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Polymetal International plc

Half-yearly report for the six months ended 30 June 2016

Polymetal International plc (LSE, MICEX: POLY; ADR: AUCOY) (together with its subsidiaries – "Polymetal", the "Company", or the "Group") is pleased to announce the Group's financial results for the six months ended 30 June 2016.

FINANCIAL HIGHLIGHTS

- Revenue in 1H 2016 decreased by 8% to US$ 593 million compared to 1H 2015 ("year-on-year") following the planned production decline. The volumes of gold and silver sold were down 10% and 7% year-on-year respectively, with gold equivalent sold lower by 10% at 484 Koz. Average realised gold and silver prices were largely unchanged from 1H 2015.
- Group Total cash costs ("TCC")[1] were US$ 514 per gold equivalent ounce ("GE oz"), down 3% compared to 2H 2015 ("half-on-half") and down 7% year-on-year on the back of strong operational performances at Dukat, Voro and Albazino. This was combined with weaker average Russian Rouble exchange rate against the US Dollar, which offset the combined negative impact of domestic inflation and planned decline in average grades processed at Okhotsk and Omolon.
- All-in sustaining cash costs ("AISC")[1] amounted to US$ 754/GE oz, a decrease of 4% year-on-year, driven by a reduction in TCC during the period, while per ounce sustaining capital and exploration expenditure at the operating mines remained almost flat compared to 1H 2015.
- Adjusted EBITDA[1] was US$ 294 million, a decrease of just 1% year-on-year despite the revenue decline which was offset by a strong cost performance. The Adjusted EBITDA margin was 50% compared to 46% in 1H 2015.
- Net earnings[2] were US$ 164 million versus US$ 98 million in 1H 2015. Underlying net earnings (adjusted for the after-tax amount of impairment charges/reversals, forex exchange gains/losses and change in fair value of contingent consideration liability) were US$ 124 million (1H 2015: US$ 117 million).
- Regular dividends for 2015 of US$ 0.13 per share (total of US$ 55 million) were paid in May 2016, in accordance with Polymetal's dividend policy. An interim dividend of US$ 0.09 per share (1H 2015: US$ 0.08 per share) representing 30% of the Group's underlying net earnings for 1H 2016 is proposed by the Board, which, in accordance with the current dividend policy, has the discretion to declare regular dividends at a Net debt/Adjusted EBITDA ratio above 1.75.
- Net debt increased to US$ 1,436 million over the period (31 December 2015: US$ 1,298 million), driven by a seasonal working capital increase, investments in Nezhdaninskoye and Kapan, and increased capital expenditure with the start of Kyzyl construction. Stronger production and a traditional seasonal working capital reduction should drive stronger free cash flow generation in 2H 2016.
- Polymetal remains on track to meet its 2016 production guidance of 1.26 Moz of gold equivalent at TCC of US$ 525-575/GE oz and AISC of US$ 700-750/GE oz.
- The Group reduces its full-year capital expenditure guidance from US$ 350 million to US$ 310 million (including exploration and capitalised stripping) due to favorable exchange rate dynamics.

"I am pleased to report robust earnings for the first half of the year", said Vitaly Nesis, Group CEO, commenting on the results. "With stronger production and cash flow generation expected for the second half, the Company is positioned to improve profitability and continue developing our growth pipeline while maintaining comfortable balance sheet structure".

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

FINANCIAL HIGHLIGHTS[1]	1H 2016	1H 2015	Change, %
Revenue, US$m	593	648	-8%
Total cash cost, US$/GE oz	514	552	-7%
All-in sustaining cash cost, US$/GE oz	754	786	-4%
Adjusted EBITDA, US$m	294	297	-1%
Average realised gold price, US$/ oz	1,225	1,207	+1%
Average realised silver price, US$/ oz	15.5	15.7	-1%
Net earnings, US$m	164	98	+67%
Underlying net earnings, US$m	124	117[2]	+6%
Return on Assets, %	20%	15%	+5%
Basic EPS, US$/share	0.39	0.23	+68%
Underlying EPS, US$/share	0.29	0.28	+4%
Dividend declared during the period, US$/share[3]	0.13	0.13	-
Net debt, US$m	1,436	1,298[4]	+11%
Net debt/Adjusted EBITDA	2.19[5]	1.97[4]	+11%
Net operating cash flow, US$m	65	175	-63%
Capital expenditure, US$m	117	86	+35%
Free cash flow (excluding acquisitions)[6], US$m	(53)	77	NM[7]

Notes:

(1) Totals may not correspond with the sum of the separate figures due to rounding. % changes can be different from zero even when absolute amounts are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute amounts differ due to the same reason. This note applies to all tables in this release.

(2) Underlying net earnings for 1H 2015 restated to adjust for change in fair value of contingent consideration liability.

(3) 1H 2016: Final dividend for FY 2015 paid in May 2016.
1H 2015: Final dividend for FY 2014 paid in May 2015.

(4) As at 31 Dec 2015.

(5) Annualised.

(6) Free cash flow is defined as net cash flows from operating activities less cash flows used in investing activities (excluding acquisition costs in business combinations).

(7) NM = not meaningful.

CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Wednesday 24 August 14:30 Moscow time (12:30 London time).

To participate in the call, please dial one of the numbers below:

Russia: 8 10 800 204 140 11 followed by the access code 79890937# (toll free from Russia), or

UK: +44 20 304 324 41 (toll free from the UK), or

USA: +1 855 402 77 61 (toll free from the US), or

Rest of the world: +44 20 304 324 41;

Or follow the link: http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=3949.

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

Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=3949. A recording of the call will be available immediately after the call at +44 20 3367 9460 (from within the UK), +1 87 7642 3018 (from within the US) and +7 495 745 7948 (from within Russia), access code 303363#, from 18:00 Moscow time Wednesday, August 24, till 18:00 Moscow time, 31 August, 2016.

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FORWARD-LOOKING STATEMENTS

TABLE OF CONTENTS

Operating review..5
Financial review..7
Principal risks and uncertainties..16
Going concern..16
Independent review report to polymetal international plc..18
Condensed consolidated Income Statement..19
Condensed consolidated Statement of Comprehensive Income..20
Condensed consolidated Balance Sheet..21
Condensed consolidated Statement of Cash Flows..23
Condensed consolidated Statement of Changes in Equity..24
Notes to the consolidated financial statements..25

OPERATING REVIEW

MARKET SUMMARY

Precious metals

Shifts in the global economic and financial landscape have created a positive environment for gold in 1H 2016. The mix of major drivers for gold and silver price growth during the period included negative interest rate policies implemented by central banks in Japan and Europe, China's devaluation of the yuan, a delay in widely anticipated US interest rate rises, and, finally, the UK's vote to leave the European Union ("Brexit") in late June. Together, these factors have led to higher investor inflows into precious metals. Gold backed ETFs have seen record inflows, adding 630 tonnes (US$25 billion) year-to-date (as of July 2016), and bringing their collective global gold holdings to 2,240 tonnes.

Gold closed the half-year period at US$ 1,321/oz, increasing by 24% year-to-date. This has been gold's largest half-yearly gain since the European sovereign debt crisis in 2010 and 2011. The average LBMA gold price for the period was US$ 1,221/oz, up 1% year-on-year. At the beginning of August the gold price exceeded US$ 1,360/oz for a second time in 2016, a level last seen in early 2014. Silver price dynamics followed gold with an increased level of volatility: while average price decreased from US$ 16.6/oz for 1H 2015 to US$ 15.8/oz for 1H 2016, the spot price increased from US$ 13.8/oz as of 1 January 2016 to US$ 18.4/oz as of 30 June 2016.

Foreign exchange

The Group's revenues and the majority of its borrowings are denominated in US Dollars, while the majority of the Group's operating costs are denominated in Russian Roubles. As a result, changes in exchange rates affect its financial results and performance. During 1H 2016, the Russian Rouble remained weak against the US Dollar on the back of lower crude oil prices. From 1 January to 30 June the Russian Rouble strengthened against the US Dollar by 12% from 72.9 RUB/USD to 64.3 RUB/USD, while the average rate weakened by 22% year-on-year from 57.7 RUB/USD in 1H 2015 to 70.2 RUB/USD in 1H 2016. The lower average Russian Rouble exchange rate in 1H 2016 compared to 1H 2015 had a positive effect on the dollar value of the Group's Rouble-denominated operating costs and Adjusted EBITDA. At the same time, the moderate strengthening of the spot Russian Rouble exchange rate during Q2 2016 had a positive impact on the Group's net earnings due to the retranslation of US Dollar debt.

The Kazakh tenge exchange rate remained almost unchanged during 1H 2016 compared to 1 January 2016, while the average rate was 86% weaker year-on-year, from 185 KZT/US$ in 1H 2015 to 345 KZT/US$ in 1H 2016.

OPERATING RESULTS

	1H 2016	**1H 2015**	**Change, %**
Waste mined, Mt	35.7	32.9	+9%
Underground development, km	43.7	35.9	+22%
Ore mined, Kt	5,732	6,008	-5%
Open-pit	4,043	4,495	-10%
Underground	1,689	1,514	+12%
Ore processed, Kt	5,285	5,437	-3%
Average grade processed, GE g/t[1]	3.8	4.2	-11%
Production			
Gold, Koz	338	371	-9%
Silver, Moz	14.2	15.6	-9%
Copper, tonnes	955	138	+592%
Gold equivalent, Koz[1]	522	568	-8%
Sales			
Gold, Koz	319	354	-10%
Silver, Moz	13	14	-7%
Copper, tonnes	131	398	-67%
Gold equivalent, Koz[2]	484	537	-10%
Headcount[3]	9,911	9,208	+8%
Safety[4]			
Fatalities	2	3	-33%
LTIFR	0.18	0.21	-14%

Notes: (1) Based on 1:80 Ag/Au, 5:1 Cu/Au and 2:1 Zn/Au conversion ratios
(2) Based on actual realised prices
(3) Average for the period. Headcount of Kapan mine included since the acquisition date (28 April 2016)
(4) LTIFR =lost time injury frequency rate per 200,000 hours worked.

- Production for 1H 2016 was 522 Koz of gold equivalent, down 8% year-on-year, in line with the 2016 production plan. Stronger 2H production is expected to be driven by seasonal de-stockpiling of the Mayskoye concentrate, the start-up of the Svetloye heap leach at Okhotsk, and stronger grades at Dukat and Okhotsk.
- At Kyzyl, full-scale construction commenced, with initial focus on external infrastructure and bulk earthworks for the processing plant building and auxiliary structures. The receipt of the final mining permit and the arrival of the full mining fleet on site enabled a smooth ramp-up of the open pit operations. The Kyzyl project remains on track to produce first concentrate in Q3 of 2018.
- Operational turn-around activities of our recently acquired Kapan mine have started, with medium-term guidance to be released together with FY2016 production results. Currently management's focus is on improving underground mine productivity and reserve modelling.
- Polymetal remains on track to meet its 2016 guidance of 1.26 Moz of gold equivalent production.

FINANCIAL REVIEW

REVENUE

		1H 2016	1H 2015	Change, %
Sales volumes				
Gold	Koz	319	354	-10%
Silver	Moz	13.0	14.0	-7%
Gold equivalent sold[1]	**Koz**	**484**	**537**	**-10%**

[1] *Based on actual realised prices*

Sales by metal *(US$ mln unless otherwise stated)*		1H 2016	1H 2015	Change, %	Volume variance, US$ mln	Price variance, US$ mln
Gold		**391**	**427**	**-8%**	**-41**	**6**
Average realised price	*US$/oz*	1,225	1,207	+1%		
Average LBMA closing price	*US$/oz*	1,221	1,206	+1%		
Share of revenues	*%*	66%	66%			
Silver		**201**	**220**	**-8%**	**-16**	**(3)**
Average realised price	*US$/oz*	15.5	15.7	-1%		
Average LBMA closing price	*US$/oz*	15.8	16.6	-5%		
Share of revenues	*%*	34%	34%			
Other metals		**1**	**2**	-54%		
Share of revenues	*%*	0%	0%	-50%		
Total metal sales		**593**	**648**	**-9%**	**-64**	**9**
Other revenue		0.14	0.10	+43%		
Total revenue		**593**	**648**	**-8%**		

In 1H 2016, revenue declined by 8% year-on-year to US$ 593 million driven mostly by a decline in sales volume. Gold equivalent volume sold decreased by 10% year-on-year following the planned decrease in production compared to 1H 2015.

The average realised price for gold was US$ 1,225/oz in 1H 2016, up 1% from US$ 1,207/oz in 1H 2015, in line with the average market price. The average realised silver price was US$ 15.5/oz, down 1% year-on-year, and almost in line with the average market price of US$ 15.8/oz.

The share of gold sales as a percentage of total revenue was 66% and remained flat compared to 1H 2015.

Analysis by segment	**Revenue,** *US$ mln*			**Gold equivalent sold,** *Koz (silver equivalent for Dukat, Moz)*		
	1H 2016	1H 2015	Change, %	1H 2016	1H 2015	Change, %
Dukat	213	214	-0%	13.8	13.8	+1%
Albazino/Amursk	132	120	+11%	108	99	+9%
Omolon	73	102	-29%	60	84	-29%
Voro	69	79	-13%	56	66	-14%
Okhotsk	50	58	-14%	41	47	-13%
Varvara	30	54	-45%	24	45	-45%
Mayskoye	23	21	+7%	18	18	+3%
Kapan	3	-	N/A	3	N/A	N/A
Other	-	0	N/A	N/A	N/A	N/A
Total revenue	**593**	**648**	**-8%**	**484**	**537**	**-10%**

Albazino and Mayskoye physical sales volumes increased year-on-year while gold equivalent production grew by 4% and 21%, respectively. Among all other operating mines, physical sales volumes generally followed production dynamics.

At Mayskoye, gold production was fully generated by in-house POX processing. With the summer navigation period starting in July, in the second part of the year the concentrate stockpiled in the seaport of Pevek will be predominantly shipped to third-party off-takers as Amursk POX capacity will be partially taken up by third-party material.

COST OF SALES

Cost of sales *(US$ mln)*	**1H 2016**	**1H 2015**	**Change, %**
On-mine costs	139	144	-3%
Smelting costs	112	133	-16%
Purchase of ore from third and related parties	7	0	NM
Mining tax	35	52	-33%
Total cash operating costs	**292**	**329**	**-11%**
Depreciation and depletion of operating assets	65	85	-24%
Rehabilitation expenses	0	0	NM
Total costs of production	**357**	**414**	**-14%**
Increase in metal inventories	(81)	(80)	+2%
Write-down of non-metal inventories to net realisable value	1	0	NM
Total change in metal inventories	**(80)**	**(79)**	**+1%**
Idle capacities and abnormal production costs	6	-	NM
Cost of other sales	0	0	-100%
Total cost of sales	**284**	**335**	**-15%**

Cash operating cost structure	**1H 2016, US$ mln**	**1H 2016, % of total**	**1H 2015, US$ mln**	**1H 2015, % of total**
Services	98	33%	109	33%
Consumables and spare parts	85	29%	94	29%
Labour	66	23%	71	22%
Mining tax	35	12%	52	16%
Purchase of ore from third and related parties	7	2%	0	0%
Other expenses	2	1%	2	1%
Total cash operating costs	**292**	**100%**	**329**	**100%**

Total cost of sales decreased by 15% in 1H 2016 to US$ 284 million, mainly on the back of a volume-based decline in production and sales (8% and 10% year-on-year respectively in gold equivalent terms), combined with a weaker Rouble compared to 1H 2015, offsetting domestic inflation in Russia (7.49% year-on-year). Another significant cost reduction driver was the decrease in depreciation charges across the portfolio, also driven by Rouble devaluation.

The cost of consumables and spare parts and the cost of services decreased by 10% and 11%, respectively, compared to 1H 2015 caused mostly by the decrease in gold equivalent production volume.

The total cost of labour within cash operating costs in 1H 2016 was US$ 66 million, a 7% decrease, mainly stemming from Rouble devaluation and the production decline, which collectively offset the annual salary increase (tracking Russian CPI inflation) and additional labour cost at the new Svetloye mine (Okhotsk hub).

Mining tax paid decreased by 33% year-on-year to US$ 35 million, compared to a production volume decrease of 8%, mainly driven by Omolon and Dukat obtaining tax relief as members of the regional free economic zone starting from 1 January 2016 (paying 60% of standard mining tax rates).

Depreciation and depletion was US$ 65 million, down 24% year-on-year. The decrease was mainly attributable to Rouble and Tenge devaluation. An amount of US$ 14 million of depreciation and depletion expenses in 1H 2016, related to ore and concentrate stockpiles, was included in metal inventories as at 30 June 2016.

In 1H 2016, a seasonal net metal inventory increase of US$ 81 million was recorded (excluding write-downs to net realisable value). The increase was mainly represented by concentrate produced at Mayskoye (awaiting further sales to off-takers during the summer navigation period) and ore stockpiles at Omolon (heap leach ore at Birkachan). The Company expects the majority of this increase to be reversed by the end of 2016.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$ mln)	1H 2016	1H 2015	Change, %
Labour	41	49	-17%
Services	4	6	-29%
Depreciation	1	2	-44%
Share based compensation	3	1	+106%
Other	6	7	-20%
Total	**55**	**66**	**-16%**

General, administrative and selling expenses decreased by 16% year-on-year from US$ 66 million to US$ 55 million mainly due to the Rouble and Tenge devaluation compared to 1H 2015.

OTHER OPERATING EXPENSES

(US$ mln)	1H 2016	1H 2015	Change, %
Additional mining taxes and VAT exposures, penalties and accrued interest, net	23	(3)	NM
Exploration expenses	6	6	+4%
Taxes, other than income tax	5	6	-19%
Social payments	4	4	-5%
Housing and communal services	2	2	-19%
Loss on disposal of property, plant and equipment	0	1	-85%
Bad debt allowance	(0)	2	-104%
Other expenses	0	3	-91%
Total	**39**	**20**	**+94%**

Other operating expenses increased to US$ 39 million in 1H 2016 compared to US$ 20 million in 1H 2015. Additional mining taxes and VAT exposures, penalties and accrued interest recognised in 1H 2016 were recorded by the Company in relation to the tax exposure and related tax penalties at Magadan Silver and Gold of Northern Ural with respect to the calculation of technical losses exempt from the mineral extraction tax. For more information refer to Note 13 of the condensed consolidated financial statements.

TOTAL CASH COSTS BY MINE

Total cash costs per gold equivalent ounce [1]	Cash cost per GE ounce, US$/oz				
	1H 2016	**1H 2015**	**Change, %**	**2H 2015**	**Change, %**
Dukat (SE oz) [2]	5.8	6.9	-17%	5.9	-2%
Voro	301	340	-11%	333	-10%
Okhotsk	624	545	+15%	595	+5%
Varvara	909	867	+5%	759	+20%
Omolon	610	600	+2%	518	+18%
Albazino	468	502	-7%	426	+10%
Mayskoye	740	775	-5%	748	-1%
Kapan	1,186	N/A	N/A	N/A	N/A
Total	**514**	**552**	**-7%**	**529**	**-3%**

In 1H 2016 the Total cash costs per gold equivalent ounce sold ("TCC") were US$ 514/GE oz, down 7% year-on-year and 3% compared to 2H 2015. The continuing depreciation of the Russian Rouble and Tenge had a positive impact on cost levels reported in US dollars, which was supported by the robust operating performance at Dukat, Voro and Albazino.

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

Reconciliation of TCC and AISC movements	**TCC, US$ / oz**	**Change, %**	**AISC, US$ / oz**	**Change, %**
Cost per gold equivalent ounce – 1H 2015	**552**		**786**	
Domestic inflation	36	7%	54	7%
USD rate change	(87)	-16%	(128)	-16%
Au/Ag ratio change	5	1%	5	1%
Change in average grade processed by mine	59	11%	59	7%
Change in sales structure	(16)	-3%	(16)	-2%
Other	(36)	-7%	(6)	-1%
Cost per gold equivalent ounce – 1H 2016	**514**	**-7%**	**754**	**-4%**

Total cash cost by mine:

- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") decreased by 17% year-on-year and 2% half-on-half to US$ 5.8/SE oz. Beyond the effect of Russian Rouble depreciation, this performance was achieved as a result of continuing improvement in throughput at the Omsukchan concentrator.
- Voro continues to be our lowest cost operation. TCC in 1H 2016 was US$ 301/GE oz and decreased further by 11% year-on-year and 10% half-on-half. Processing at the CIP plant continued at a stable pace offsetting the impact of the planned decline in gold production at the heap leach facility, which has higher cash cost levels.
- At Okhotsk operations, TCC was US$ 624/GE oz, a 15% increase year-on-year and 5% half-on-half reflecting the scheduled decline in average gold and silver grade processed. The input from high-grade ore from Avlayakan in the second half of the year is expected to have a positive impact on TCC.
- At Varvara, TCC was US$ 909/GE oz, growing by 5% year-on-year. The increase mainly stemmed from lower grades in the stockpiles processed at the flotation circuit and the use of higher cost third party ore, as well as lower average grades in ore processed at the leaching circuit.
- At Omolon, TCC amounted to US$ 610/GE oz, a 2% increase year-on-year and 18% increase half-on-half, as high-grade high-recovery ore from Sopka was replaced by feedstock from Dalneye and Oroch.

[1] Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold.
[2] Dukat's Total cash cost per gold equivalent was US$ 468/GE oz (1H 2015: US$ 529/GE oz) and was included in the Group TCC calculation.

- At Albazino/Amursk, TCC was US$ 468/GE oz, down 7% compared to 1H 2015 and up 10% compared to 2H 2015. Cost inflation compared to 2H 2015 was driven by ore from the new underground mine at the Olga zone having higher initial costs and lower grade profile.
- Total cash costs at Mayskoye were US$ 740/GE oz, a 5% decrease year-on year and 1% decrease half-on-half, mainly due to the effect of Russian Rouble depreciation.
- Kapan's total cash costs were US$ 1,186/GE. The historically low underground mining productivity and consequent low utilisation of the processing plant, being the key drivers of high cost levels, represent significant potential for operational and financial turnaround, which was the strategic rationale behind the acquisition.

ALL-IN CASH COSTS[1]

	US$ mln			US$ / GE oz		
	1H 2016	1H 2015	Change, %	1H 2016	1H 2015	Change, %
Total cash costs	**249**	**297**	**-16%**	**514**	**552**	**-7%**
SG&A and other operating expenses not included in TCC	46	49	-7%	94	92	+3%
Capital expenditure excluding new projects	51	54	-7%	104	101	+3%
Exploration expenditure (expensed and capitalised)	20	22	-10%	41	41	-0%
All-in sustaining cash costs	**365**	**422**	**-14%**	**754**	**786**	**-4%**
Finance cost	33	47	-29%	69	87	-21%
Income tax charge	73	60	+23%	151	111	+36%
After-tax All-in cash costs	**472**	**528**	**-11%**	**974**	**984**	**-1%**
Development capital	52	21	+148%	108	39	+175%
SG&A and other expenses for development assets	7	13	-45%	15	25	-39%
All-in costs	**531**	**563**	**-6%**	**1,098**	**1,048**	**+5%**

All-in sustaining cash costs amounted to US$ 754/GE oz in 1H 2016 and decreased by 4% year-on-year, driven by the decrease in total cash costs and per ounce exploration expenditure as a result of continued Rouble devaluation.

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

Total all-in sustaining cash costs per gold equivalent ounce	**All-in sustaining cash cost per GE ounce, US$/oz**				
	1H 2016	1H 2015	Change, %	2H 2015	Change, %
Dukat (SE oz)	7.2	8.4	-14%	7.3	-1%
Voro	387	396	-2%	387	-0%
Okhotsk	750	598	+25%	639	+17%
Varvara	1,113	1,167	-5%	1,001	+11%
Omolon	895	851	+5%	638	+40%
Albazino	649	698	-7%	642	+1%
Mayskoye	1,512	1,403	+8%	864	+75%
Kapan	1,930	N/A	N/A	N/A	N/A
Total	**754**	**786**	**-4%**	**695**	**+8%**

All-in sustaining cash costs decreased year-on-year across all mines except for Okhotsk and Omolon, which follow total cash costs dynamics. Mayskoye's half-yearly AISC are not representative of the expected full year performance as most production and sales occur in the second half of the year.

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

WRITE-DOWNS/REVERSALS OF METAL INVENTORIES

	1H 2016	1H 2015	FY2015
Metal inventories	3.1	(20)	(13)
Copper, gold and silver concentrate	0.5	-	-
Total impairment (charges)/reversals	**3.6**	**(20)**	**(13)**

During 1H 2016, the Group recognised certain reversals of the previously recorded write-downs. They were driven by favourable changes in projected metal prices, which have improved the economic viability of stockpiles.

ADJUSTED EBITDA AND EBITDA MARGIN[1]

Reconciliation of Adjusted EBITDA *(US$ mln)*	1H 2016	1H 2015	Change, %
Profit for the financial period	164	98	+67%
Finance cost (net)	31	41	-25%
Income tax expense	73	60	+22%
Depreciation expense	52	72	-27%
EBITDA	**320**	**271**	**+18%**
(Reversal)/write-down of metal inventory to net realisable value	(4)	20	-118%
Share based compensation	3	1	+200%
Net foreign exchange (gain)/loss	(66)	9	NM
Change in fair value of contingent consideration liability	17	(1)	NM
Rehabilitation expenses	0	(0)	NM
Write-down of non-metal inventory to net realisable value	1	0	NM
Additional mining tax and VAT exposures, penalties and accrued interest	23	(3)	NM
Adjusted EBITDA	**294**	**297**	**-1%**

Adjusted EBITDA by segment *(US$ mln)*	1H 2016	1H 2015	Change, %
Dukat	129	115	+13%
Albazino/Amursk	82	71	+15%
Voro	51	57	-11%
Omolon	35	46	-23%
Okhotsk	20	26	-22%
Varvara	6	13	-53%
Mayskoye	(0)	2	-111%
Kapan	(1)	N/A	N/A
Kyzyl	(3)	(4)	-25%
Corporate and other + eliminations	(26)	(29)	-12%
Total	**294**	**297**	**-1%**

In 1H 2016, Adjusted EBITDA was US$ 294 million, just 1% lower year-on-year, with an Adjusted EBITDA margin of 50%, due to lower sales which were partially offset by a 7% decrease in Total cash costs. Adjusted EBITDA increased at Dukat and Albazino while at other operating segments it declined year-on-year driven mainly by production volumes.

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

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange gain in 1H 2016 of US$ 66 million compared to a loss of US$ 9 million in 1H 2015. These unrealised non-cash forex gains and losses in both periods represent the appreciation of the borrowings of Russian operating companies, the functional currency of which is the Russian Rouble. The Group's average gross debt during 1H 2016 was US$ 1,454 million, mostly denominated in US Dollars, while the RUB/USD exchange rate decreased from 72.9 RUB/USD as at 31 December 2015 to 64.3 RUB/USD as at 30 June 2016. Since 2015, the functional currency of the Group's top holding companies is the US Dollar, therefore the part of debt that is borrowed at the top holding company level and not pushed down to the operating company level, is no longer generating these non-cash gains or losses.

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

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net income of US$ 164 million in 1H 2016 versus US$ 98 million in 1H 2015. The underlying net earnings (excluding after-tax impact of impairment charges/reversals, foreign exchange gains/losses and change in fair value of contingent consideration liability) were US$ 124 million compared to US$ 117 million in 1H 2015.

Reconciliation of underlying net earnings *(US$ mln)*	**1H 2016**	**1H 2015**	**Change, %**
Profit/(loss) for the financial period	164	98	+67%
(Reversal)/write-down of metal inventory to net realisable value	(4)	20	NM
Tax effect on reversal/(write-down) of metal inventory to net realisable value	1	(4)	NM
Foreign exchange (gain)/loss	(66)	9	NM
Tax effect on foreign exchange (gain)/loss	13	(5)	NM
Change in fair value of contingent consideration liability	17	(1)	NM
Tax effect on change in fair value of contingent consideration	(1)	-	N/A
Underlying net earnings	**124**	**117**	**+6%**

Basic earnings per share were US$ 0.39 per share compared to US$ 0.23 per share in 1H 2015. Underlying basic EPS was US$ 0.29 per share compared to US$ 0.28 per share in 1H 2015.

In accordance with the Company's dividend policy, the Board is proposing to pay an interim dividend of US$ 0.09 per share (giving a total expected dividend of US$ 38 million) representing approximately 30% of the Group's underlying net earnings for the period. During 1H 2016, Polymetal paid a total of US$ 55 million in dividends, representing the final dividend for FY 2015.

CAPITAL EXPENDITURE

(US$ mln)	**1H 2016**	**1H 2015**	**Change, %**
Kyzyl	34	3	+978%
Dukat	14	14	+0%
Amursk/Albazino	12	5	+139%
Okhotsk	11	11	-2%
Mayskoye	7	9	-24%
Omolon	7	5	+56%
Varvara	3	8	-66%
Voro	2	1	+28%
Kapan	1	N/A	N/A
Corporate and other	2	2	+24%
Exploration	19	29	-34%
Capitalised stripping	9	9	+1%
Capitalised interest	2	2	+8%
Total capital expenditure[1]	**123**	**97**	**+26%**

[1] *Total capital expenditure includes amounts payable at the end of the period. On a cash basis, capital expenditure was US$ 117 million in 1H 2016 (1H 2015: US$ 86 million).*

In 1H 2016, total capital expenditure was US$ 123 million, up 26% year-on-year. Capital expenditure excluding capitalised stripping costs was US$ 114 million in 1H 2016 (1H 2015: US$ 88 million).

The major capital expenditure items in 1H 2016 were as follows:

- Across all operating mines, except for Albazino and Omolon, capital expenditures declined or remained almost unchanged year-on-year and were mainly represented by routine mining fleet upgrades/replacements and maintenance expenditure at processing facilities, with the Rouble and Tenge devaluation supporting the decrease;
- Capital expenditure at Albazino was US$ 12 million, a two-fold increase year-on-year, and was mostly represented by underground development at the Olga zone and the start of underground mining.
- US$ 7 million was invested at Omolon, mostly related to mining equipment purchases at Olcha and expansion of underground operations at Tsokol and Birkachan.
- At Kyzyl, capital expenditure in 1H 2016 comprised US$ 34 million, representing contracting of supply of major processing equipment (mills, flotation cells, press filters, pumps, crusher). Site activities are progressing as planned with the launch of full-scale construction of the processing plant and auxiliary structures, and the completion of road access and water tower construction in June. Construction is now focused on foundations and structural steel for the processing plant building.
- The Company continues to invest in standalone exploration projects. Capital expenditure on exploration in 1H 2016 was US$ 19 million compared to US$ 29 million in 1H 2015, and focused mostly on Kyzyl, Olcha and PGM assets;
- Capitalised stripping costs totalled US$ 9 million in 1H 2016 (1H 2015: US$ 9 million) and are attributable to operations with stripping ratios exceeding their life of mine ("LOM") averages during the period, including most importantly Varvara and Albazino.
- Total capital expenditure in 1H 2016 includes US$ 2 million of capitalised interest (1H 2015: US$ 2 million).
- The Group is reducing its full-year capital expenditure guidance from US$ 350 million to US$ 310 million (including exploration and capitalised stripping) due to favorable exchange rate dynamics.

CASH FLOWS

(US$ mln)	**1H 2016**	**1H 2015**	**Change, %**
Operating cash flows before changes in working capital	196	238	-18%
Changes in working capital	(131)	(63)	+110%
Total operating cash flows	**65**	**175**	**-63%**
Capital expenditure	(117)	(86)	+35%
Acquisition costs in business combinations and investments in associates and joint ventures	(26)	(5)	+411%
Other	(2)	(11)	-81%
Investing cash flows	**(145)**	**(103)**	**+41%**
Financing cash flows			
Net increase in borrowings	104	60	+73%
Dividends paid	(55)	(139)	-60%
Total financing cash flows	**48**	**(79)**	**-161%**
Net decrease in cash and cash equivalents	**(32)**	**(7)**	**+367%**
Cash and cash equivalents at the beginning of the year	52	157	-67%
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	1	-200%
Cash and cash equivalents at the end of the period	**18**	**151**	**-88%**

Operating cash flows in 1H 2016 weakened compared to the prior period. Operating cash flows before changes in working capital decreased by 18% year-on-year to US$ 196 million as a result of the Adjusted EBITDA decrease and increase in income tax payments. Net operating cash flows were US$ 65 million, compared to US$ 175 million in 1H 2015 partially due to an increase in working capital in 1H 2016 of US$ 131 million compared to US$ 63 million in 1H

2015. The increase is mainly represented by a short-term increase in accounts receivable for concentrate shipped at Dukat (which was subsequently reversed in July upon final payment received) and prepayments made to fuel suppliers prior to the start of the navigation period to secure low diesel fuel prices.

Total cash and cash equivalents decreased compared to 1H 2015 and comprised US$ 18 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 65 million;
- Investment cash outflows totalled US$ 145 million, up 41% year-on-year and mainly represented by capital expenditure (up 35% year-on-year to US$ 117 million), cash investments in Nezhdaninskoye joint-venture (US$ 18 million), and the acquisition of Kapan (US$ 9 million);
- Payment of regular final dividends for 2015 amounting to US$ 55 million; and
- The increase in borrowings of US$ 104 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	**30-Jun-16**	**31-Dec-15**	**Change, %**
Short-term debt and current portion of long-term debt	347	287	+21%
Long-term debt	1,107	1,063	+4%
Gross debt	**1,454**	**1,350**	**+8%**
Less: cash and cash equivalents	18	52	-65%
Net debt	**1,436**	**1,298**	**+11%**
Adjusted EBITDA	**294**	**297**	**-1%**
Net debt / Adjusted EBITDA	**2.19**	**1.97**	**+11%**

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

The Group's net debt increased to US$ 1,436 million as of 30 June 2016, representing a Net debt / Adjusted EBITDA (over the last 12 months) ratio of 2.19x.

The proportion of long-term borrowings comprised 76% as at 30 June 2016 (79% as at 31 December 2015). In addition, as at 30 June 2015 the Group had US$ 0.7 billion (31 December 2015: US$ 1.2 billion) of available undrawn facilities, of which US$ 0.56 billion is committed, from a wide range of lenders, which maintain its operational flexibility in the current environment.

The average cost of debt remained low at 4.39% in 1H 2016 (1H 2015: 4.11%), supported by low base interest rates and the ability to negotiate competitive margins given the solid financial position of the Company and Polymetal's excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due. As of the date of this report, the Group had signed several new credit facility agreements for the total amount of US$ 256 million, which will be mostly used to refinance short-term debt.

2016 YEAR-END OUTLOOK

Polymetal maintains a positive outlook for the second half of the year, both in terms of earnings and free cash flow, with the following factors driving the operating and financial performance towards the year-end:

- Polymetal remains on track to meet its 2016 guidance of 1.26 Moz of gold equivalent at TCC of US$ 525-575/GE oz and AISC of US$ 700-750/GE oz.
- The acquisition of Komarovskoye closed on 1 August with incremental production expected to start in Q4 2016 and have a positive impact on Varvara grade and cost profile.
- A planned decrease in working capital balances and related positive cash flows to be generated in 2H 2016, following seasonal shipments and sales of Mayskoye concentrate.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results.

The directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual report for the year ended 31 December 2015, except for potential risks associated with the UK's exit from the EU as described below. As such, these risks continue to apply to the Group for the remaining six months of the financial year.

The principal risks and uncertainties disclosed in the 2015 Annual report were categorised as:

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

The Board has considered the potential risks associated with the UK's exit from the EU and conclude that the result of the referendum does not have a significant impact on the Group. For more details refer to Note 20 of the condensed consolidated interim financial statements.

A detailed explanation of these risks and uncertainties can be found on pages 66 to 69 of the 2015 Annual report which is available at www.polymetalinternational.com.

GOING CONCERN

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 30 June 2016, the Group held US$ 18 million of cash and had net debt of US$1,436 million, with US$ 657 million of undrawn facilities of which US$ 560 million are considered committed. Debt of US$ 347 million is due for payment within one year and certain committed but undrawn facilities expire within that period, but the Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities, assuming necessary rollovers, but could secure additional financing if and when needed.

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

Directors’ responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting”;

- the interim report includes a fair review of the information required by DTR 4.2.7 (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the interim report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and

- the interim report includes a fair review of the information required by DTR 4.2.8 (being disclosure of related party transactions and changes therein).

By order of the Board,

Bobby Godsell

Chairman of the Board of Directors

23 August 2016

Vitaly Nesis

Group Chief Executive Officer

23 August 2016

INDEPENDENT REVIEW REPORT TO POLYMETAL INTERNATIONAL PLC

We have been engaged by Polymetal International PLC ("the company") to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 25. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Recognized Auditor
London, United Kingdom
23 August 2016

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED Income Statement

	Note	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)	Year ended 31 December 2015 (audited)
		US$'000	**US$'000**	**US$'000**
Revenue	4	593,201	648,015	1,441,093
Cost of sales excluding reversals/(write-downs) of metal inventories to net realisable value	5	(283,629)	(334,771)	(766,252)
Reversals/(write-downs) of metal inventories to net realisable value	18	3,609	(19,504)	(12,976)
Gross profit		**313,181**	**293,740**	**661,865**
General, administrative and selling expenses	9	(55,252)	(66,144)	(127,486)
Other operating expenses, net	10	(39,403)	(20,321)	(51,221)
Share of (loss)/gain of associates and joint ventures		(244)	281	(4,099)
Operating profit		**218,282**	**207,556**	**479,059**
Gain on disposal of subsidiary		-	-	1,205
Net foreign exchange gains/(losses)		66,317	(9,005)	(132,870)
Change in fair value of contingent consideration liability		(16,666)	512	4,246
Finance income		674	3,549	4,889
Finance costs	12	(31,375)	(44,951)	(80,704)
Profit before income tax		**237,232**	**157,661**	**275,825**
Income tax expense	13	(73,320)	(59,638)	(54,830)
Profit for the financial period		**163,912**	**98,023**	**220,995**
Profit for the financial period attributable to:				
Equity shareholders of the Parent		163,912	98,023	220,995
		163,912	**98,023**	**220,995**
Earnings per share (US$)				
Basic	14	0.39	0.23	0.52
Diluted	14	0.38	0.23	0.52

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED Statement of Comprehensive Income

	Six months ended 30 June 2016 (unaudited) US$'000	Six months ended 30 June 2015 (unaudited) US$'000	Year ended 31 December 2015 (audited) US$'000
Profit for the period	163,912	98,023	220,995
Other comprehensive income /(loss)*			
Exchange differences on translating foreign operations	161,307	13,718	(582,191)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(42,592)	3,700	(58,413)
Total comprehensive income/(loss) for the period	**282,627**	**115,441**	**(419,609)**
Total comprehensive income/(loss)for the financial year attributable to:			
Equity shareholders of the Parent	282,627	115,441	(419,609)
	282,627	**115,441**	**(419,609)**

**May be subsequently reclassified to profit and loss*

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED Balance Sheet

Assets	Note	30 June 2016 (unaudited) US$'000	31 December 2015 (audited) US$'000	30 June 2015 restated* (unaudited) US$'000
Property, plant and equipment	16	1,538,896	1,359,844	1,953,223
Goodwill		15,733	13,871	18,208
Investments in associates and joint ventures	17	19,692	1,709	8,122
Non-current loans and receivables		13,974	12,669	20,693
Deferred tax asset		60,003	56,734	62,680
Non-current inventories	18	122,665	99,357	128,775
Total non-current assets		**1,770,963**	**1,544,184**	**2,191,701**
Current inventories	18	494,537	352,800	524,766
VAT receivable		60,131	59,885	60,404
Trade and other receivables		77,933	39,405	51,680
Prepayments to suppliers		58,036	25,084	35,979
Income tax prepaid		13,967	8,333	11,380
Cash and cash equivalents		18,428	51,798	151,283
Total current assets		**723,032**	**537,305**	**835,492**
Total assets		**2,493,995**	**2,081,489**	**3,027,193**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities		(93,034)	(77,110)	(83,856)
Share repurchase obligation		-	-	(291,395)
Current borrowings	19	(346,793)	(286,861)	(624,078)
Income tax payable		(6,160)	(22,126)	(45,171)
Other taxes payable		(52,430)	(32,149)	(47,271)
Environmental obligations		(273)	(324)	(1,940)
Current portion of contingent consideration liability		(10,537)	(2,455)	(765)
Total current liabilities		**(509,227)**	**(421,025)**	**(1,094,476)**
Non-current borrowings	19	(1,107,206)	(1,062,685)	(758,455)
Contingent consideration liability		(40,899)	(24,163)	(16,815)
Deferred tax liability		(57,663)	(50,071)	(166,090)
Environmental obligations		(42,502)	(32,927)	(49,378)
Other non-current liabilities		(4,422)	(4,068)	(6,937)
Total non-current liabilities		**(1,252,692)**	**(1,173,914)**	**(997,675)**
Total liabilities		**(1,761,919)**	**(1,594,939)**	**(2,092,151)**
NET ASSETS		**732,076**	**486,550**	**935,042**
Stated capital account	21	1,985,295	1,969,125	1,955,886
Share-based compensation reserve		8,130	5,991	3,674
Translation reserve		(1,346,483)	(1,465,198)	(807,176)
Repurchase obligation for shares issued for business acquisition		-	-	(218,722)
Retained earnings/ (accumulated loss)		85,134	(23,368)	1,380
Total equity		**732,076**	**486,550**	**935,042**

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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

These condensed financial statements are approved and authorised for issue by the Board of Directors on 23 August 2016 and signed on its behalf by

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

CONDENSED CONSOLIDATED Statement of Cash Flows

	Note	Six months ended 30 June 2016 (unaudited) US$'000	Six months ended 30 June 2015 (unaudited) US$'000	Year ended 31 December 2015 (audited) US$'000
Net cash generated by operating activities	24	**64,646**	**175,020**	**490,044**
Cash flows from investing activities				
Purchases of property, plant and equipment	16	(116,658)	(86,467)	(205,426)
Acquisitions of JVs and associate	17	(18,000)	(5,152)	(7,194)
Cash outflow on business combination, net	2	(8,344)	-	-
Contingent consideration payment		(875)	(1,168)	(1,246)
Loans advanced		(1,253)	(10,567)	(22,143)
Other investing activities		-	657	1,516
Kyzyl put option exercise		-	-	(67,718)
Proceeds from disposals of subsidiary net of cash disposed		-	-	484
Net cash used in investing activities		**(145,130)**	**(102,697)**	**(301,727)**
Cash flows from financing activities				
Borrowings obtained	19	517,788	174,330	722,663
Repayments of borrowings	19	(414,268)	(114,432)	(696,126)
Dividends paid	15	(55,410)	(139,158)	(300,438)
Net cash generated from/(used in) financing activities		**48,110**	**(79,260)**	**(273,901)**
Net decrease in cash and cash equivalents		(32,374)	(6,937)	(85,584)
Cash and cash equivalents at the beginning of the period		51,798	157,224	157,224
Effect of foreign exchange rate changes on cash and cash equivalents		(996)	996	(19,842)
Cash and cash equivalents at the end of the period		**18,428**	**151,283**	**51,798**

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED Statement of Changes in Equity

	Notes	Number of Polymetal International shares outstanding	Stated capital account	Share based compensation reserve	Translation reserve	Share purchase obligation	Retained earnings	Total equity
Balance at 31 December 2014 (audited)		**420,819,943**	**1,939,084**	**2,387**	**(824,594)**	**(218,722)**	**(28,671)**	**869,484**
Total comprehensive income, net of income tax		-	-	-	17,418	-	98,023	115,441
Share based compensation		-	-	1,492	-	-	-	1,492
Issue of shares to acquire non-controlling interest		1,746,692	12,978	-	-	-	(12,978)	-
Issue of shares to acquire share in joint venture		429,260	3,618	-	-	-	-	3,618
Shares allotted to employees		36,089	205	(205)	-	-	-	-
Dividends	15	-	-	-	-	-	(54,994)	(54,994)
Balance at 30 June 2015 (unaudited)		**423,031,984**	**1,955,885**	**3,674**	**(807,176)**	**(218,722)**	**1,380**	**935,041**
Total comprehensive income, net of income tax		-	-	-	(658,022)	-	122,972	(535,050)
Share based compensation		-	-	2,317	-	-	-	2,317
Issue of shares in exchange for asset acquisitions		1,618,154	13,240			-	-	13,240
Share purchase obligation exercise						218,722	13,560	232,282
Dividends	15	-	-	-	-	-	(161,280)	(161,280)
Balance at 31 December 2015 (audited)		**424,650,138**	**1,969,125**	**5,991**	**(1,465,198)**	**-**	**(23,368)**	**486,550**
Total comprehensive income, net of income tax		-	-	-	118,715	-	163,912	282,627
Share based compensation		-	-	3,076	-	-	-	3,076
Issue of shares for business combination	2	1,481,785	15,233	-	-	-	-	15,233
Shares allotted to employees		101,537	937	(937)	-	-	-	-
Dividends	15	-	-	-	-	-	(55,410)	(55,410)
Balance at 30 June 2016 (unaudited)		**426,233,460**	**1,985,295**	**8,130**	**(1,346,483)**	**-**	**85,134**	**732,076**

Notes to the consolidated financial statements

1. GENERAL

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

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

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'), and the Disclosure and Transparency Rules of the Financial Conduct Authority effective for the Company's reporting for the period ended 30 June 2016. These unaudited condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the audited 2015 Annual Report of Polymetal International plc and its subsidiaries ("2015 Annual Report") available at www.polymetalinternational.com.

The half-yearly financial report does not constitute the Group's statutory financial statements. The Group's most recent statutory financial statements, which comprise the annual report and audited financial statements for the year ended 31 December 2015, were approved by the directors on 28 March 2016 and have been filed with the Jersey Registrar of Companies.

Accounting policies

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments and share-based payments which are measured at fair value.

The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2015.

Critical accounting judgements and uncertainties

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgements made by management in applying the Group's accounting policies and key sources of estimation were consistent with those that were applied in the Group's annual consolidated financial statements for the year ended 31 December 2015.

New accounting standards issued but not yet effective

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

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

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

Amendments to IFRS 2 *Share based payment: Classification and Measurement of Share-Based Payment transactions*. On 20 June 2016, the International Accounting Standards Board (IASB) published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. IASB has now added guidance on accounting for cash-settled share-based payment transactions that include a performance condition, classification of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Amendments are effective for annual periods beginning on or after 1 January 2018. The Group is in the process of determining the impact of amendments to IFRS 2 on its consolidated financial statements.

Amendments to IFRS that are mandatory effective for the period beginning on 1 January 2016

Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations.* The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 *Business Combination* and state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint venture. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. Entities should apply the amendments prospectively to acquisitions of interest in joint operations occurring from the beginning of annual periods beginning on nor after 1 January 2016. The Group has determined that amendments to IFRS 11 do not impact its consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements: Disclosure*. Initiative provides guidance on the use of judgement in presenting financial statement information, including: the application of materiality; order of notes; use of subtotals; accounting policy referencing and disaggregation of financial and non-financial information. Amendments are effective for annual periods beginning on or after 1 January 2016. The Group has determined that amendments to IAS 1 do not impact its consolidated financial statements.

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings its capital expenditure commitments and plans. As at 30 June 2016, the Group held US$ 18 million of cash and had net debt of US$1,436 million, with US$657 million of undrawn facilities of which US$560 million are considered committed. Debt of US$347 million is due for payment within one year and certain committed but undrawn facilities expire within that period, but the Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities, assuming necessary rollovers, but could secure additional financing if and when needed.

In the period after 30 June 2016, the Group has signed several finance facility agreements for the total amount of US$ 246 million. On 8 August 2016 US$ 71 million was drawn down and is payable from third quarter 2017.

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

Functional and presentation currencies

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all Russian entities the functional currency is the Russian Rouble (RUB). The functional currency of the Group's entities located and operating in Kazakhstan (JSC Varvarinskoye, Bakyrchik Mining Venture LLP, JSC Inter Gold Capital) is the Kazakh Tenge (KZT). The functional currency of the Group's entities located and operating in Armenia ("Kapan MPC" CJSC, "LV Gold Mining" CJSC) is Armenian Dram.

Following a number of international acquisitions in the second half of the year ended 31 December 2014 and the first half of the year ended 31 December 2015 funded by US Dollar denominated loans, and a resulting increase in the share of the Group's operations outside Russia, the Group has determined that from 1 January 2015, there had been a change in facts and circumstances surrounding the operations of its parent company (Polymetal International plc) and some of its intermediate holding companies indicating that the functional currency of these companies had changed from the Russian Rouble to the US Dollar.

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, this change has been accounted for prospectively from this date.

The Group has chosen to present its consolidated financial statements in U.S. Dollars (US$), as management believes it is a more convenient presentation currency for international users of the consolidated financial statements of the Group as it is a common presentation currency in the mining industry.

Due to the increased volatility of exchange rates in Russia and Kazakhstan, the Group translates income and expenses on monthly basis at average monthly exchange rates.

Exchange rates used in the preparation of the consolidated financial statements were as follows:

	Russian Rouble/U.S. Dollar	**Kazakh Tenge/U.S. Dollar**	**Armenian Dram/U.S. Dollar**
Period ended			
30 June 2016	64.26	338.87	476.68
Average for:			
January	76.31	361.53	485.69
February	77.23	359.19	493.83
March	70.51	344.90	486.60
April	66.69	337.31	481.25
May	65.67	332.74	478.41
June	65.31	336.79	477.54
Period ended			
30 June 2015	55.52	186.20	472.53
31 December 2015	72.88	339.47	483.75
Average for:			
January	61.88	183.51	n/a
February	64.68	184.91	n/a
March	60.26	185.34	n/a
April	52.93	185.73	n/a
May	50.59	185.81	n/a
June	54.51	186.05	n/a
July	57.08	186.76	n/a
August	65.20	206.99	n/a
September	66.77	258.34	n/a
October	63.09	275.46	n/a
November	65.03	302.88	480.07
December	69.68	323.05	483.03

2. BUSINESS COMBINATIONS

Kapan mine

In March 2016 Polymetal entered into binding agreements with Dundee Precious Metals Inc. for the acquisition of CJSC Dundee Precious Metals Kapan (“DPMK”), the holding company for the Kapan Gold Mine (“Kapan”) in the Republic of Armenia.

The asset comprises a fully mechanized underground mine with a current capacity of approximately 400 ktpa, a conventional 750 ktpa flotation concentrator and various infrastructure facilities. The mine produces gold-copper-silver and zinc concentrates sold to international markets.

On 28 April 2016 the Group acquired 100 per cent of the shares of DPMK.

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

Consideration transferred

The total consideration paid for the shares at completion comprised US$ 25 million consisting of US$ 10 million paid in cash (subject to a post-closing working capital adjustment amounting to US$ 0.7 million) and US$ 15.2 million paid through the issue of 1,481,785 new ordinary shares of the Company (the “consideration shares”). In addition, Dundee will receive a 2% NSR (Net Smelter Return) royalty on the future production from the Kapan Gold Mine capped at US$ 25 million.

The post-closing working capital adjustment amounting US$ 0.7 million is provisional and the final amount will be determined between the parties during the second half of 2016.

The fair value of the 1,481,785 ordinary shares issued as part of the consideration paid for Kapan was determined based on spot price as of acquisition date, being US$ 10.28, and amounts to US$ 15.2 million.

The net smelter return royalty described above meets the definition of contingent consideration. The fair value of the contingent consideration was determined based on the life-of-mine model of the Kapan mine by discounting projected cash flows to the acquisition date. The following metal price assumptions, consistent with the assumptions adopted for the long-term planning, were used for the fair value calculation: Au – US$ 1,250/oz, Ag – US$ 17/oz, Cu – US$ 4,500/tonne, Zinc – US$ 1,800/tonne. At the acquisition date, the estimated fair value of the contingent consideration amounted to US$ 8.7 million. As of 30 June 2016 contingent consideration approximates to the same amount.

Assets acquired and liabilities recognised at the date of acquisition

At the date of finalisation of these interim condensed consolidated financial statements, the calculation of consideration, the valuation of property, plant and equipment, inventory, and the calculation of deferred taxes had not been finalized and they have therefore only been provisionally determined based on the directors' best estimate.

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

Assets acquired and liabilities recognised as of date of acquisition

	US$'000
Cash and cash equivalents	956
Inventories	11,437
Accounts receivable	12,197
Property, plant & equipment	23,085
Accounts payable and accrued liabilities	(8,850)
Taxes payable	(12,407)
Environmental obligations	(260)
Deferred taxes	7,083
Net assets acquired	**33,241**
Consideration transferred	
Cash	9,300
Fair value of shares issued	15,233
Contingent consideration	8,708
Total consideration	**33,241**
Net cash outflow on acquisition	**8,344**

No significant financial assets were acquired in business combination. The fair value of the accounts receivable approximates to its carrying value.

Impact of the acquisition on the result of the Group

Kapan contributed US$ 0.2 million to the Group’s profit for the period between the date of acquisition and the reporting date. Revenue for the period amounts to US $3.2 million.

If Kapan acquisition had been completed on the first day of the financial year, the revenue of the Group would have been US$ 602.6 million, and the profit for the period would have been US$ 156.5 million.

Kyzyl purchase price allocation

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

As at 30 June 2015, purchase price allocation for the acquisition of Kyzyl was not completed and mineral rights were accounted for on a provisional basis. The Group completed the purchase price allocation review during the year ended 31 December 2015 and retrospectively adjusted the provisional amounts.

As a result of the determination of the final fair value of the assets acquired and the liabilities assumed as at the acquisition date, the figures for the consolidated financial statements for the period ended 30 June 2015 have been restated. Fair value adjustments recognised had no significant impact on the condensed consolidated income statement for the period ended 30 June 2015 and no consequent change in the consolidated equity was recognised.

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

	30 June 2015 (previously stated) US$'000	Fair value adjustments US$'000	30 June 2015 (restated) US$'000
Property, plant and equipment	2,008,472	(55,249)	1,953,223
Trade and other receivables	52,195	(515)	51,680
Deferred tax liability	(213,442)	47,352	(166,090)
Environmental obligations	(57,790)	8,412	(49,378)
Change in equity		-	

3. SEGMENT INFORMATION

The Group has nine reportable segments:

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

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

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

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

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

3. Segment information (continued)

Period ended 30 June 2016 ($'000)	Voro	Okhotsk	Dukat	Omolon	Varvara	Amursk - Albazino	Armenia	Mayskoye	Kyzyl	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	69,376	49,531	213,397	72,823	29,721	132,452	3,170	22,731	-	593,201	-		593,201
Intersegment revenue	180	47	1	31		4,149				4,408	82,189	(86,597)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	14,816	24,112	75,896	32,783	20,670	49,308	2,588	18,250	-	238,423	57,523	(64,767)	**231,179**
Cost of sales	19,128	27,646	90,652	38,635	24,147	66,588	2,752	21,325	-	290,873	57,523	(64,767)	283,629
Depreciation included in cost of sales	(4,221)	(2,317)	(14,475)	(5,848)	(3,601)	(17,180)	(164)	(3,046)	-	(50,852)			(50,852)
Write-down of non-metal inventory to net realisable value	6	(1,137)	(209)	108	33	(63)	-	-	-	(1,262)			(1,262)
Rehabilitation expenses	(97)	(80)	(72)	(112)	91	(37)	-	(29)		(336)			(336)
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	2,132	3,312	4,185	3,568	1,456	3,159	631	3,001	2,801	24,245	31,644	(4,927)	**50,962**
General, administrative and selling expenses	5,061	5,659	7,203	6,324	1,840	6,362	654	5,638	3,078	41,819	35,908	(22,475)	55,252
Intercompany management services	(2,794)	(2,271)	(2,808)	(2,737)	(326)	(3,154)		(2,564)	(60)	(16,714)	(834)	17,548	-
Depreciation included in SGA	(135)	(76)	(210)	(19)	(58)	(49)	(23)	(73)	(217)	(860)	(354)	-	(1,214)
Share based compensation										-	(3,076)		(3,076)
Other operating expenses excluding additional tax charges	1,501	2,001	3,886	1,058	1,224	2,580	759	1,719	548	15,276	928	589	**16,793**
Other operating expenses	10,698	2,011	16,891	971	752	2,402	904	2,134	546	37,309	1,505	589	39,403
Bad debt allowance	(16)	(10)	53	(37)	310	178	-	18	2	498	(577)		(79)
Additional mining taxes and VAT exposures, penalties and accued interest	(9,181)	-	(13,058)	124	162	-	(145)	(433)	-	(22,531)	-	-	(22,531)
Share of income of associates and joint ventures											(244)		(244)
Adjusted EBITDA	**51,107**	**20,153**	**129,431**	**35,445**	**6,371**	**81,554**	**(809)**	**(238)**	**(3,349)**	**319,665**	**(8,150)**	**(17,492)**	**294,022**
Depreciation expense	4,356	2,393	14,685	5,867	3,659	17,229	187	3,119	217	51,712	354	-	**52,066**
Rehabilitation expenses	97	80	72	112	(91)	37	-	29	-	336	-	-	**336**
Write-down of non-metal inventory to net realisable value	(6)	1,137	209	(108)	(33)	63	-	-	-	1,262	-	-	**1,262**
Write-down of metal inventory to net realisable value	-	(236)	-	(3,266)	-	-	(107)	-	-	(3,609)	-		**(3,609)**
Share-based compensation	-	-	-	-	-	-	-	-	-	**-**	3,076	-	**3,076**
Bad debt allowance	16	10	(53)	37	(310)	(178)	-	(18)	(2)	(498)	577	-	**79**
Additional mining taxes and VAT exposures, penalties and accrued interest	9,181	-	13,058	(124)	(162)	-	145	433	-	22,531	-	-	**22,531**
Operating profit / (loss)	**37,463**	**16,769**	**101,460**	**32,927**	**3,308**	**64,403**	**(1,033)**	**(3,801)**	**(3,564)**	**247,931**	**(12,157)**	**(17,492)**	**218,282**
Net foreign exchange gains													**66,317**
Change in fair value of contingent consideration liability													**(16,666)**
Finance income													**674**
Finance costs													**(31,375)**
Profit before tax													**237,232**
Income tax expense													**(73,320)**
Profit for the financial period													**163,912**
Current metal inventories	35,272	39,573	68,670	49,021	30,624	50,689	6,453	60,976	-	**341,278**	388	(4,707)	**336,959**
Current non-metal inventories	6,083	21,415	24,528	27,598	10,145	18,701	4,135	22,591	2,803	**137,999**	26,587	(7,008)	**157,578**
Non-current segment assets:													
Property, plant and equipment, net	49,394	83,288	178,276	97,097	65,619	269,995	46,117	151,627	496,200	**1,437,613**	122,070	(20,787)	**1,538,896**
Goodwill			4,521					11,212		**15,733**			**15,733**
Non-current inventory	1,392	18,038	6,267	76,292	4,812	6,404	1,928	8,796	-	**123,929**	-	(1,264)	**122,665**
Investments in associates											19,692		**19,692**
Total segment assets	**92,141**	**162,314**	**282,262**	**250,008**	**111,200**	**345,789**	**58,633**	**255,202**	**499,003**	**2,056,552**	**168,737**	**(33,766)**	**2,191,524**
Additions to non-current assets:													
Property, plant and equipment	3,339	16,131	15,733	15,917	3,727	16,313	2,264	7,102	38,184	**118,710**	3,937	-	**122,647**
Business combination							23,085			**23,085**			**23,085**

3. Segment information (continued)

For the six months ended 30 June 2015 ($'000)	Voro	Okhotsk	Dukat	Omolon	Varvara	Amursk - Albazino	Mayskoye	Kyzyl	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	79,446	57,666	214,455	101,911	53,723	119,575	21,153	-	647,929	86		648,015
Intersegment revenue	523	116	5	762		4,928		-	6,334	93,904	(100,238)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	19,803	23,248	91,322	47,142	36,063	45,963	13,058	-	276,599	69,402	(80,808)	**265,193**
Cost of sales	25,871	29,964	111,566	59,386	43,704	60,151	15,535	-	346,177	69,402	(80,808)	334,771
Depreciation included in Cost of sales	(5,710)	(6,122)	(19,316)	(12,847)	(7,561)	(14,063)	(3,721)	-	(69,340)	-	-	(69,340)
Write-down of non-metal inventory to net realisable value	(268)	(823)	(798)	308	(80)	129	1,258	-	(274)	-	-	(274)
Rehabilitation expenses	(90)	229	(130)	295	-	(254)	(14)	-	36	-	-	36
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	2,530	8,335	4,538	3,937	2,646	3,689	3,791	4,378	33,844	32,883	(4,239)	**62,488**
General, administrative and selling expenses	5,735	10,936	7,831	5,764	3,609	6,031	5,805	4,657	50,368	36,246	(20,470)	66,144
Intercompany management services	(3,011)	(1,968)	(3,026)	(1,794)	(846)	(2,316)	(1,908)	-	(14,869)	(1,362)	16,231	-
Depreciation included in SGA	(194)	(633)	(267)	(33)	(117)	(26)	(106)	(279)	(1,655)	(509)	-	(2,164)
Share based compensation	-	-	-	-	-	-	-	-	-	(1,492)	-	(1,492)
Other operating expenses excluding additional tax charges	478	340	3,568	5,419	1,593	4,074	2,154	99	17,725	3,598	2,245	**23,568**
Other operating expenses	484	340	(661)	5,471	1,593	4,074	3,078	99	14,478	3,598	2,245	20,321
Mining taxes, penalties and accrued interest	(6)	-	4,229	(52)	-	-	(924)	-	3,247	-	-	3,247
Share of income of associates and joint ventures	-	-	-	-	-	-	-	-	-	281	-	281
Adjusted EBITDA	**57,158**	**25,859**	**115,032**	**46,175**	**13,421**	**70,777**	**2,150**	**(4,477)**	**326,095**	**(11,612)**	**(17,436)**	**297,047**
Depreciation expense	5,904	6,755	19,583	12,880	7,678	14,089	3,827	279	70,995	509	-	**71,504**
Rehabilitation expenses	90	(229)	130	(295)	-	254	14	-	(36)	-	-	**(36)**
Write-down of non-metal inventory to net realisable value	268	823	798	(308)	80	(129)	(1,258)	-	274	-	-	**274**
Write-down of metal inventory to net realisable value	-	1,777	-	6,211	11,516				19,504	-	-	**19,504**
Share-based compensation	-	-	-	-	-	-	-	-	**-**	1,492	-	**1,492**
Mining taxes, penalties and accrued interest	6	-	(4,229)	52	-	-	924	-	(3,247)	-	-	(3,247)
Operating profit / (loss)	**50,890**	**16,733**	**98,750**	**27,635**	**(5,853)**	**56,563**	**(1,357)**	**(4,756)**	**238,605**	**(13,613)**	**(17,436)**	**207,556**
Net foreign exchange losses												**(9,005)**
Change in fair value of contingent consideration liability												**512**
Finance income												**3,549**
Finance costs												**(44,951)**
Profit before tax												**157,661**
Income tax expense												**(59,638)**
Profit for the financial period												**98,023**
Current metal inventories	39,425	36,024	66,446	62,308	23,647	49,257	85,593	-	362,700	572	(7,760)	355,512
Current non-metal inventories	5,106	25,690	27,209	37,668	16,277	19,954	25,195	819	157,918	20,772	(9,436)	169,254
Non-current segment assets:												
Property, plant and equipment, net	62,748	63,967	214,692	88,568	123,762	313,688	176,592	794,861	1,838,878	135,819	(21,474)	1,953,223
Goodwill	-	-	5,233	-	-	-	12,975	-	18,208	-	-	18,208
Non-current inventory	1,512	24,447	7,231	78,284	6,708	6,470	6,583	-	131,235	-	(2,460)	128,775
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	-	8,122	-	8,122
Total segment assets	**108,791**	**150,128**	**320,811**	**266,828**	**170,394**	**389,369**	**306,938**	**795,680**	**2,508,939**	**165,285**	**(41,130)**	**2,633,094**
Additions to non-current assets:												
Property, plant and equipment	3,241	16,000	16,239	15,697	11,781	15,287	9,065	5,912	93,222	4,268	-	97,490

3. Segment information (continued)

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

4. REVENUE

Revenue analysed by geographical regions of customers is presented below:

	Six months ended 30 June 2016 US$'000	Six months ended 30 June 2015 US$'000	Year ended 31 December 2015 US$'000
Sales within the Russian Federation	363,047	501,633	1,051,981
Sales to Kazakhstan	122,016	112,551	216,858
Sales to Europe	54,980	4,461	33,190
Sales to East Asia	53,015	29,270	138,674
Total metal sales	**593,058**	**647,915**	**1,440,703**
Other sales	143	100	390
Total	**593,201**	**648,015**	**1,441,093**

Included in revenues for the six months ended 30 June 2016 are revenues which arose from sales to three of the Group's largest customers amounting to US$ 168 million, US$125 million and US$ 93 million, respectively (year ended 2015: US$ 501 million, US$ 185 million and US$ 162 million, respectively; period ended 30 June 2015: US$ 190 million, US$ 101 million and US$ 81 million, respectively).

Presented below is an analysis of revenue from gold, silver, copper and zinc sales:

	Six months ended 30 June 2016 (unaudited)				Six months ended 30 June 2015 (unaudited)			
	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$'000	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$'000
Gold (thousand ounces)	320	319	1,225	391,098	354	354	1,207	426,592
Silver (thousand ounces)	13,171	12,992	15.5	201,185	14,157	13,993	15.7	219,636
Copper (tonnes)	149	131	4,176	547	427	398	4,234	1,687
Zinc (tonnes)	209	178	1,285	228	-	-	-	-
Total				**593,058**				**647,915**

	Year ended 31 December 2015			
	Thousand ounces/ tonnes (unaudited) shipped	Thousand ounces/ tonnes (unaudited) payable	Average price (US Dollar per troy ounce/tonne payable) (unaudited)	US$'000
Gold (thousand ounces)	875	864	1,127	974,123
Silver (thousand ounces)	31,494	31,190	14.7	460,040
Copper (tonnes)	1,578	1,488	4,395	6,540
Total				**1,440,703**

5. COST OF SALES

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Cash operating costs			
On-mine costs (Note 6)	139,393	144,031	267,522
Smelting costs (Note 7)	111,873	132,819	260,566
Purchase of ore from third parties	6,530	-	5,241
Mining tax	34,530	51,659	96,941
Total cash operating costs	**292,326**	**328,509**	**630,270**
Depreciation and depletion of operating assets (Note 8)	64,834	85,450	153,770
Rehabilitation expenses	336	(90)	(1,928)
Total costs of production	**357,496**	**413,869**	**782,112**
Increase in metal inventories	(81,157)	(79,683)	(27,160)
Write-down of non-metal inventories to net realisable value (Note 18)	1,262	274	5,253
Idle capacities and abnormal production costs	5,966	-	5,990
Cost of other sales	62	311	57
Total	**283,629**	**334,771**	**766,252**

Idle capacities and abnormal production costs were expensed as incurred and relate to Mayskoye where the processing plant was stopped from November 2015 until February 2016 while underground mining was ramping up due to the redevelopment of underground workings using a new mining method and idle capacities when processing plants are stopped for general maintenance.

6. ON-MINE COSTS

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Services	60,521	65,307	120,041
Labour	42,851	43,285	78,010
Consumables and spare parts	34,401	34,318	67,458
Other expenses	1,326	554	1,009
Taxes, other than income tax	294	567	1,004
Total (Note 5)	**139,393**	**144,031**	**267,522**

7. SMELTING COSTS

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Consumables and spare parts	50,761	59,942	114,503
Services	37,077	43,901	94,094
Labour	23,143	27,838	49,884
Taxes, other than income tax	201	362	630
Other expenses	691	776	1,455
Total (Note 5)	**111,873**	**132,819**	**260,566**

8. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
On-mine	44,964	57,419	103,618
Smelting	19,870	28,031	50,152
Total (Note 5)	**64,834**	**85,450**	**153,770**

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

9. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Labour	41,113	49,145	88,307
Services	4,301	6,033	13,937
Share based compensation	3,076	1,492	3,809
Depreciation	1,214	2,163	5,036
Other	5,548	7,311	16,397
Total	**55,252**	**66,144**	**127,486**

10. OTHER OPERATING EXPENSES, NET

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Additional mining taxes and VAT exposures, penalties and accrued interest, net (Note 13)	22,531	(3,247)	(3,712)
Exploration expenses	6,083	5,845	24,003
Taxes, other than income tax	5,068	6,265	11,564
Social payments	3,792	3,999	7,807
Housing and communal services	1,656	2,050	4,186
Loss on disposal of property, plant and equipment	114	754	1,246
Change in estimate of environmental obligations	(28)	(193)	(4,266)
Bad debt allowance	(79)	1,954	6,614
Other expenses	266	2,894	3,779
Total	**39,403**	**20,321**	**51,221**

Exploration expenses include write-downs of US$ 1.8 million (six months ended 30 June 2015: US$ 2.5 million; year ended 31 December 2015: US$ 7.9 million) recognised within Exploration and Development assets (Note 16). Operating cash outflow from exploration activities amounts to US$ 3.8 million (six months ended 30 June 2015: US$ 3.3 million; year ended 31 December 2015: US$ 12.6 million).

11. EMPLOYEE COSTS

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Wages and salaries	95,702	106,795	198,734
Social security costs	26,572	29,216	48,508
Share based compensation	3,076	1,492	3,809
Total payroll costs	**125,350**	**137,503**	**251,051**
Reconcilation:			
Less: employee costs capitalised	(10,994)	(13,478)	(24,617)
Less: employee costs absorbed into unsold metal inventory balances	(14,590)	(14,650)	(4,212)
Employee costs included in operating costs	**99,766**	**109,375**	**222,222**

The weighted average number of employees was:

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
Voro	881	940	924
Okhotsk operations	1,232	828	1,140
Dukat	1,901	1,852	1,856
Omolon	746	739	752
Varvara	781	782	789
Amursk-Albazino	1,342	1,277	1,286
Mayskoye	869	812	828
Kyzyl	353	399	414
Armenia	398	-	-
Corporate and other	1,408	1,579	1,303
Total	**9,911**	**9,208**	**9,292**

The weighted average number of employees in Armenia is calculated based on the period from 28 April to 30 June 2016. Total headcount of the Armenian entities as of 30 June 2016 amounts to 1,164 people.

12. FINANCE COSTS

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Interest expense on borrowings	29,637	26,267	52,021
Unwinding discount on repurchase obligation	-	15,558	24,171
Unwinding of discount on environmental obligations	1,738	3,126	4,512
Total	**31,375**	**44,951**	**80,704**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 2.2 million, US$ 2.2 million and US$ 3.9 million during the six months ended 30 June 2016, the six months ended 30 June 2015, and the year ended 31 December 2015, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective interests rate of 4.39% (annualised), 4.11% (annualised) and 4.06%, respectively, to cumulative expenditure on such assets.

13. INCOME TAX

Income tax for the six months ended 30 June 2016 is charged at 32% (six months ended 30 June 2015: 38%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Current income taxes	61,322	48,632	103,000
Deferred income taxes	11,998	11,006	(48,170)
	73,320	**59,638**	**54,830**

The actual tax credit/expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation, Kazakhstan and Armenia to profit before income tax as a result of the application of relevant jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit. These deductions include share based compensation, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related and other costs. From 1 January 2016 Omolon Gold Mining Company LLC is entitled to the decreased statutory rate of 18% due to the operations held in Special economic zone of Russian Far East.

In the normal course of business, the Group is subject to examination by tax authorities throughout the Russian Federation, Kazakhstan and Armenia. Of the large operating companies of the Group, tax authorities have audited CJSC Gold of Northern Urals and JSC Varvarinskoye up to 2012, CJSC Magadan Silver up to 2011, LLC Okhotskaya Mining and Exploration Company CJSC, Omolon Gold Mining Company LLC and Mayskoye Gold Mining Company LLC up to 2010. According to Russian, Kazakh and Armenian tax legislation, previously conducted audits do not fully exclude subsequent claims relating to the audited period.

Income tax amounts included in other comprehensive income

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

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	US$'000	US$'000	US$'000
Net foreign exchange difference on net investment in foreign operation			
Current income taxes	(4,973)	(406)	3,391
Deferred income taxes	91	-	(14,053)
	(4,882)	**(406)**	**(10,662)**

Current and deferred tax assets recognised within other comprehensive income relate to the tax losses originated by foreign currency exchange losses, allowable for tax purposes and generated by monetary items that forms part of the intragroup net investment in the foreign operation. These foreign currency exchange losses are recognised in the consolidated financial statements within foreign currency translation reserve.

Tax exposures recognised in income tax and other expenses

During the period ended 30 June 2016, the Group has accrued interest on tax provisions recognised in previous period in amount of US$ 4.9 million and US$ 2.0 million was settled as a result of tax audits completion. In addition to these movements, several mining tax (US$ 16.9 million) and VAT (US$ 0.7 million) exposures were provided for and recognised within other operating expenses (Note 10). Mining tax exposures are recognised in CJSC Magadan Silver (US$ 9.0 million including US$ 2.9 million of penalties and interest), CJSC Gold of Northern Ural (US$ 7.5 million including US$ 2.1 million of penalties and interest) and Mayskoye Gold Mining Company LLC (US$ 0.4 million including US$0.1 million of penalties and interest) and are related to exempt technical loss calculation.

The provision for additional mining taxes exposures as of 30 June 2016 includes provisions recognised in Kapan as of date of acquisition (Note 2) amounting to US$ 11.5 million (including US$ 5.9 million of penalties and interest).

Total provision for additional mining taxes and VAT exposures as of 30 June 2016 is US$ 32.9 million (31 December 2015: US$ 3.5 million; 30 June 2015: US$ 35.1 million). No provisions for income tax were recognised as of 30 June 2016 and 31 December 2015.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Weighted average number of shares: Diluted earnings per share

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

	Six months ended		Year ended
	30 June 2016	**30 June 2015**	**31 December 2015**
Weighted average number of outstanding common shares	425,213,832	422,031,603	422,958,680
Dilutive effect of share appreciation plan	1,329,521	122,993	290,522
Weighted average number of outstanding common shares after dilution	**426,543,353**	**422,154,596**	**423,249,202**

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share in the current interim period (year ended 31 December 2015; period ended: 30 June 2015: nil).

At 30 June 2016 the outstanding LTIP awards issued under 2014 and 2015 tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of reporting date. As of 31 December 2015 and 30 June 2015 the LTIP awards represented anti-dilutive potential ordinary shares with respect to earnings per share from continuing operations as these were out of money.

The awards issued under management bonus deferral award plan are dilutive as of 30 June 2016, 31 December 2015 and 30 June 2015 being contingently issued shares and are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

15. DIVIDENDS

Dividends recognised during the period ended 30 June 2016 and comparative periods are detailed in the below:

	Dividends				
	cents per share	**000'$**	**deducted from the equity during the period**	**proposed in relation to the period**	**Paid in**
Special dividend 2014	20	84,164	2014	2014	2015
Final dividend 2014	13	54,994	2015	2014	2015
Interim dividend 2015	8	33,885	2015	2015	2015
Special dividend 2015	30	127,395	2015	2015	2015
Final dividend 2015	13	55,410	2016	2015	2016
Interim dividend 2016	9	38,361	n/a	2016	2016

Total dividends for the period	000'$	000'$	000'$
Period ended 30 June 2015	54,994	33,885	139,158
Year ended 31 December 2015	216,274	216,690	300,438
Period ended 30 June 2016	**55,410**	**38,361**	**55,410**

16. PROPERTY, PLANT AND EQUIPMENT

	Exploration and development assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
Balance at 31 December 2015	**615,979**	**1,174,061**	**44,490**	**103,786**	**1,938,316**
Additions	20,340	80,712	1,306	20,289	122,647
Transfers	(5,302)	11,776	78	(6,552)	-
Change in decommissioning assets	-	3,315	-	-	3,315
Acquired in business combinations	-	13,334	8,453	1,298	23,085
Disposals	(1,725)	(13,702)	(896)	(625)	(16,948)
Translation to presentation currency	22,573	144,859	5,525	11,417	184,374
Balance at 30 June 2016	**651,865**	**1,414,355**	**58,956**	**129,613**	**2,254,789**

Accumulated depreciation and impairment	Exploration and development assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 31 December 2015	**(412)**	**(559,606)**	**(18,408)**	**(46)**	**(578,472)**
Charge for the period	(2)	(72,380)	(1,982)	-	(74,364)
Disposals	2	11,324	598	-	11,924
Transfers	(23)	293	(270)	-	-
Translation to presentation currency	(50)	(72,413)	(2,512)	(6)	(74,981)
Balance at 30 June 2016	**(485)**	**(692,782)**	**(22,574)**	**(52)**	**(715,893)**
Net book value					
Balance at 31 December 2015	**615,567**	**614,455**	**26,082**	**103,740**	**1,359,844**
Balance at 30 June 2016	**651,380**	**721,573**	**36,382**	**129,561**	**1,538,896**

Mining assets at 30 June 2016 included mineral rights pertaining to the production assets and being amortised with net book value of US$ 41.6 million (31 December 2015: US$ 39.6 million) and capitalised stripping costs with net book value of US$ 37.8 million (31 December 2015: US$ 33.2 million). Exploration and development assets at 30 June 2016 included mineral rights related to the exploration assets with net book value of which amounted to US$ 557.1 million (31 December 2015: US$ 542.8 million).

No property, plant and equipment were pledged as collateral at 30 June 2016 and 31 December 2015.

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in associates and joint ventures as at 30 June 2016, 30 June 2015 and 31 December 2015 consisted of the following:

	30 June 2016	31 December 2015	30 June 2015

	Voting power %	Carrying Value US$'000	Voting power %	Carrying Value US$'000	Voting power %	Carrying Value US$'000
ASSOCIATES and JOINT VENTURES						
JSC South-Verkhoyansk Mining Company	15.30	17,895	-	-		-
Proeks LLC	24.9	1,797	24.9	1,709	n/a	-
Aktogai Mys LLC	25	-	25	-	25	2,383
GRK Amilkan (previously Polygon Gold)	42.65	-	42.65	-	42.65	2,411
LV Gold Mining CJSC	n/a		n/a	-	25	3,328
Total		**19,692**		**1,709**		**8,122**

JSC South-Verkhoyansk Mining Company

In December 2015 Polymetal International plc entered into a joint arrangement with OJSC Polyus Gold, under which Polymetal will participate in advancing the development of the Nezhdaninskoye gold deposit in Yakutia, Russia. The arrangement allows Polymetal to acquire up to 50% in the joint venture entity holding 100% of JSC South-Verkhoyansk Mining Company ("SVMC") through an earn-in mechanism. SVMC, which was a 100% subsidiary of Polyus Gold as of 31 December 2015, holds the mining and exploration license for the Nezhdaninskoye gold deposit as well as certain infrastructure adjacent to the deposit.

On 19 January 2016 Polymetal obtained a 15.3% interest in the joint venture entity holding 100% of the Company for the total cash consideration of US$ 18 million. The arrangements constitute a joint venture under IFRS 11 *Joint arrangements* and the investment is accounted for using the equity method.

18. INVENTORIES

	30 June 2016	31 December 2015	30 June 2015
	US$'000	**US$'000**	**US$'000**
Inventories expected to be recovered after twelve months			
Ore stock piles	84,644	68,832	95,914
Consumables and spare parts	32,901	26,013	32,861
Work in-process	5,120	4,512	-
Total non-current inventories	**122,665**	**99,357**	**128,775**
Inventories expected to be recovered in the next twelve months			
Copper, zinc, gold and silver concentrate	136,632	74,006	145,636
Ore stock piles	135,717	97,124	120,663
Work in-process	32,676	29,560	51,544
Dore	16,595	7,392	17,915
Metal for refining	15,339	13,597	19,754
Total metal inventories	**336,959**	**221,679**	**355,512**
Consumables and spare parts	157,578	131,121	169,254
Total	**494,537**	**352,800**	**524,766**

Write-downs and reversals of metal inventories to net realisable value

During the six months ended 30 June 2016, the Group recognised certain reversals of the previously recorded write-downs. They were driven by favorable changes in projected metal prices, which have improved the economic viability of the stockpiles. Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. In the net realisable tests performed, the flat real long-term price for gold and silver of US$ 1,250 per ounce (31 December 2015: US$ 1,100) and US$ 17 per ounce (31 December 2015: US$ 14) are used, respectively.

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

	Six months ended 30 June 2016 (unaudited)				Six months ended 30 June 2015	Year ended 31 December 2015
	Okhotsk operations	**Omolon**	**Mayskoye**	**Total operating segments**	**Total operating segments**	**Total operating segments**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Ore stock piles	236	3,266	(374)	3,128	(17,126)	(7,563)
Ore in heap leach piles	-	-	-	-	(2,378)	(5,703)
Work in-process	-	-	-	-	-	133
Metal for refinery	-	-	-	-	-	157
Copper, gold and silver concentrate	-	-	481	481	-	-
Total	**236**	**3,266**	**107**	**3,609**	**(19,504)**	**(12,976)**

During the six month period ended 30 June 2016 the Group also recognised a write-down of consumables and spare parts inventory of US$ 1.3 million (six months ended 30 June 2015: US$ 0.3 million; year ended 31 December 2015: $5.3 million).

The amount of inventories held at net realisable value at 30 June 2016 was US$ 32.1 million (31 December 2015: US$ 25.6 million; 30 June 2015: US$ 29.4 million).

19. BORROWINGS

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

		Actual interest rate at		30 June 2016			31 December 2015		
	Type of rate	30 June 2016	31 Dec 2015	Current	Non-current	Total	Current	Non-current	Total
				US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Secured loans from third parties									
U.S. Dollar denominated	floating	3.95%	4.00%	228,932	628,165	857,097	263,141	583,512	846,653
Total				**228,932**	**628,165**	**857,097**	**263,141**	**583,512**	**846,653**
Unsecured Loans from third parties									
U.S. Dollar denominated	floating	3.41%	3.34%	17,769	400,251	418,020	23,720	406,242	429,962
U.S. Dollar denominated	fixed	4.41%	7.50%	100,092	77,625	177,717	-	72,931	72,931
Euro denominated	fixed	2.20%	-	-	1,165	1,165	-	-	-
Total				**117,861**	**479,041**	**596,902**	**23,720**	**479,173**	**502,893**
				346,793	**1,107,206**	**1,453,999**	**286,861**	**1,062,685**	**1,349,546**

	Type of rate	Actual interest rate at 30 June 2015	30 June 2015 Current	Non-current	Total
			US$'000	US$'000	US$'000
Secured loans from third parties					
U.S. Dollar denominated	floating	3.67%	281,310	310,617	591,927
Total			**281,310**	**310,617**	**591,927**
Unsecured Loans from third parties					
U.S. Dollar denominated	floating	3.06%	23,692	417,769	441,461
U.S. Dollar denominated	fixed	6.90%	319,076	30,069	349,145
Euro denominated	fixed	-	-	-	-
Total			**342,768**	**447,838**	**790,606**
			624,078	**758,455**	**1,382,533**

In the period ended 30 June 2016, the Group has drawn down a total of US$ 516.6 million and repaid US$ 414.3 million, with a net drawdown of US$ 102.3 million.

The table below summarises maturities of borrowings:

	30 June 2016	31 December 2015	30 June 2015
	US$'000	US$'000	US$'000
Period ended, 30 June 2016	-	-	624,078
31 December 2016	-	286,861	134,231
Period ended, 30 June 2017	346,793	82,312	82,312
31 December 2017	88,889	74,847	49,687
31 December 2018	724,502	669,229	459,721
31 December 2019	276,569	220,089	25,826
31 December 2020	17,246	16,208	6,678
Total	**1,453,999**	**1,349,546**	**1,382,533**

20. COMMITMENTS AND CONTINGENCIES

Operating Environment

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

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

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

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

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

The UK held a referendum on 23 June 2016 on whether it should remain a member of the European Union ("EU"). This resulted in a vote in favour of leaving the EU, which has given rise to uncertainty regarding the long-term relationship between the UK and the EU as well as the nature and timing of any agreement with the EU.

The Board has considered the potential risks associated with the UK's exit from the EU and conclude that the result of the referendum does not have a significant impact on the Group. In its assessment it notes that the Group does not have any significant operations within EU member states and all of its major customers are also situated outside of Europe. The majority of its transactions are denominated in USD, RUB, KZT and ARM. Therefore the recent volatility in the GBP and EUR has not, and is not expected to have a significant impact on the Group.

The Board will continue to monitor the situation carefully but does not believe that there will be any significant short- or long-term implications if or when the UK leaves the EU.

Taxation

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

Management has identified a total exposure (covering taxes and related interest and penalties) of approximately US$ 29.4 million in respect of contingent liabilities (31 December 2015: US$ 46.4 million; 30 June 2015: US$ 20.9 million) which relate to which relate to the possible incorrect calculation of the technical losses exempt from mining tax and other tax exposures.

21. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

At 30 June 2016, the Company's issued share capital consisted of 426,233,460 ordinary shares of no par value, each carrying one vote (31 December 2015: 424,650,138 ordinary shares; 30 June 2015: 423,031,984).

The movements in stated capital account during the six months ended 30 June 2016 were as follows:

	Stated capital account, no. of shares	Stated capital account, US$'000
Balance at 31 December 2015	**424,650,138**	**1,969,125**
Issue of shares for Kapan	1,481,785	15,233
Issue of shares in accordance with Deferred Share Awards plan	101,537	937
Balance at 30 June 2016	**426,233,460**	**1,985,295**

The Company does not hold any ordinary shares in treasury. The ordinary shares reflect 100% of the total issued share capital of the Company.

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. As Russian, Kazakh and Armenian legislation identifies the basis of distribution of the dividends as accumulated profit, the ability to distribute cash up to the Company from the Russian, Kazakh and Armenian operating companies will be based on the statutory historical information of each stand-alone entity. Statutory financial statements in the Russian Federation are prepared in accordance with Russian accounting standards which differs from IFRS, while Kazakhstan and Armenia have adopted IFRS from 1 January 2006 and 1 January 2011, respectively. However, current legislation and other statutory regulations dealing with distribution rights are open to legal interpretation; consequently, actual distributable reserves may differ from the amount of accumulated profit in accordance with statutory financial statements.

22. FAIR VALUE ACCOUNTING

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2016, 31 December 2015 and 30 June 2015, the Group held the following financial instruments:

	30 June 2016 000'$			
	Level 1	**Level 2**	**Level 3**	**Total**
Receivables from provisional copper, zinc, gold and silver concentrate sales	-	43,852	-	**43,852**
Contingent consideration liability	-	-	(51,436)	**(51,436)**
	-	**43,852**	**(51,436)**	**(7,584)**

	31 December 2015 000'$			
	Level 1	**Level 2**	**Level 3**	**Total**
Receivables from provisional copper, zinc, gold and silver concentrate sales	-	12,219	-	**12,219**
Contingent consideration liability	-	-	(26,158)	**(26,158)**
	-	**12,219**	**(26,158)**	**(13,939)**

	30 June 2015 000'$			
	Level 1	**Level 2**	**Level 3**	**Total**
Receivables from provisional copper, zinc, gold and silver concentrate sales	-	23,781	-	**23,781**
Share repurchase obligation			(291,395)	**(291,395)**
Contingent consideration liability	-	-	(17,580)	**(17,580)**
	-	**23,781**	**(308,975)**	**(285,194)**

During the reporting periods, there were no transfers between Level 1 and Level 2.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and short-term debt recorded at amortised cost approximate to their fair values because of the short maturities of these instruments.

The estimated fair value of the Group's debt, calculated using the market interest rate available to the Group as at 30 June 2016, is US$ 1,350 million, and the carrying value as at 30 June 2016 is US$ 1,454 million (see Note 19).

Carrying values of the other long-term loans provided to related parties as at 30 June 2016, 31 December 2015 and 30 June 2015 are approximated to their fair values.

Receivables from provisional copper, zinc, gold and silver concentrate sales

The fair value of receivables arising from copper, gold and silver concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted forward price from the exchange that is the principal active market for the particular metal. As such, these receivables are classified within Level 2 of the fair value hierarchy.

Presented below is a summary of the Group's receivables from provisional copper, zinc, gold and silver concentrate sales recorded on the consolidated balance sheet at fair value.

	Consolidated balance sheet location	30 June 2016 000'$	31 December 2015 000'$	30 June 2015 000'$
Receivable from provisional copper, zinc, gold and silver concentrate sales	Accounts receivable	43,852	12,219	23,781

	Location of gain (loss) recorded in profit or loss	Six months ended 30 June 2016 000'$	Six months ended 30 June 2015 000'$	Year ended 31 December 2015 000'$
Receivable from provisional copper, zinc, gold and silver concentrate sales	Revenue	9,069	(2,479)	(6,348)

Contingent consideration liabilities

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in JSC Omolon Gold Mining Company (Omolon). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the life-of-mine revenues with the resulting gain or loss recognised in the consolidated income statement. The liability recognised at 30 June 2016 was US$ 15.8 million, including current portion of US$2.3 million.

During the year ended 31 December 2014 the Group completed the acquisition of Altynalmas Gold Ltd, the holding company for the Kyzyl gold project in Kazakhstan. The fair value of the related contingent consideration liability was estimated using the Monte Carlo model. The liability was revalued at the 30 June 2016 using the same method with updated inputs as of reporting date and amounts to US$ 13.6 million.

During the year ended 31 December 2015 the Group the recorded a contingent consideration liability related to the acquisition of 100% interest in Primorskoye. Deferred conditional cash consideration, which will be determined as the highest of US$ 13,333 per tonne of contained silver equivalent (translating into US$ 0.415 per silver equivalent ounce) based on the audited reserves estimate of the deposit, and US$8 million, was revalued at 30 June 2016 at US$7.6 million.

During the year ended 31 December 2015 the Group completed the acquisition of LV Gold Mining, the company owning the Lichkvaz exploration licence in Armenia. The fair value of the related contingent consideration liability is calculated using a valuation model which simulates expected production of metals and future gold, silver and copper prices to estimate future value of the metals in the actually extracted ore. The liability recognised at 30 June 2016 was US$ 5.9 million.

During the year ended 30 June 2016 the Group completed the acquisition of DPMK, the company owning the Kapan licence and processing plant in Armenia (Note 2). The seller is entitled to receive a 2% NSR (Net Smelter Return) royalty on future production from the Kapan Gold Mine capped at US$ 25 million At the acquisition date, the fair value of the contingent consideration was estimated at US$ 8.7 million as described in Note 2, including current portion of US$ 0.7 million.

The table below sets forth a summary of changes in the fair value of the Group's Level 3 financial liabilities for the year ended 31 December 2015:

	30 June 2016					
	Omolon	Kyzyl	Primorskoye	Lichkvaz	Kapan	Total
	000'$	000'$	000'$	000'$	000'$	000'$
1 January 2016	13,779	184	7,233	5,422	-	26,618
Business combination (Note 2)	-	-	-	-	8,708	8,708
Change in fair value, included in profit or loss	2,831	13,368	-	467	-	16,666
Unwinding of discount	-	-	319	-	-	319
Settlement	(875)	-	-	-	-	(875)
Total contigent consideration	**15,735**	**13,552**	**7,552**	**5,889**	**8,708**	**51,436**
Less current portion of contingent consideration liability	(2,321)		(7,552)	-	(664)	(10,537)
	13,414	**13,552**	**-**	**5,889**	**8,044**	**40,899**

23. RELATED PARTIES

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

As of 30 June 2016 outstanding balances owed to or from related parties comprised of long-term loans provided to equity method investments amounting to US$ 6.9 million (31 December 2015: US$ 6.0 million; 30 June 2015: US$ 5.0 million), interest receivable in respect of these loans amounting US$ 0.7 million (31 December 2015: US$ 0.6 million; 30 June 2015: US$ 0.4 million) and long-term accounts receivable from sales of fixed assets amounting to US$ 1.8 million (year ended 31 December 2015: nil; period ended 30 June 2015: nil). No other significant transactions with related parties took place during the period ended 30 June 2016 (year ended 31 December 2015: nil; period ended 30 June 2015: nil).

Carrying values of the loans provided to related parties as at 30 June 2016, 31 December 2015 and 30 June 2015 approximated to their fair values.

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

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Six months ended 30 June 2016 US$'000	Six months ended 30 June 2015 US$'000	Year ended 31 December 2015 US$'000
Profit before tax		237,232	157,661	275,825
Adjustments for:				
Depreciation and depletion, recognised in statement of comprehensive income		52,066	71,504	155,835
Write-down of exploration assets and construction in progress		2,350	2,896	8,703
Write-downs/(reversals) of metal inventories to net realisable value	18	(3,609)	19,504	12,976
Write-down of non-metal inventories to net realisable value	18	1,262	274	5,253
Mining taxes, VAT, penalties and accrued interest	10	22,531	(3,247)	(3,712)
Share-based compensation		3,076	1,492	3,809
Finance costs	12	31,375	44,951	80,704
Finance income		(674)	(3,549)	(4,889)
Loss on disposal of property, plant and equipment	10	114	754	1,246
Rehabilitation expenses		336	(36)	(1,820)
Change in contingent consideration liability		16,666	(512)	(4,246)
Change in allowance for doubtful debts	10	(79)	1,954	6,614
Loss from equity method investments		244	(281)	4,099
Foreign exchange (gains)/losses		(66,317)	9,005	132,870
Change in estimate of environmental obligations		(31)	(183)	(4,266)
Gain on disposal of subsidiary		-	-	(1,205)
Other non-cash expenses		5,004	2,123	5,272
Movements in working capital				
Increase in inventories		(72,249)	(62,077)	(26,084)
Decrease/(increase) in VAT receivable		12,918	(4,057)	(22,784)
(Increase)/Decrease in trade and other receivables		(25,705)	9,050	19,251
Increase in prepayments to suppliers		(27,381)	(13,330)	(12,859)
(Decrease)/Increase in trade and other payables		(3,308)	1,574	21,591
(Decrease)/'Increase in other taxes payable		(15,278)	6,207	6,847
Cash generated from operations		**170,543**	**241,677**	**659,030**
Interest paid		(28,956)	(26,824)	(51,535)
Interest received		263	2,937	2,670
Income tax paid		(77,204)	(42,770)	(120,121)
Net cash generated by operating activities		**64,646**	**175,020**	**490,044**

Significant non-cash transactions during the six months ended 30 June 2016 represent the issuance of shares for business combination amounting to US$ 15.2 million (2015: the issuance of shares for non-controlling interest in Tarutin amounting to US$ 13 million and the issuance of shares amounting to US$ 16.9 million in respect of the acquisition of stake in joint venture and the acquisition of assets).

Cash flow related to capitalised exploration amounts to US$ 17.4 million for six months ended 30 June 2016 and is shown within Property, plant and equipment acquisitions (six months ended 30 June 2015: US$ 25.2 million; year ended 31 December 2015: US$ 41.3 million).

25. SUBSEQUENT EVENTS

On 4 April 2016 Polymetal International plc entered into a binding agreement with Kazzinc LTD, a subsidiary of Glencore plc, for the acquisition of Orion Minerals LLP (“Orion”), the holding company for the Komarovskoye Gold Deposit (“Komarovskoye”) in the Republic of Kazakhstan.

The asset comprises an active open pit mine and a 500 ktpa heap leach facility with grid power available on site. Polymetal aims to mine, deliver by rail and process at Varvara up to 1 Mtpa of ore with potential to increase Varvara’s annual production by approximately 70 Koz at lower cash costs.

The acquisition of Orion was completed on 1 August 2016, following the receipt of all required regulatory approvals.

The management considers that control over Orion was obtained on a date of the deal completion.

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

The consideration transferred includes US$ 100 million payable in cash and an estimated contingent consideration of US$ 16.4 million. The fair value of the contingent consideration was determined based on the LOM model of the Komarovskoye mine and calculated using Monte Carlo modelling. The management considers that the fair value of consideration transferred approximates the fair value of the net assets acquired.

At the date of authorisation of this Report, the purchase price allocation is still being finalized, therefore the fair value of the assets acquired and liabilities assumed at the date of acquisition, the details of contingent consideration and the impact of acquiree on amounts reported in the statement of comprehensive income are not presented in these financial statements.

In the period after 30 June 2016, the Group has signed several finance facility agreements for the total amount of US$ 256 million. On 8 August 2016 US$ 71 million was drawn down and is payable from third quarter 2017; these funds will be used to refinance short-term debt outstanding as of 30 June 2016.

On 17 August 2016 the Group has increased its interest in LLC Vostochny Basis (holder of the licence for the Tarutinskoye copper deposit (Tarutin)) from 50% to 75%. The Group purchased the additional 25% from an unrelated party for a consideration of US$ 13.7 million, payable through the issue of 898,875 new Polymetal International plc shares. The Group has previously determined that LLC Vostochny Basis meets the definition of a subsidiary and consolidated Vostochny Basis LLC as of the reporting date. Increase in ownership in Tarutin was recognised as an acquisition of non-controlling interest and recognised within equity. As of 31 December 2015 and during the six months ended 30 June 2016 Tarutin does not give rise to significant non-controlling interest to be presented within equity, the income statement and the statement of comprehensive income.