility is located 1 km away from Mill No. 4. The dam is constructed from waste rock with an upstream clay lining.

The Mill No. 4 processing circuit includes primary crushing in a toothed roll crusher, two parallel primary grinding lines with SAG mills and ball mills, a gravity separation circuit followed by intensive leach reactors, flotation of gravity tailings, sorption units and electrowinning facilities to recover gold from concentrate. Tailings are stored at the tailings storage facility located near the plants.

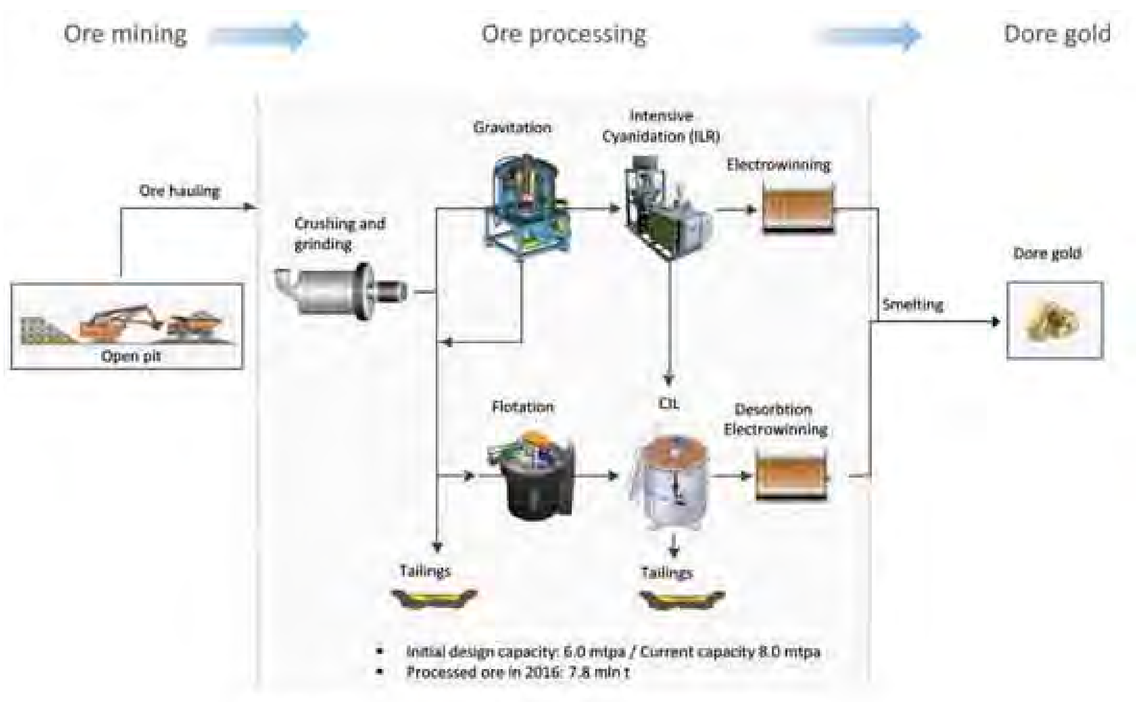
The Blagodatnoye Mill No. 4 has been operating above its nameplate capacity of 6.0 million tonnes of ore per year for the last six years. Prior to 2014, capital expenditure-intensive construction of an additional production line (Mill No. 5) was considered in order to expand the Blagodatnoye processing capacity. During the Strategic Asset Review, an analysis of the production flowsheet showed that it was possible to expand the mill's capacity to 8.0 mtpa at current production lines, without the construction of additional production lines by upgrading and debottlenecking the existing processing flowsheet. Some of the initiatives have already been implemented, and by the end of 2016, the Group had completed the first stage of the Blagodatnoye Mill No. 4 capacity expansion, reaching 8.0 million tonnes of annualized throughput capacity. The technical measures designed to ensure the mill's stable operation at the current throughput capacity level and to support an increase in recovery rates to approximately 90 per cent are scheduled for implementation by the end of 2017. This is expected to result in approximately an additional 70 thousand ounces gold of annual production. The remaining capital expenditure for the planned expansion is estimated to be US$6 million. In addition, the Group is currently evaluating its options for further expansion of the throughput capacity of the Blagodatnoye Mill to 10 million tonnes of ore per year.

In order to process existing low grade ore with an average grade of 0.9 g/t from stockpiles and in situ material at Blagodatnoye, the Group plans to develop a heap leaching project to increase the designed capacity of up to 10 million tonnes of ore per year. The Company has engaged international engineering consultancy companies to assist in executing a pre-feasibility study. The aims of this study are to assess potential processing options and identify optimal operating parameters based on existing power, storage, social and support infrastructure. A column leaching pilot plant installation at Blagodatnoye was also completed. The project is expected to utilize existing mining equipment of the Krasnoyarsk business unit to optimize project capital expenditures. The project is expected to be completed in the second half of 2019, resulting in approximately an additional 150 thousand ounces of annual gold production. The remaining capital expenditure for the project is estimated to be US$136 million.

If heap leaching at Blagodatnoye is successfully applied, the Group may also consider processing off-balance ore stockpiles at Titimukhta.

6. *Flowchart*

A processing flowchart for Blagodatnoye's Mill No. 4 is set forth below.



7. *Operational results*

The table below presents an overview of the Group's operations at the Blagodatnoye mine and processing facilities.

	Year ended 31 December			*Three months ended 31 March*
	2016	*2015*	*2014*	*2017*
Mining				
Total rock moved (kt)	49,021	45,654	40,828	17,192
Strip ratio (t/t)	3.3	5.0	4.5	4.8
Ore mined (kt)	11,515	7,628	7,392	2,945
Average grade in ore mined (g/t)	2.01	1.97	2.00	2.00
Processing				
Ore processed (kt)	7,753	7,512[(1)]	7,251	1,977
Head grade (g/t)	2.07	1.99	1.96	2.01
Gold recovery (%)	88.0	87.9	88.0	88.4
Gold production (koz)	456.5	424.6	394.3	108.2

Note:

1. Based on hourly capacity and adjusted for maintenance time, the Group processed 7,801 thousand tonnes of ore in 2015.

Over the last four years, the Group has successfully increased the processing volumes at Blagodatnoye mill by implementing debottlenecking and upgrading initiatives and operating the mill at above its nameplate capacity. During this period, the Group optimized flows in the technological scheme and upgraded the mill equipment, such as modernizing the ore crushing circuit and installing two additional gravity concentrators at the gravity separation unit. In 2015 to 2016, the first stage of the full-scale debottlenecking project was completed to maintain high recoveries despite the increase in productivity through the installation of two vibration screens of higher capacity; the installation and commissioning of two additional sorbent columns and renovation of the Acacia intensive cyanidation circuit; the introduction of the flotation concentrate regrinding mill and the installation of the second stage of classification at the flotation concentrate regrinding mill; the installation of a filter press to catch coal fines; and the commissioning of two upgraded agitators for flotation cells.

In 2016, the Group mined 11,515 thousand tonnes of ore at Blagodatnoye, as compared to 7,628 thousand tonnes of ore in 2015, an increase of 51 per cent due to planned growth in mining works and use of the mining fleet temporarily reallocated from the Olimpiada mine's Vostochny pit, following the wall accident in 23 May 2016. In 2015, ore mined volumes increased by 3 per cent, as compared to ore mined volumes in 2014 of 7,392 thousand tonnes. The stripping ratio was at an average of 3.3 t/t in 2016, as compared to 5.0 t/t in 2015 and 4.5 t/t in 2014, a decrease of 35 per cent and an increase of 10 per cent, respectively, in line with the mine plan. At the same time, the average grade in ore mined was stable over the last several years with 2.01 g/t in 2016, 1.97 g/t in 2015 and 2.00 g/t in 2014.

In 2016, the Group processed 7,753 thousand tonnes of ore, as compared to 7,512 thousand tonnes of ore in 2015, an increase of 3 per cent, reflecting on-going initiatives to further expand throughput capacity. In 2015, ore processed volumes increased by 4 per cent as compared to ore processed volumes in 2014 of 7,251 thousand tonnes of ore with increased volumes produced, primarily due to improvements to the processing of ore, higher throughput at the ore preparation unit as a result of optimizing the coarseness of the grains for crushing, installing higher-yielding screens and other initiatives. The processing figures for 2014 include the ore from Blagodatnoye processed at the Olimpiada Mill No. 1.

Recoveries remained high at an average of 88.0 per cent in 2016, 87.9 per cent in 2015 and 88.0 per cent in 2014.

In 2016, the Group produced 456.5 thousand ounces of gold, as compared to 424.6 thousand ounces of gold in 2015, an increase of 8 per cent primarily due to higher processing volumes and higher grades in ore processed, though this was offset slightly by lower processing volumes in the fourth quarter of 2016, which resulted from the outage of the second grinding circuit caused by the temporary blackouts at Mill No.4. In 2015, gold production increased by 8 per cent, as compared to gold production of 394.3 thousand ounces in 2014, due to increased volumes of ore processed.

Titimukhta

1. <u>Location and history</u>

The Titimukhta deposit is located in the Severo-Yeniseysky district, nine kilometers from the Olimpiada mine. The proximity of the Titimukhta deposit to the Olimpiada mine allows the full use of the existing Olimpiada infrastructure, including utilities, support infrastructure and services. The major power source for the mine is grid electricity.

The Titimukhta gold deposit was first discovered in 1989. From 1989 to 1996, geological exploration work, including geological mapping, drilling and test-pitting, was completed. In 2003, the Group acquired the license for Titimukhta. During the period from 2004 to 2007, the Group conducted geological exploration on the deposit, which resulted in sizeable reserves being estimated and classified and reported according to the JORC Code.

In 2007, the Group began modifying the Olimpiada Mill No. 1 to process the Titimukhta ore and began delivering mining equipment to the Titimukhta deposit, and constructed an access road.

In April 2009, the mining of Titimukhta ore, with processing of the ore at Olimpiada's Mill No. 1, was commissioned. In May 2012, the Group completed the expansion of capacity to 2.4 million tonnes of ore per annum at Mill No. 1.

In 2015, the Group decided to reconfigure Mill No. 1 to process higher-grade ore from Olimpiada as part of the Strategic Asset Review with the objective of increasing total production from the Krasnoyarsk business unit. Due to the physical properties of Olimpiada ore, the processing capacity of Mill No. 1 was increased from 2.4 to 3.0 mtpa.

2. <u>Geology and mineralization</u>

The Titimukhta gold deposit comprises of one main mineralized zone as a stockwork of mineralized quartz veins in a schist host rock. The deposit area is underlain by a zone of intense faulting with major northwest-southeast trending faults running through the northern side of the deposit. The orebody extends for 550 m in strike length and 350 m in width. Gold mineralization extends to a depth of 500 m and occurs as stacked elongated zones that dip eastwards at between 30° and 50°, cross-cutting the stratigraphy.

3. <u>Reserves and resources</u>

Total Proved and Probable Ore Reserves at Titimukhta as at 31 December 2016 were estimated to be 12 mt of ore, grading 2.4 g/t gold for 0.9 moz of contained gold as classified and according to the JORC Code (2004).

Total Measured and Indicated and Inferred Mineral Resources, including stockpiles, at Titimukhta as at 31 December 2016 were estimated at 13 mt of ore, grading 2.5 g/t gold for 1.1 moz of contained gold as classified and reported according to the JORC Code (2004).

4. <u>Mining</u>

Since 2015, mining works at Titimukhta have been significantly downscaled, while Mill No. 1 was reconfigured and reoriented for the processing of Olimpiada ore in order to optimize production flows in the Krasnoyarsk business unit. In April 2016, mining activity at Titimukhta was downscaled to the minimum required for maintenance.

5. <u>Processing</u>

Prior to April 2016, the Group transferred the ore it mined at Titimukhta by truck to Mill No. 1 processing plant at the Olimpiada production site to recover gold for refinement.

In 2016, Mill No.1 was reconfigured to process higher-grade ore from Olimpiada instead of lower-grade ore from Titimukhta as a result of optimization of the Krasnoyarsk business unit's production flows. This project was completed in September 2016

6. <u>Operational results</u>

In line with the completion of the Mill No. 1 reconfiguration project in September 2016, mining and processing activities at Titimukhta have been suspended in favour of treating Olimpiada ores in the third quarter of 2016.

The table below presents an overview of the Group's operations at the Titimukhta mine and processing facilities.

	Year ended 31 December			*Three months ended 31 March*
	2016	*2015*	*2014*	*2017*
Mining				
Total rock moved (kt)	1,054	14,002	26,509	48
Strip ratio (t/t)	1.6	3.3	10.8	5
Ore mined (kt)	412	3,225	2,242	8
Average grade in ore mined (g/t)	1.61	1.58	1.66	1.51
Processing				
Ore processed (kt)	500	1,515	1,978	–
Head grade (g/t)	2.26	2.43	1.85	–
Gold recovery (%)	85.2	87.1	83.7	–
Gold production (koz)	40.2	102.3	93.0	–

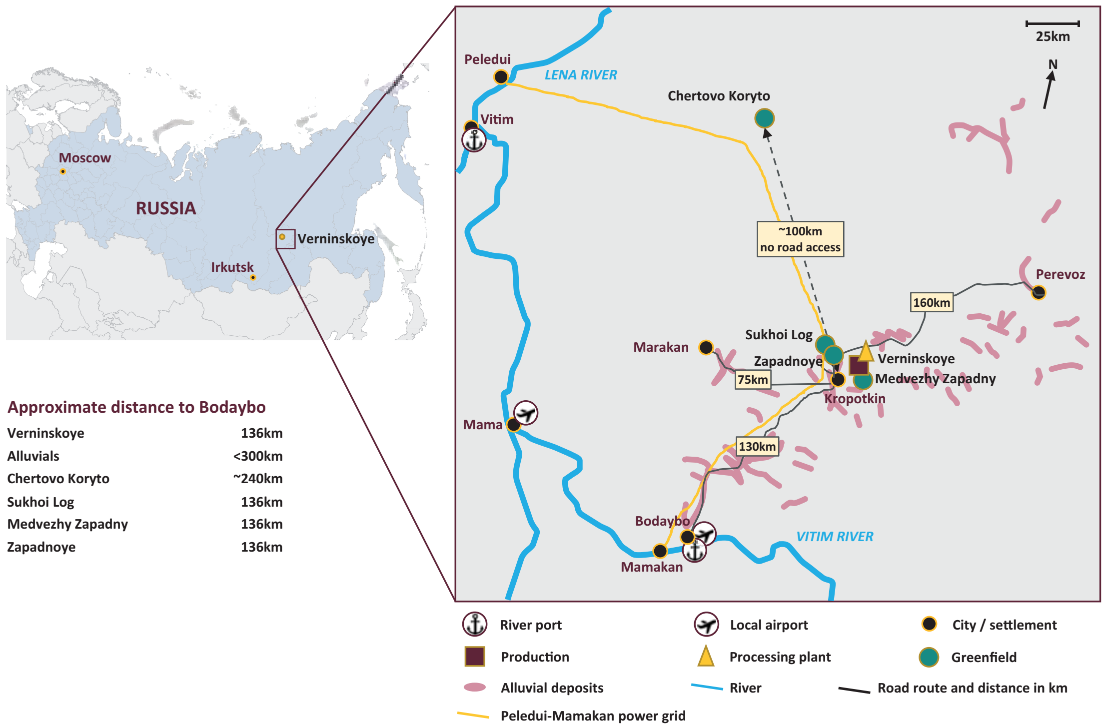
Irkutsk region

Verninskoye

1. <u>*Location and history*</u>

The Verninskoye gold deposit is located in the northern part of the Bodaybo administrative district, Irkutsk Region. The deposit lies 6 km from Kropotkin settlement and approximately 136 km north of the town and district center of Bodaybo. Bodaybo is located on the Vitim River, which provides seasonal access to the Lena River ports. There is a regular scheduled air service to Bodaybo from the regional capital Irkutsk located 900 km by air, and 1,440 km by road from Bodaybo. Bodaybo is also accessible to the south by a 220 km all-weather gravel road from Taksimo on the Baikal-Amur railway.

The map below shows the location of the Verninskoye deposit.



The Verninskoye deposit was discovered in 1974. From 1977 to 1990, a significant amount of exploration work was conducted on the deposit, including detailed geological mapping, geochemical sampling and surface exploration drilling, by the Bodaybinskaya exploration group. In 2003, reserves and resources of the deposit were booked at the Russian State Reserves Committee.

In 2005, the Group acquired OJSC Pervenets, which holds licenses for both the Verninskoye and Pervenets deposits. During the period from 2005 to 2009, the Group conducted additional geological exploration at the deposit, which resulted in significant additions to the resource base. In January 2008, the Board of Directors of the Company approved a feasibility study for the construction of a gold mining facility at the Verninskoye deposit with a capacity of 2.2 million tonnes of ore per annum.

In December 2011, the Verninskoye mine was launched, and the Group fully commissioned production in 2012. In 2014, the Verninskoye mine reached its design throughput parameters.

The operating site is supplied by 36 MWh and 74 MWh lines from the VitimEnergo 110 kV and Peleduy – Polyus 110 kV grids. Diesel generators with installed electric capacity of 12.8 MW are available for emergency supply.

In December 2012, the Group was awarded the contract for the design of the first stage of the Peleduy-Mamakan grid. In the fourth quarter of 2015, the Group completed the construction of the 110 kV Peleduy–

Chertovo Koryto–Sukhoy Log power grid, the first phase of the Peleduy – Mamakan 220 kV grid project, as part of its broader strategy towards the development of the Irkutsk business unit. The grid connects Viluyskie HPP with the Verninskoye and Chertovo Koryto deposits, providing the Irkutsk business unit with power at attractive rates and improving the capacity and reliability of the power supply. The actual capital expenditure for the Peleduy-Mamakan grid amounted to a total of RUB 3.5 billion. The Group has signed a letter of intent with the Federal Grid Company ("**FGC**") to buy out the Peleduy-Mamakan grid line for RUB 2.7 billion (approximately US$42 million) under the FGC's investment program for 2017.

Potable water is obtained from an intake on the Tyopliy Creek. Industrial and process makeup water is pumped from the Nigri Creek and back from the tailings storage facility. Three coal fired boiler houses are used for heating and hot water.

The camp, administration offices and workshops are on the northern flank of the valley, adjacent to the waste stockpile. Tailings are discharged into the storage facility in the adjacent valley to the east. Administrative support and senior management is provided from Bodaybo. The Verninskoye mine has its own camp facilities and is not reliant on any nearby towns for accommodation.

2. <u>*Geology and mineralization*</u>

The Verninskoye gold deposit is located in the central part of the Lena gold province at the intersection of two large tectonic blocks: the Siberian Platform and the Baykal-Patomsk fold belt, near the western end of the Sukhoi Log belt, the largest undeveloped gold deposit in Russia. The Verninskoye deposit is a series of lenticular bodies of gold mineralization localized at the contact between black shale and siltstone with limestone units in the hanging wall around the Verninskoye anticline. The Verninskoye deposit includes the Pervenets deposit, which comprises of a series of near surface gold-bearing quartz-sulphide veins.

Gold occurs in quartz-sulphide veins and associated with disseminated sulphide minerals within the sedimentary rocks (pyrite and arsenopyrite). The mineralization, defined by the limits of low-grade stockwork mineralization, covers an area of 1,500 m along strike and 1,100 m across strike. The depth of mineralization ranges from near the surface to possibly greater than 700 m in depth, with the current open pit mining targeting mineralization down to 300 m to 350 m below the surface.

Gold mineralization also occurs in the adjacent Medvezhy deposit as auriferous quartz-sulphide veins and with disseminated sulphide minerals within the sedimentary rocks. Although no mining has been conducted at Medvezhy to date, any mining of Medvezhy mineralization is likely to be a satellite pit with treatment at the Verninskoye plant.

3. <u>*Reserves and resources*</u>

Total Proved and Probable Ore Reserves at Verninskoye as at 31 December 2016 were estimated to be 96 mt of ore, grading 1.7 g/t gold for 5.3 moz of contained gold as classified and reported according to the JORC Code.

Total Measured and Indicated and Inferred Mineral Resources, including stockpiles, at Verninskoye as at 31 December 2016 were estimated at 237 mt of ore, grading 1.6 g/t gold for 12 moz of contained gold as classified and reported according to the JORC Code.

4. <u>*Mining*</u>

The Verninskoye mine comprises one open pit, the Verninsky Pit, which is centrally located, and a waste stockpile downstream in the valley. The Group extracts ore at Verninskoye through open pit mining using: 10 m^3 class diesel-hydraulic face shovels, 10 m^3 class electric rope shovels and a fleet of Komatsu HD785 (90t) class dump trucks. Waste and low-grade ore is hauled to nearby storage facilities and ore is hauled to the ROM pad.

According to the Group's current life of mine plan, the mine life of Verninskoye allows for 33 years of open pit mining until 2050 based on 2016 production volumes.

A broad range of ancillary equipment supports the main production equipment and performs other mine maintenance activities. The workshops are on the northern flank of the pit adjacent to the waste stockpile.

5. *Processing*

The Group transfers the ore it mines at Verninskoye by truck to its processing plant to recover gold for refinement.

The processing circuit includes primary crushing in a Metso jaw crusher, primary grinding in a SAG mill, secondary grinding in a ball mill (both mills were supplied by NKMZ), a gravity separation circuit, sulphide flotation (roughing, scavenging, two-stage cleaning) of gravity tailings and a conventional CIL circuit, followed by an electrowinning facility to recover gold from flotation concentrate.

Although the Verninskoye mine was commissioned on 30 December 2011, the Group fully commissioned production at Verninskoye only in 2012. During the course of 2013-2016, the Group implemented over 20 individual measures to improve production at Verninskoye, including the fine-tuning or rearranging of crushing, grinding, gravitation and flotation processes, as well as the CIL and electrowinning circuits. As a result of these modifications and upgrades, the plant increased its throughput run-rate from 1.13 mtpa to 2.5 mtpa, while the Group also improved the recovery rate at the Verninskoye Mill from approximately 64 per cent to approximately 87 per cent, which is above the designed recovery rate of 86 per cent. The mill has operated above the design recovery rate of 86 per cent since the second quarter of 2015.

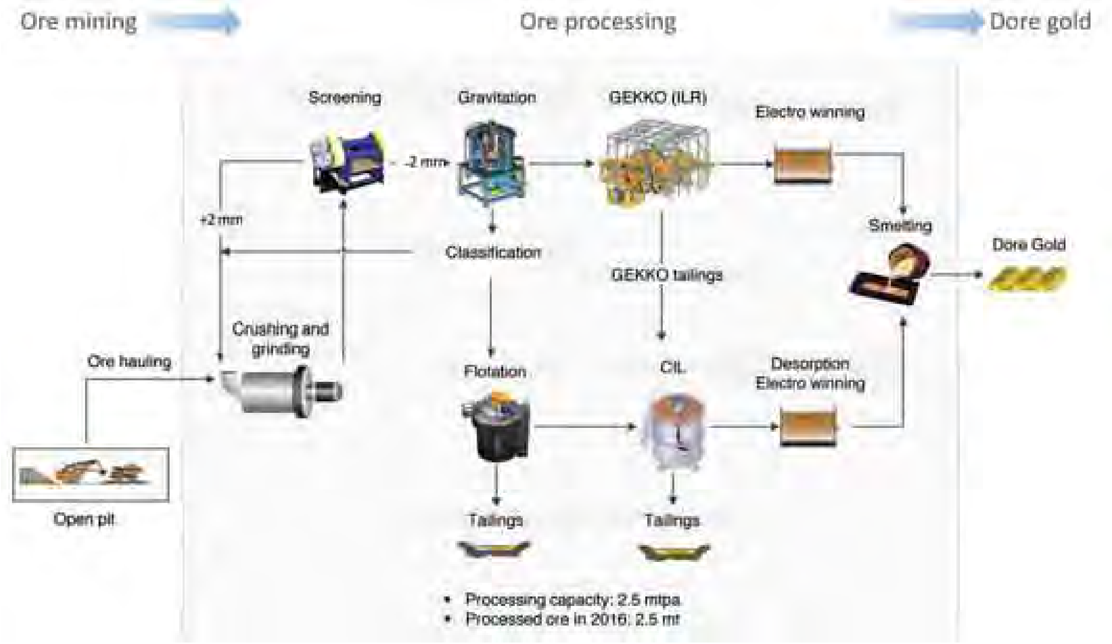
The Group is currently implementing a three-stage expansion of the Verninskoye mill throughput capacity. The first stage of the project was completed at the end of 2016 in order to increase the utilization of equipment, including the replacement of pumps and crushing equipment for more productive units, the installation of a mill relining system and the replacement of the mill's cylinder. This resulted in the Verninskoye Mill annualized throughput capacity being stabilized at 2.5 mtpa. In the second and third stages, the Group plans to increase throughput capacity to 2.6 mtpa and 3.0 mtpa, respectively. The second stage is scheduled to be completed by the end of 2017 and the completion of the third stage is expected by the end of 2018, resulting in additional production of approximately 40 thousand ounces per annum at a recovery rate exceeding 88 per cent.

The implementation of individual measures and the first stage of the expansion project has contributed to the decline of production costs by 55 per cent from a TCC/oz of US$869 in 2013 to a TCC/oz of US$389 in 2016. The remaining pre-production capital expenditure for the planned expansion is estimated to be approximately US$42 million.

In addition, the Group, in cooperation with independent international consultants, is evaluating various options to further increase production at the Verninskoye Mill to above 3.0 mtpa by synchronizing it with the Irkutsk mining hub development using the platform of established Verninskoye operations as a processing hub for the neighboring deposits, including Sukhoi Log, Chertovo Koryto and potentially Zapadnoye.

6. *Flowchart*

The ore processing flowchart for Verninskoye is set forth below.



7. *Operational results*

The table below presents an overview of the Group's operations at the Verninskoye mine and processing facilities.

	Year ended 31 December			*Three months ended 31 March*
	2016	*2015*	*2014*	*2017*
Mining				
Total rock moved (kt)	16,300	16,270	13,257	4,547
Strip ratio (t/t)	3.9	3.1	1.8	4.6
Ore mined (kt)	3,355	3,954	4,716	815
Average grade in ore mined (g/t)	2.20	2.09	1.90	2.16
Processing				
Ore processed (kt)	2,501	2,284	2,203	591
Head grade (g/t)	2.65	2.63	2.72	2.63
Gold recovery (%)	87.3	86.1	79.4	87.8
Gold production (koz)	186.5	161.1	146.0	43.8

Over the last four years, the Group successfully improved recoveries at Verninskoye mill by implementing a number of initiatives, including commissioning a new gravity concentrate production unit, improved operation of the sorption unit and usage of a new flotation reagent to increase recoveries.

In 2016, the Group mined 3,355 thousand tonnes of ore at Verninskoye, as compared to 3,954 thousand tonnes of ore in 2015, a decrease of 15 per cent due to the planned reduction in low-grade ore mining. For the same reason, in 2015, ore mined volumes decreased by 16 per cent, as compared to ore mined volumes in 2014 of 4,716 thousand tonnes. The stripping ratio was at an average of 3.9 t/t in 2016, as compared to 3.1 t/t in 2015 and 1.8 t/t in 2014, an increase of 24 per cent and 72 per cent, respectively, reflecting growth in stripping works as a result of reduced low-grade ore mining. At the same time, the average grade in ore mined increased to 2.20 g/t in 2016, as compared to 2.09 g/t in 2015 and 1.90 g/t in 2014.

In 2016, the Group processed 2,501 thousand tonnes of ore, as compared to 2,284 thousand tonnes of ore in 2015, an increase of 10 per cent. The Mill's improved performance resulted from the increased hourly throughput of grinding equipment following the replacement of the Mill's cone crusher with a more efficient model, the commissioning of pulp pumps with higher capacity and reduced downtime during maintenance works. In 2015, ore processed volumes increased by 4 per cent, as compared to ore processed volumes in 2014 of 2,203 thousand tonnes of ore, due to an increase in hourly throughput and greater equipment utilization by reducing planned downtime.

Recoveries were at an average of 87.3 per cent in 2016, as compared to 86.1 per cent in 2015, an increase of 1 per cent due to optimization of reagents and continuing improvements at the sorption and cyanidation circuits. In 2015, recoveries increased to 86.1 per cent, as compared to recoveries in 2014 of 79.4 per cent, due to improved operation of the sorption unit, commissioning of a new gravity concentrate production unity and the use of a new flotation reagent.

In 2016, the Group produced 186.5 thousand ounces of gold, as compared to 161.1 thousand ounces of gold in 2015, an increase of 16 per cent due to an increase in processed ore volumes at a stable average grade and growth in recovery rates. In 2015, gold production increased by 10 per cent, as compared to gold production of 146.0 thousand ounces in 2014, due to higher recoveries and an increased amount of ore processed.

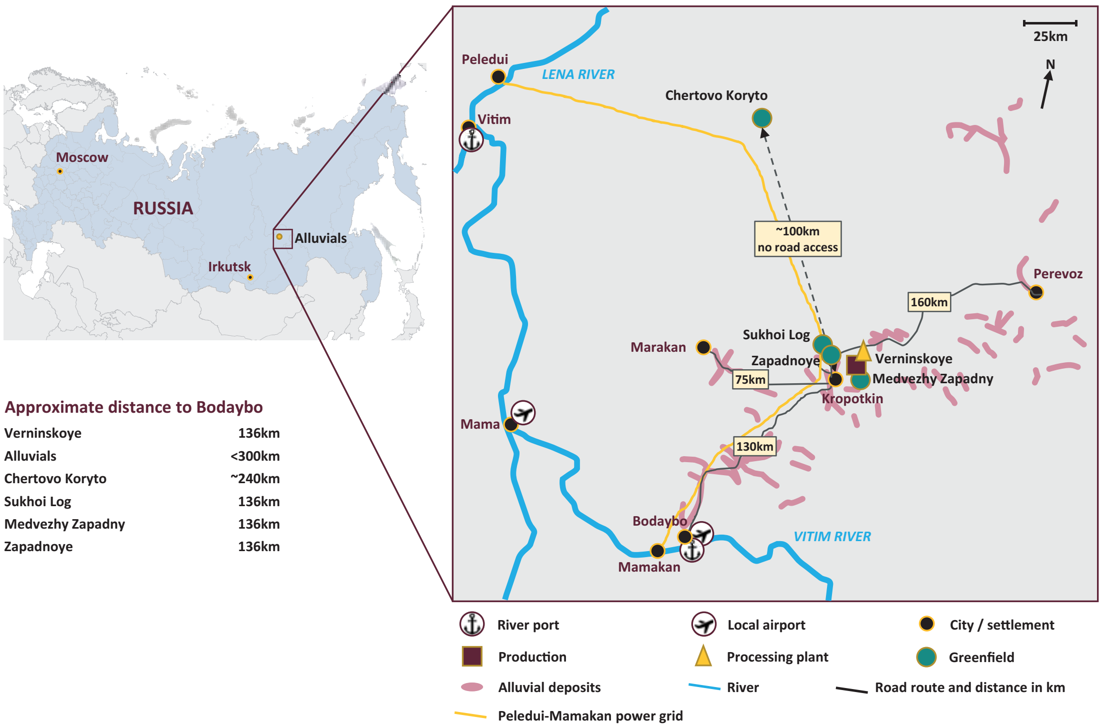
Alluvials

1. <u>*Location and history*</u>

The Lenzoloto (Alluvials) gold mining operations are located in the northern part of the Bodaybo administrative district, Irkutsk Region. The operations are widespread in the region and stretch from north of the town and district center of Bodaybo to the north-west of Kropotkin settlement, which is 130 km northeast of Bodaybo.

The deposits are accessed via all-weather gravel roads. Bodaybo is located on the Vitim River, which provides access to the Lena River ports. There is a regular scheduled air service to Bodaybo from the regional capital Irkutsk located 900 km by air, and 1,440 km by road from Bodaybo. Bodaybo is also accessible to the south by a 220 km all-weather gravel road from Taksimo on the Baikal-Amur railway. Electricity is provided by the integrated network and recently constructed Peleduy-Mamakan grid, being a cheaper source of energy than diesel generators, which are used in the case of an emergency.

The map below shows the location of the Alluvials operations.



Gold placer mining has been practiced in the area for more than 160 years since the mid-19th century. The gold placer mining operations in this area were incorporated under the entity Lenzoloto in 1921 and were owned by Russian industrialists. In 1950-1970s, dredges and power shovels operations commenced across the gold placers and mining operations were automated. Lenzoloto was reorganized into CJSC Lenzoloto in 1992 and then to OJSC Lenzoloto in 1997.

In 2004, the Russian government auctioned OJSC Lenzoloto, resulting in the Group acquiring a controlling stake. Lenzoloto currently holds 93 licenses for the placer deposits in the Irkutsk region. Exploration, development and operation at a number of licenses are planned for commencement in the near future.

2. *Geology and mineralization*

The Lenzoloto alluvial gold deposits are found in the Lenskii gold field, situated on the northern flanks of the Baikal orogenic belt. Some primary placer deposits remain in areas beneath thick permafrost.

The gold deposits are largely placer gold in river bed gravels and flood plain terraces. The placer deposits are formed in river channels within incised glacially eroded valleys. The valleys form the drainage network for the region with the streams and rivers forming tributaries for the major Lena River to the north and west and the Vitim River to the south. The placer gold deposits are buried below a cover of between 10 m and 30 m of glacial till. The deposits are underlain by bedrock.

Gold bearing alluvial gravels are typically between 2 m and 6 m thick, and can extend for a few thousand meters along the river channel. The distribution of the gold in the alluvial gravels is irregular. Many deposits are small, originally containing pre-mining reserves of less than 500 kg of gold.

3. *Reserves and resources*

Total Proved and Probable Ore Reserves at Alluvials as at 31 December 2016 were estimated to be 57 Mm^3 of sands, grading 0.62 g/m^3 gold for 1.1 moz of contained gold as classified and reported according to the JORC Code.

Total Measured and Indicated and Inferred Resources at Alluvials as at 31 December 2016 were estimated at 150 Mm^3 of mineralized material, grading 0.43 g/m^3 gold for 2.1 moz of contained gold as classified and reported according to the JORC Code.

The Group has a proven track record of constant replenishment of the reserves at Alluvials. Exploration works at the mines which are currently in operation allows for average annual additions of approximately 100 koz. In addition, the Group acquires two licenses per year on average, thereby adding approximately 17 koz to the existing reserve base. These acquired licenses allow for additional exploration and further resource expansion. As a result, resources at Alluvials may be expanded by approximately 1.2-1.4 moz over the next 10-12 years, assuming that the current exploration and acquisition rate is sustained.

For example, as at 1 January 2007, reserves at Alluvials included 1.7 moz of contained gold according to the JORC Code and the Group produced 1.9 moz of gold from its Alluvial operations from 2007 to 2016 inclusive, while reserves at Alluvials decreased only by 0.6 moz for the corresponding period.

4. *Mining*

The Lenzoloto subsidiaries employ various washing methods at Alluvials gold placers, including: dredging for bulk, low-grade technogenic deposits; dozing for the smaller, higher-grade primary deposits; and conventional open pit/dozing in permafrost. The choice of method is determined by an evaluation of the physical conditions, gravel grade and economics. The Group’s alluvial mining operations are seasonal and can only be mined from May to October.

According to the Group’s current life of mine plan, the mine life of Alluvials allows for 9 years of mining until 2025 based on 2016 production volumes.

Commencing in March and ahead of dredging, the bulk of the overburden is removed and side-cast by dragline. The final overburden and gravel horizons are then dredged.

Waste and overburden removal at the open pit placers continues year-round and employs drilling and blasting of the frozen ground. Stripping is performed by walking excavators and bulldozers, depending on the gold-bearing placer's characteristics. Walking excavators are used in the development of deep-seated deposits.

The depth of the primary deposits varies across the region. Nearer to Bodaybo, where placer mining has taken place for more than a century, the deposits are at depths of between 20 m and 70 m. In the center of the region, the depth is between 10 m and 20 m.

The equipment maintenance is conducted at sites while capital repairs are carried out at Kropotkin and Marakan. Much of the equipment repair is conducted during winter when the operating sites are shut down.

5. *Washing*

Gold is recovered by gravity separation without the use of chemical agents. The Group operates gold washing plants, dredges and sluice enrichment plants with a total annual capacity of 10 Mm^3.

The dredges sift the mined sands through the sluices to recover gold. The tailings are washed out and stacked behind the dredge. In open pit placers bulldozers and excavators push the sands to the scrubber, screen and sluices arrangements.

Primary sluice concentrates from the dredge and bulldozer operations are collected daily and upgraded at centralized facilities using secondary sluices, shaking tables and hand finishing, depending on the deposit. Concentrates are transported to the refinery in Krasnoyarsk. Some primary sluice tailing washing is conducted by contractors using scavenger sluices.

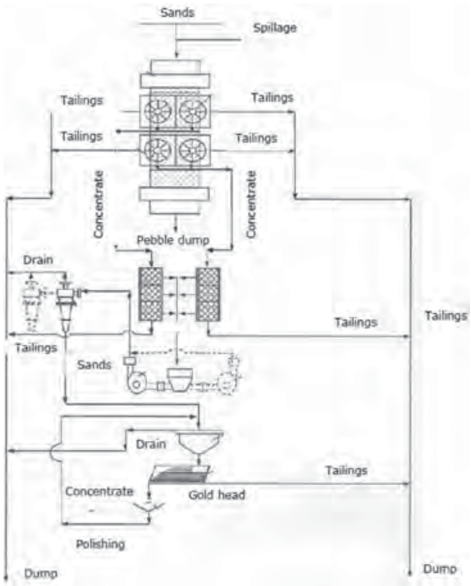
Reserves for dredging production are depleting and the share of dredging process in overall output tends to decrease. Dredging production peaked in the 1970s, with 18 dredges operating in the Irkutsk region accounting for approximately 70 per cent of overall output. Currently, 7 bucket-line floating dredges operate within the license areas at Alluvials with bucket capacity ranging from 150-380 litres.

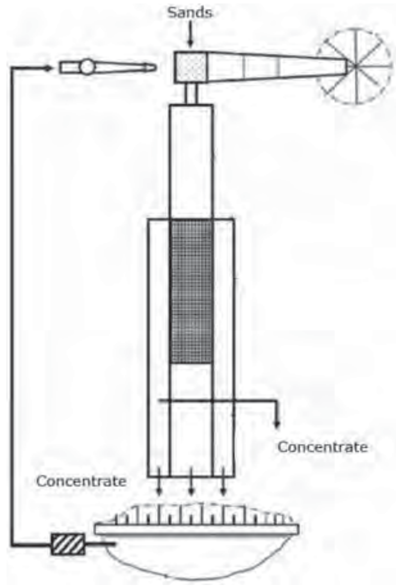
The operating sites are supplied by 35 kV and 6 kV lines from the VitimEnergo 110 kV grid; the typical site demand is 600 kW. Diesel generators are installed where necessary and for emergency supply in the event of a grid failure, while the recently constructed Peleduy-Mamakan grid will provide a cheaper source of energy and a reduction in the quantity of diesel generators used.

Infrastructure at the subsidiaries' operating sites is by nature transitory and variable according to the type and location. Sufficient facilities are provided at the sites for workers' accommodation, equipment maintenance and fuel storage. The sites are serviced from the settlements in the area, such as Kropotkin and Marakan, where the subsidiaries' stores and workshops are based. Much of the major supply and equipment repair is conducted during winter when the operating sites are shut down.

6. *Flowchart*

Dredging processing flowchart is below. **Surface separation processing flowchart is below.**





7. *Operational results*

The table below presents an overview of the Group's operations at the Alluvials.

	Year ended 31 December			*Three months ended 31 March*
	2016	*2015*	*2014*	*2017*
Sand washed (000 m^3)	8,611	9,370	9,139	–
Average grade (g/m^3)	0.61	0.56	0.65	–
Gold production (koz)	168.5	168.3	189.7	–

In 2016, the Group washed 8,611 thousand cubic meters of sands at Alluvials, as compared to 9,370 thousand cubic meters of sands in 2015, a decrease of 8 per cent, reflecting an increased number of hydraulic sluicing sites. In 2015, sands washed volumes increased by 3 per cent, as compared to sands washed volumes of 9,139 thousand cubic meters in 2014.

Average grade was 0.61 g/m^3 in 2016, as compared to 0.56 g/m^3 in 2015, an increase of 9 per cent due to the increased number of hydraulic sluicing sites with higher average grades compared with dredging sites. In 2015, average grade decreased by 14 per cent, as compared to average grade of 0.65 g/m^3 in 2014, due to grade issues at several production sites.

In 2016, the Group produced 168.5 thousand ounces of gold, as compared to 168.3 thousand ounces of gold in 2015. In 2015, gold production decreased by 12 per cent, as compared to gold production of 189.7 thousand ounces in 2014, due to lower average grades.

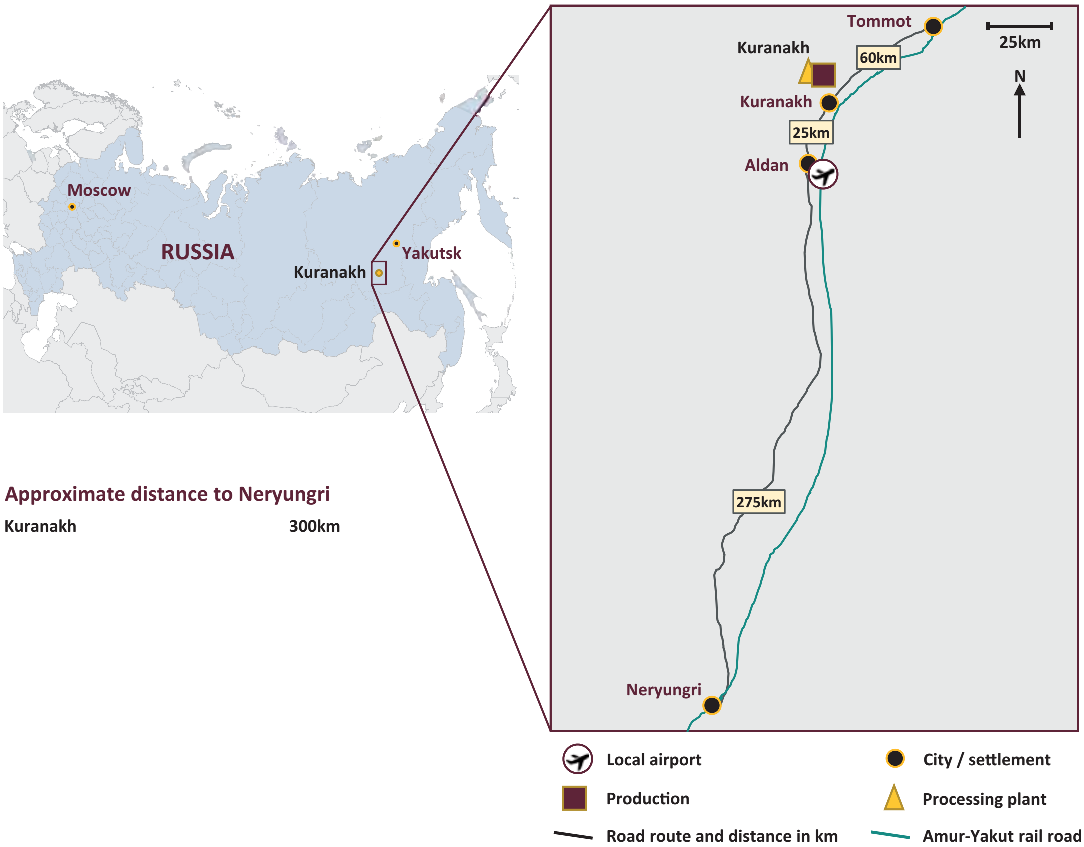
Yakutia region

Kuranakh

1. <u>*Location and history*</u>

The Kuranakh gold deposit is situated in the Aldansky District of the Republic of Sakha (Yakutia) in Eastern Siberia. The mine is located approximately 400 km south of the Yakutia capital city of Yakutsk, 300 km north of the transportation hub of Neryungri and 25 km north of the service center of Aldan. The town of Kuranakh is remote and access is by gravel road from either Yakutsk or Neryungri via Aldan.

The map below shows the location of Kuranakh.



Alluvial gold production from the Aldansky District began in the 1920's and prospecting and mapping of bedrock exposures in alluvial workings during the initial stages of exploration probably led to the discovery of the Kuranakh gold deposit. In 1956, open pit mining of gold ore at Kuranakh started with ore being transported 170 km to another plant for processing. In 1965, the on-site processing facility at the Kuranakh mine commenced operation. By 1991, a number of subsequent expansions and modifications were made and the Kuranakh plant capacity reached 3.6 mtpa.

In 2005, the Group acquired Aldanzoloto, which owns the Kuranakh mine. In 2008, the Group commenced exploration work at the field. The Group completed works on the scoping study and reserves assessment in 2009. In 2011, the Group initiated an extensive exploration and de-watering at the Kuranakh field.

The operating site is supplied by a 220 kV grid line and dedicated sub-station. A coal-fired station provides power to the general area and two coal-fired boilers provide heating for the Kuranakh mine operations and the local township. Fresh water is supplied to the mine and local settlement from a number of local bore holes. Industrial water is also abstracted from the Kuranakh River. A vehicle and mobile equipment maintenance shop, as well as a laboratory, are present to service the on-site operations. A significant social infrastructure has been established by the Group in the region, with full medical facilities located at Aldan. Employees live in the local town of Kuranakh, which is located close to the main operating facilities.

2. *Geology and mineralization*

The orebodies which comprise the Kuranakh gold deposit are located over a distance of 30 km.

Gold mineralization occurs as sub-horizontal lenses following the stratigraphy and structural depressions. Specifically, the mineralization is associated with reddish-brown sandy limonitic claystone that forms at the base of the Jurassic sandstone near the contact with the Cambrian limestone.

Thickness of mineralization ranges from meters to tens of meters. Contacts or limits to the mineralization appear to be gradational and diffuse. All material to be mined is oxidized. The depth of mineralization ranges from near the surface to possibly greater than 100 m, with much of the current mining targeting material ranging from 30 m to 60 m below the surface. Gold is fine grained, occurs as free particles and is associated with iron oxide minerals.

3. *Reserves and resources*

Total Proved and Probable Ore Reserves at Kuranakh as at 31 December 2016 were estimated to be 136 mt of ore, grading 1.0 g/t gold for 4.5 moz of contained gold as classified and reported according to the JORC Code.

Total Measured and Indicated and Inferred Mineral Resources, including stockpiles, at Kuranakh as at 31 December 2016 were estimated at 248 mt of ore, grading 1.2 g/t gold for 9.2 moz of contained gold as classified and reported according to the JORC Code.

4. *Mining*

The Group extracts ore at Kuranakh through a series of shallow open pits from which ore is excavated utilizing conventional drill, blast, rope shovel loading and truck haulage technology. Ore haulage distances from these pits to the stockpile range from 6 km to 25 km. The travel surfaces for the pit haulage roads are suitable for the mine's haulage fleet. Most pits are 70 m to 80 m deep, with the deepest, Porfirovoye, approximately 120 m deep. Waste and low-grade ore is hauled to nearby storage facilities by 120 tonnes to 130 tonnes capacity dump trucks. Ore is hauled to the ROM pad by 55 tonnes to 90 tonnes capacity dump trucks. Most material is drilled and blasted before excavation.

According to the Group's current life of mine plan, the mine life of Kuranakh allows for 22 years of open pit mining until 2039 based on 2016 production volumes.

The mine utilizes a fleet of Russian and Western mining equipment supplied by a variety of different manufacturers, consisting of: one EKG-10 face shovel with a bucket capacity of 10 m^3, one EKG-8 face shovel with a bucket capacity of 8 m^3, two Hitachi EX1200 with a bucket capacity of 6.5 m^3, one Komatsu PC-2000 with a bucket capacity of 10 m^3; and a fleet of BelAZ 7555 (55t), 75145 (120t) and 75131 (130t) and Komatsu HD785 (90t) haul trucks.

5. *Processing*

The Group transfers the ore from the Kuranakh mines by truck to its processing plant to recover gold for refinement. The Group's main processing facility has been in operation since 1965 and currently employs cyanide leach and RIP gold recovery technology.

The processing circuit includes primary crushing, primary grinding in an autogenous grinding ("**AG**") mill, secondary and tertiary grinding in a ball mill, and a sorption unit followed by electrowinning facility to recover gold from concentrate. The Kuranakh ores are completely oxidized, and most of the gold is readily available for leaching. Sodium cyanide leach solution is added in the primary ball milling stage.

The tailings storage facility is located 3 km away from the mill and the tailings are transported by gravity via pipeline system. The facility is currently operating on its fifth lift and is permitted for a sixth, which is expected to provide storage for tailings until 2021.

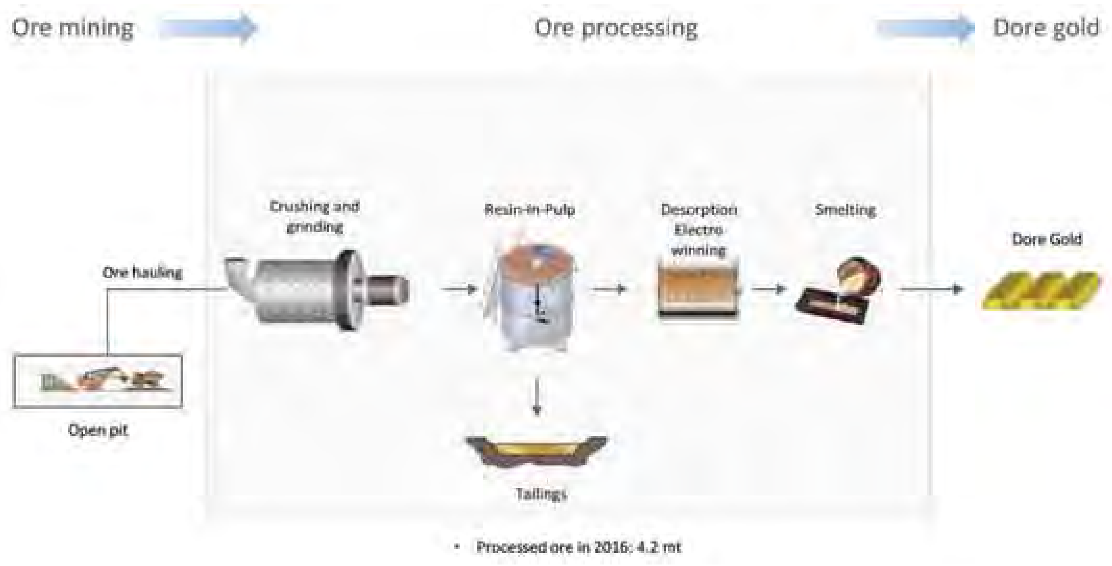
As part of its expansion program for the mine, the Group has developed a comprehensive multi-step plan for the Kuranakh operations upgrade. Since 2014, the Group has implemented a number of efficiency improvement initiatives at Kuranakh on both the mining and processing elements, including blasting works enhancement, blending of ore fed to the mill to improve its chemical and mineralogical composition, optimization of reagents' consumption and intensification of the thickening process. These initiatives resulted in a substantial improvement in the recovery rates to over 88 per cent and TCC/oz moving from the tenth decile to the third decile of the global cash cost curve.

The Group is currently executing a two-stage capacity expansion program at Kuranakh mill to increase throughput capacity from 3.8 mtpa to at least 5.0 mtpa (with increased recovery rates) by replacing equipment and increasing the utilization rate of the ore-blending complex. With the first stage of the project being completed, the mill is currently operating at a throughput capacity of 4.5 mtpa (the average throughput capacity for 2016 was 4.2 mtpa). The project is expected to be finalized in 2018, resulting in approximately an additional 35 thousand ounces of annual gold production in total. The preparatory construction and installation works for the 5.0 mtpa expansion have commenced and the equipment has been partially delivered and installed. The remaining capital expenditure for the planned expansion is estimated to be approximately US$17 million.

In addition to its estimated open pit Ore Reserves of 3.2 million ounces at an average grade of 1.4 g/t, the Kuranakh deposit contains in excess of 62 million tonnes of low-grade ore with an average grade of 0.6 g/t, which has been stockpiled during the operations at Kuranakh. A project to process low-grade and out-of-balance ores of the deposit, which were stockpiled during mining operations in previous years, in a heap-leaching facility of 1.5 mtpa of processing capacity is currently being implemented at Kuranakh. The Group expects that the facility will commence operations in the second quarter of 2017, resulting in approximately an additional 25 thousand ounces of annual gold production at a remaining capital expenditure of approximately US$19 million.

6. Flowchart

The ore processing flowchart for the Kuranakh Mill is set forth below.



7. *Operational results*

The table below presents an overview of the Group's operations at the Kuranakh mine and processing facilities.

	Year ended 31 December			*Three months ended 31 March*
	2016	*2015*	*2014*	*2017*
Mining				
Total rock moved (kt)	25,530	24,771	23,165	7,216
Strip ratio (t/t)	5.0	5.2	4.8	4.5
Ore mined (kt)	4,257	3,996	3,991	1,300
Average grade in ore mined (g/t)	1.29	1.31	1.27	1.22
Processing				
Ore processed (kt)	4,223	3,909	3,785	1,114
Head grade (g/t)	1.30	1.31	1.29	1.28
Gold recovery (%)	88.2	88.2	86.8	88.4
Gold production (koz)	159.7	144.8	137.0	40.6

Over the last four years, the Group successfully improved operations at Kuranakh with the implementation of mining and processing initiatives, which resulted in moving the Kuranakh operations from the tenth decile of the 2013 global cost curve to the third decile of the 2016 global cost curve, according to Metals Focus' Quarterly Gold Mine Cost Service report. The Group optimized ore transportation, improved logistics and enhanced blasting works. In addition, several processing initiatives were implemented, including blending of ore feed, optimization of reagents mixing, intensification of thickening process and decreasing equipment downtimes. In addition, the Group optimized new equipment purchases. These initiatives contributed to improvement of the profitability of the Kuranakh deposit. The Adjusted EBITDA margin of the Kuranakh operations increased to 53 per cent in 2016, an increase of 38 percentage points compared to an Adjusted EBITDA margin of 15 per cent in 2013. TCC at the Kuranakh deposit decreased to US$499/oz in 2016 as compared to US$598/oz in 2015, although AISC increased to US$782/oz in 2016 as compared to US$748/oz in 2015. In addition, recoveries increased to 88.2 per cent in 2016 from 86.8 per cent in 2014.

In 2016, the Group mined 4,257 thousand tonnes of ore at Kuranakh, as compared to 3,996 thousand tonnes of ore in 2015, an increase of 7 per cent in order to provide feed for the expanded processing capacities. In 2015, ore mined volumes were flat, as compared to ore mined volumes in 2014 of 3,991 thousand tonnes. The stripping ratio was at an average of 5.0 t/t in 2016, as compared to 5.2 t/t in 2015 and 4.8 t/t in 2014, a decrease of 4 per cent and an increase of 8 per cent, respectively. In addition, the average grade in ore mined was relatively stable over the last few years with 1.29 g/t in 2016, 1.31 g/t in 2015 and 1.27 g/t in 2014.

In 2016, the Group processed 4,223 thousand tonnes of ore, as compared to 3,909 thousand tonnes of ore in 2015, an increase of 8 per cent due to implementation of the first stage of the expansion processing efficiency improvement initiatives, including improved performance of the thickening circuit and improved ore blending. In 2015, ore processed volumes increased by 3 per cent, as compared to ore processed volumes of 3,785 thousand tonnes of ore in 2014.

Recoveries were at an average of 88.2 per cent in both 2016 and 2015. In 2015, recoveries increased to 88.2 per cent, as compared to recoveries of 86.8 per cent in 2014, due to the implementation of efficiency measures, including improved performance of the sorption unit after the optimal reagent mix was selected, as well as increased productivity for the agitators and one of the thickeners.

In 2016, the Group produced 159.7 thousand ounces of gold, as compared to 144.8 thousand ounces of gold in 2015, an increase of 10 per cent due to higher volumes of ore being processed. In 2015, gold production increased by 6 per cent, as compared to gold production of 137.0 thousand ounces in 2014, due to higher processing volumes and recoveries.

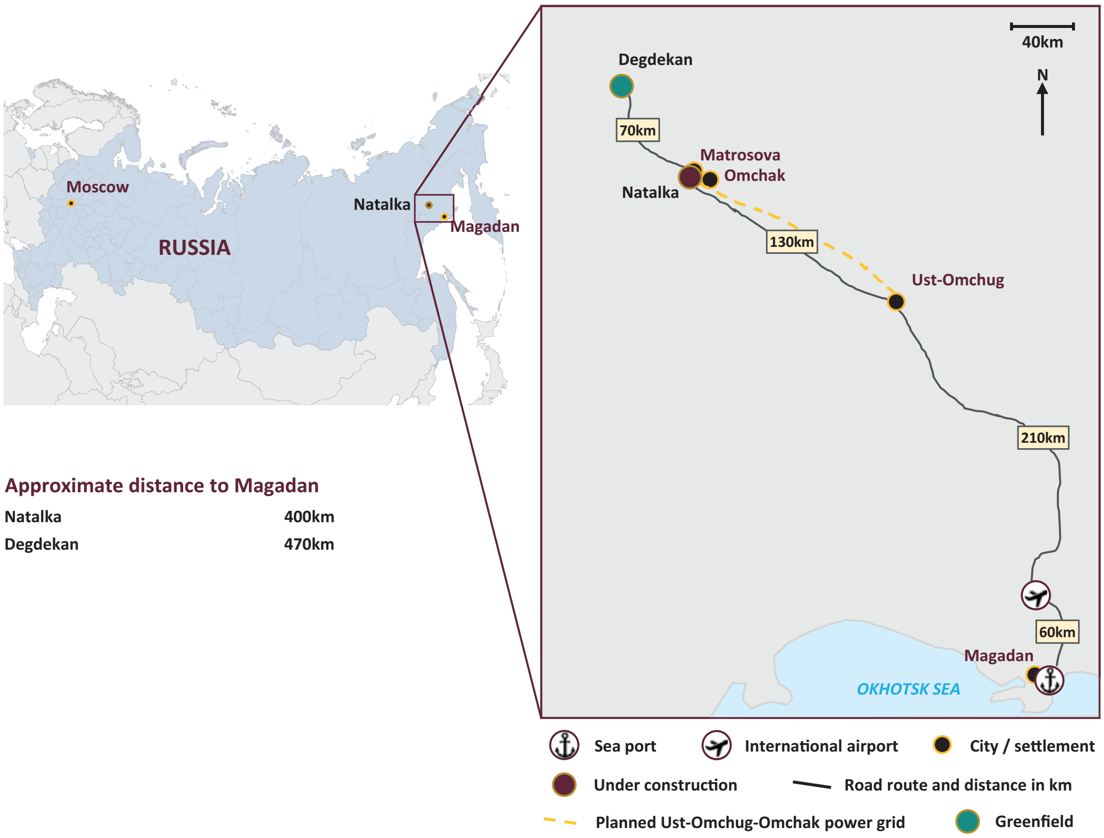
Magadan region

Natalka

1. *Location and history*

The Natalka gold deposit is located in the Tenkinskiy District of the Magadan Region of northeast Russia, approximately 400 km northwest of the city of Magadan and 130 km from the district center Ust-Omchug. Access to the mine site from Magadan is via sealed road (60 km) and gravel road (the rest). The nearest communities are the villages of Matrosova and Omchak that lie 3 km west of the mine with a combined population of approximately 3,000 people and Ust-Omchug with a population of 5,000.

The map below shows the location of Natalka.



In 1939-1941, the Omchak river valley was explored and several gold placers were discovered on the right streams of Omchak river, Natalka and Pavlik brooks. The Natalka deposit was discovered in 1942. In 1944, pilot mining using conventional underground stoping methods at the Natalka deposit was launched. In 1945, the Natalka deposit was incorporated under the entity Rudnik Imeni Matrosova ("**Matrosov Mine**"). In 1972, a processing plant was built.

In August 2003, the Government auctioned a 38 per cent stake in Matrosov Mine, which controlled the Natalka deposit license. The Group won the auction and completed the acquisition of the stake in 2004. Over the course of the period from 2005 to 2008, the Group consolidated 100 per cent of Matrosov Mine and, by extension, the Natalka deposit.

Following the suspension of all mining operations 2004, the Group began a major review of the project geology and commenced an exploration program aimed at developing the full resource potential of the deposit.

In 2004-2006, the Group completed mineral reserve studies and obtained approval for the reserves from the Russian State Reserves Commission ("**GKZ**") in December 2006. In addition, the Group commenced a small scale pilot plant development.

In 2007, Micon International completed an audit of the estimates of Ore Reserves and Mineral Resources for the Natalka deposit. Micon International reported Proved and Probable Ore Reserves totaling 1,125 mt of ore, grading 1.13 g/t gold for 40.8 moz of contained gold as classified and reported according to the JORC Code.

After the pilot plant was launched with a capacity of 100 thousand tonnes of ore per year in July 2008 and smelting of 5 koz in May 2009, the Group approved the construction of a mining complex at the Natalka deposit in 2010. Construction of the pilot plant and smelting of the first gold bullion significantly reduced the project execution risks and increased the Group's confidence in the processing flowsheet. Initial construction of the mining complex started in 2012.

In February 2012, Micon International presented updated Ore Reserve and Mineral Resource studies. Under the updated report, Proved and Probable Ore Reserves at Natalka were estimated to be 614 mt of ore, grading 1.6 g/t gold for 31.6 moz of contained gold as classified and reported according to the JORC Code.

In 2013, the Group transferred the majority of its mining and processing equipment, including haulage trucks, loaders and gravity concentrators, to the Natalka site. In the first quarter of 2013, active full-scale mining was launched, showing a substantial deviation in gold content from the mineral resource block model.

In December 2013, the Group initiated a review of the resource block model and decided to review the Natalka project and to postpone the commissioning of the mill, halting construction works at the Natalka deposit. In early 2014, the stockpiles of ore mined in 2013 were compared to the block model tonnes and grades based on drilling and bulk sampling. The results showed a substantial deviation in gold content from the mineral resource block model.

As part of the review process, Micromine developed a new block model and reported a Mineral Resource estimate according to the JORC Code, while AMC prepared an updated mine plan based on the Micromine resource model and reported an Ore Reserve estimate according to the JORC Code in February 2015. To provide greater confidence in the new resource model, a verification drilling program was designed and completed in 2014. Based on the new resource block model, total Proved and Probable Ore Reserves at Natalka were estimated to be 319 mt of ore, grading 1.58 g/t gold for 16.2 moz of contained gold as classified and reported according to the JORC Code, while total Measured, Indicated and Inferred Mineral Resources were estimated to be 36.8 moz of gold with a grading of 1.5 g/t, a 38 per cent reduction as compared to the previous estimates of 59.7 moz with a grading of 1.70-1.74 g/t. This reduction was mainly due to input data refinement, including exclusion of the historical Soviet-era underground sampling dating as far back as 1945, due to a lack of quality assurance/quality control information and the exclusion of low quality underground channel sampling data collected for the period from 1945 to 2004, which had a strong bias with higher gold grades and indicated more continuous mineralization than was evident from drilling samples. These Ore Reserve and Mineral Resource estimates have been revised again by AMC in the AMC Report: see "*—3. Reserves and resources*" below.

In addition to the development of the new block model and the execution of the verification drilling program, in 2014 to 2015 the Group also carried out a critical flaws check on the mill's design with the assistance of SNC Lavalin, conducted engineering solutions analysis, and implemented a grade control program with the assistance of Gorge Boucher, an independent mining consultant. As a result of these initiatives, the Group decided to implement a scheme for technological optimization with the assistance from Hatch Ltd, a leading technological engineering consultant.

An initial plan to construct a US$2.6-3.0 billion 3-stage complex with peak production of 40 million tonnes of ore per annum has been abandoned in favor of a capital expenditure-efficient plan to treat 10.1 million tonnes of ore per annum. In 2016, the technological scheme optimization was finished. The revised scheme included changes to the plant flowsheet to remove the flotation circuit and to only proceed with a 3-stage gravitation as the tests of ore performed in both the laboratory and at the pilot plant revealed high susceptibility of ore to gravitation. The revised scheme resulted in improved financial parameters with reduced capital expenditure and operating costs, albeit lower gold recovery, with total planned production reducing from 900 koz to approximately 420-470 koz. Flotation technology might be considered as a potential longer-term development option, depending on the results of technological mapping of the deeper horizons of the Natalka ore body.

Construction was re-started in 2016, with the development of Natalka resulting in approximately 5,000m^3 of concrete poured, approximately 500 tonnes of steel structures installed, approximately 300,000m^3 of ground moved and approximately 350 tonnes of equipment installed. In December 2016, construction of the primary crushing and main conveyor complex, including a 1 km underground tunnel, one of the major remaining infrastructure units, was completed. By the end of March 2017, the Company delivered the remaining concentration equipment to the site. The gravity concentrators and electrowinning cells have subsequently been assembled, while the installation of thickeners is progressing as planned. The construction of power facilities and auxiliary infrastructure is on-going. The total investment in the project from 2012 to 2016 amounted to approximately US$2.0 billion.

The Company's review of the Natalka project revised the expected total project development capital expenditure to approximately US$674 million for the period from 2014 until the launch of Natalka operations, which is expected to cover mining equipment purchases and installation works (of which approximately US$246 million is anticipated to be invested in 2017). Part of this reduction in expected total project development capital expenditure was achieved through the implementation of certain key initiatives to make on-site infrastructure spending more efficient, such as utilizing temporary gravel roads for the construction phase and using waste rock from the open pit for the road foundation; reconfiguring the road layout to avoid the construction of capital expenditure-intensive items (*e.g.*, a bridge across the Omchak river); using the same base camps for the construction and operational phases of the project; combining the administrative buildings of both mining and processing operations; and redesigning the tailing storage and waste rock facilities. As a result of the mill design optimization, the Group succeeded in reducing expected capital expenditure prior to launch by almost 70 per cent.

A testing program was implemented at the pilot plant in 2016, producing 5.7 koz and confirming the estimated ore grades and recovery rates of the project. The construction works are currently on-going and are expected to expand during 2017, with the works at the grinding circuit and the gravity circuit expected to be finalized by the fourth quarter of 2017. Mining was relaunched in January 2017, with the Group expecting to mine approximately 1.3 mt of rock each month, having already mined 0.4 mt, 1.2 mt and 1.6 mt in January, February and March 2017, respectively. The Group anticipates commissioning the Natalka project by the end of 2017, followed by an approximately 12 months ramp-up period to reach the production run-rate of approximately 420 koz (based on a mine life of 2019-2046) to 470 koz (based on a mine life of 2019-2042) of annual gold production. Following commissioning of Natalka, TCC is expected to range between US$450 per ounce to US$500 per ounce.

The Natalka power supply system connects to the power transmission grid in the Tenkinskiy District. The supply voltage is 110 kV. The main sources of power for this district are the Kolyma hydro power plant with an installed electric capacity of 900 MW, the Arkagala coal power plant and the Magadan HPP with installed electric capacities of 224 MW and 96 MW, respectively. These generating stations are part of the Central Electrical Power Unit of the Magadan Electrical Power System. The Central Electrical Power Unit works independently from other power units of this system and from the Eastern Consolidated Power System.

As part of the broader development strategy of Natalka, the Group is developing the new high-voltage power line Ust-Omchug-Omchak to link the Natalka deposit and other ventures in the region with Ust-Srednekanskaya HPP. Notwithstanding the fact that Natalka currently has sufficient energy supply for a throughput capacity of 10.1 mtpa, the grid is required to ensure the stability of the power supply and to provide additional power in the event of further potential increases in throughput capacity. The project is subsidized by the state in the form of a government grant. The total amount of the government grant to be distributed by the Ministry of Development of the Far East for the construction was RUB 9,947 million (approximately US$152 million). The construction plan of the grid is currently being finalized and completion of construction and subsequent commissioning is scheduled for 2018, which is expected to significantly decrease the current electricity tariff.

The Natalka operations site will be heated by the boiler house with three boilers: two large boilers with a nominal capacity of 15 Gcal/h each and a smaller boiler with 3 Gcal/h to cover operations in the warm season. In addition, the Natalka project envisages construction of maintenance and repair facilities and various consumables storages.

Two camps will be provided for the Natalka operations personnel: a rotation camp and the Omchak camp. There are approximately 2,060 accommodation beds in the rotation camp and the Omchak camp. As of 31 May 2017, 849 construction workers were deployed on site.

Natalka can be accessed from Magadan via a relatively well-maintained all-weather road. There is a small airstrip utilized by small planes or helicopters located near the mine. The port of Magadan has the capacity for large ships suitable to transport the majority of the construction equipment and materials required for the Natalka project.

2. *Geology and mineralization*

The Natalka mineralization is hosted in Upper Permian carbonaceous sediments, principally, black shales. The main mineralization zone is developed within the volcanogenic-sedimentary sequence.

Gold mineralization occurs as low-sulphide quartz veins alternating with small veins of arsenopyrite and pyrite mineralization. The mineralization zones extend for approximately 4.5 km along strike with continuity down dip to 700 m below the surface. Gold mineralization zones have a north-west to south-east trend, with a vertical to steep north-east dip. Thickness of the host varies from 50 m to more than 400 m. The gold occurs as relatively coarse particles or finely disseminated particles in a sulphide host (arsenopyrite).

3. *Reserves and resources*

Total Proved and Probable Ore Reserves at Natalka as at 31 December 2016 were estimated to be 293 mt of ore, grading 1.7 g/t gold for 16 moz of contained gold as classified and reported according to the JORC Code.

Total Measured and Indicated and Inferred Mineral Resources at Natalka as at 31 December 2016 were estimated at 558 mt of ore, grading 1.9 g/t gold for 34 moz of contained gold as classified and reported according to the JORC Code.

4. *Mining*

The Group plans to extract ore at Natalka through open pit mining at the Natalka pit using conventional excavator and truck techniques.

According to the Group's current life of mine plan, the mine life of Natalka is expected to allow for 31 years of open pit mining based on anticipated production volumes.

Currently, the works on primary ore crushing facility are being completed, whereas a gyratory crusher and a bridge crane were installed. The crushed ore will be transported to the processing facility via the main conveyor tunnel. The mine is expected to utilize a fleet of Russian and Western mining equipment supplied by a variety of different manufacturers, consisting of: Atlas Copco D65 and DML blast hole drills; Komatsu WA900 FEL 11.5 m^3 bucket capacity and PC4000 22m3 bucket capacity hydraulic shovels; Caterpillar 994Q FEL 17m^3 bucket capacity wheel loader; and a large mixed fleet of Komatsu HM400 (36.5t), HD1500 (144t) and 730E (181t) haul trucks.

5. *Processing*

At the Natalka production site, the Group employs the main crushed ore conveyor tunnel to transport crushed ore from mining site to mills. The Group's main processing facility is expected to be commissioned by the end of 2017. The plant is a gold concentration and cyanidation facility, and the main process areas include primary crushing, coarse ore storage, SAG and ball milling circuits, three stages of gravity separation, intensive cyanidation, CIL circuit, conventional carbon treatment circuit, electrowinning, smelting, cyanide destruction and tailings. The plant design capacity is 10.1 mtpa, though it may be able to operate at 11.1 mtpa of ore processing capacity. In 2016, Hatch Ltd carried out an assessment of a potential increase in the ore processing capacity if existing equipment were to be used. As a result of the assessment, a number of measures were identified that would allow the processing capacity to be increased to 11.1 mtpa.

The system of tailings storage facility is located approximately 1 km from the plant. The system consists of temporary, main and sorption tailings storage facilities. The temporary tailings storage facility serves as a reservoir for safe disposal of 29 mt of tailings for three years of operation. The main tailings storage facility is expected to accommodate 290 mt of final tailings. The sorption tailings storage is intended to be used for the stacking of 723 thousand m^3 of leaching cake.

6. *Flowchart*

The ore processing flowchart for the Natalka Mill is set forth below.