

Notice of Annual General Meeting

To be held on Tuesday 30 June 2020

25

Celebrating 25 Years
of Technical and
Gold Mining Expertise



PETROPAVLOVSK

Petropavlovsk PLC

Incorporated in England and Wales
with Registered No. 04343841
11 Grosvenor Place
Belgravia
London
SW1X 7HH

T +44(0)20 7201 8900
Email teamir@petropavlovsk.net

www.petropavlovsk.net

Directors:

Sir Roderic Lyne	Non-Executive Chairman
Ms Fiona Paulus	Chair Designate
Dr Pavel Maslovskiy	Chief Executive Officer
Mr James W. Cameron Jr	Independent Non-Executive Director
Mr Timothy McCutcheon	Independent Non-Executive Director
Mr Damien Hackett	Independent Non-Executive Director
Mr Robert Jenkins	Independent Non-Executive Director
Mr Harry Kenyon-Slaney	Senior Independent Director
Mr Maxim Kharin	Non-Executive Director
Mr Danila Kotlyarov	Chief Financial Officer
Ms Charlotte Philipps	Independent Non-Executive Director
Mrs Ekaterina (Katia) Ray	Independent Non-Executive Director

This document is important and requires your immediate attention

If you are in any doubt about the contents of this document or the action you should take, you are recommended to take advice from a person authorised under the Financial Services and Markets Act 2000 who specialises in advising in connection with shares and other securities.

If you have sold or otherwise transferred all of your shares in Petropavlovsk PLC (**Petropavlovsk** or the **Company**) please send this document to the purchaser or transferee or to the stockbroker, bank, or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of shares in Petropavlovsk you should retain this document and consult the stockbroker, bank or other agent through whom the sale or transfer was affected.

This document gives Notice of the Annual General Meeting, which will be held at 11.00 a.m. on Tuesday 30 June 2020 at the Company's offices, 11 Grosvenor Place, London SW1X 7HH.

As at the date of this document, the UK Government has prohibited public gatherings of more than two people, save in certain limited circumstances. Due to these restrictions it is proposed that the 2020 Annual General Meeting (**AGM**) will be run as a closed meeting, meaning that **shareholders will not be able to attend in person**. Arrangements are being made to enable shareholders to listen to the formal business of the AGM and to participate in a debate on the Company's dividend policy. However, it is emphasised that such participation will not constitute formal attendance at the meeting. There will also be a 'Question and Answer' session for shareholders immediately prior to the AGM. Further details are provided in this document. The Company will ensure that the legal requirements to hold the AGM can be satisfied. All Resolutions for consideration at the Meeting will be decided on a poll rather than a show of hands. The Company notes that, given the evolving nature of COVID-19, the Government may change current restrictions or implement further measures relating to the holding of annual general meetings. Any changes to the arrangements for the AGM will be communicated to shareholders before the meeting through the Company's website www.petropavlovsk.net and, where appropriate, by a Regulatory News Service announcement.

A summary of the action to be taken by shareholders of the Company is set out on page 2 and in the Notice of Annual General Meeting on pages 10 to 12. You will not have received a hard copy proxy form for the 2020 AGM in the post. All shareholders are encouraged to submit their proxy voting appointment electronically at www.signalshares.com or, if you hold shares in CREST, by using the CREST electronic proxy appointment service. The proxy voting instructions must be received by Link Asset Services no later than 11 a.m. on 26 June 2020.

If you need help with voting online, or require a proxy form, please contact the Company's Registrar, Link Asset Services, by email at enquiries@linkgroup.co.uk, or you may call Link Asset Services on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m., excluding public holidays in England and Wales.

Annual General Meeting 2020 (AGM)

Dear Shareholder,

Annual General Meeting 2020 (AGM)

On behalf of the Board of Directors (the **Board**) of Petropavlovsk PLC I am pleased to issue the notice of the eighteenth Annual General Meeting of the Company (**AGM**). The AGM will be held at 11.00a.m. on Tuesday 30 June 2020 at 11 Grosvenor Place, London SW1X 7HH. The formal notice convening the AGM is set out on pages 5 to 6 of this document (the **Notice**).

On 27 May 2020, I announced that I will be retiring at the AGM. I have had the privilege of serving on Boards within the Group for twelve of the past fourteen years. Together with Pavel Maslovskiy and Robert Jenkins, I was asked by shareholders to return in 2018 to help stabilise the Company, revive momentum and restore its reputation in the markets. With these objectives achieved, I asked the Board last autumn to look for a younger successor who could lead the Board through the next phase of its strategy for growth. This process culminated in the appointment of Fiona Paulus who was appointed as a Director and as Chair designate on 27 May 2020.

Having had a distinguished career in investment banking and extensive Board experience, Fiona is superbly equipped for the role. Fiona will be appointed as Non-Executive Chairman at the conclusion of the AGM. I believe that, under the leadership of Fiona Paulus and Pavel Maslovskiy, Petropavlovsk can look ahead to 2020 and beyond with optimism.

This will therefore be the last time that I will have the pleasure of chairing Petropavlovsk's AGM. I much regret that, because of the COVID-19 restrictions, my fellow Directors and I will not on this occasion be able to meet face to face with our shareholders, whose support we have highly appreciated.

Coronavirus and AGM arrangements

We continue to monitor closely the evolving situation and UK Government advice in respect of the coronavirus pandemic (COVID-19) and its effect on the forthcoming AGM as outlined below.

Today, as we publish the notice of AGM, the prohibition of public gatherings of more than two people, save in certain limited circumstances, imposed by the UK Government in March 2020 remains in force. While it is a legal requirement to hold the AGM to pass the essential shareholder resolutions, given these unprecedented circumstances, our AGM proceedings this year will be held on an abridged basis in the interests of shareholder and public health. The health of our shareholders and our employees is of paramount importance to us.

This situation is constantly evolving, and the Company notes that the Government may change current restrictions or implement further measures relating to the holding of annual general meetings. Any changes to the arrangements for the AGM, as detailed in the Notice, will be communicated to shareholders before the meeting through the Company's website www.petropavlovsk.net and, where appropriate, by a Regulatory News Service announcement.

Format and proceedings at the AGM

The AGM will of course comply with legal requirements, but the COVID-19 restrictions regrettably prevent us this year from inviting shareholders to attend in person. To form a quorum under the Company's Articles of Association two shareholders must be present at the AGM. The Company will ensure the necessary quorum is present. All Resolutions for consideration at the AGM will be decided on a poll rather than a show of hands.

The results of voting on all the Resolutions will be announced via the Regulatory News Service and published on the Company's website as soon as possible after the conclusion of the AGM.

Questions and answers

Although shareholders will not be able to attend the AGM in person, shareholder participation is crucial. We encourage shareholders to participate in the business of the AGM by voting by proxy. The Company's AGM normally provides an opportunity for shareholders to ask questions about the business of the AGM and the Company. As it will not be possible to ask questions during the AGM this year, we will provide an opportunity for shareholder engagement immediately prior to the AGM by way of a live conference call which will commence at 9.30 am on 30 June 2020. Details of how to submit questions are provided on page 12 of this document and on our website at www.petropavlovsk.net. We welcome your questions and I look forward to speaking with you on 30 June. The Company will shortly publish details of how shareholders can listen to the formal business of the meeting and participate in both the 'Q&A session' and the debate on the Company's Dividend Policy on its website at www.petropavlovsk.net.

Arrangements are also being made to enable shareholders to listen to the formal business of the AGM and to participate in a debate on the Company's dividend policy. However, it is emphasised that such participation will not constitute formal attendance at the meeting and you will not be able to exercise any rights as a shareholder or vote through these arrangements.

Your participation

Your votes matter. We hope that you will vote on all Resolutions. To this end, I encourage your participation by submitting your votes by voting online in advance of the AGM. **Shareholders are strongly advised to appoint the chair of the AGM as their proxy.**

To Vote online

I would ask you to submit your vote electronically using the Shareportal service at www.signalshares.com. Electronic submissions should be made as soon as possible, but in any event **no later than 11.00 a.m. on 26 June 2020**. If you are not already registered for the share portal, you will need your investor code which can be found on your share certificate.

If you hold shares in CREST, you should submit your vote by using the CREST electronic proxy appointment service as detailed in the Notes to the Notice on page 11.

To Vote by proxy form

If you require a proxy form, please contact the Company's Registrar, Link Asset Services, by email at enquiries@linkgroup.co.uk, or you may call Link Asset Services on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m., excluding public holidays in England and Wales.

The deadline for the receipt of proxy votes is 11.00a.m. on 26 June 2020.

Resolutions

The Notice sets out the same or similar business as for previous AGMs of the Company except that:

- Resolution 3 seeks approval for a revised Directors' Remuneration Policy (the **Revised Policy**). The Revised Policy can be found on pages 158 to 165 of the 2019 Annual Report. In accordance with remuneration reporting rules, this is a binding vote;
- Resolution 4 seeks approval for a new long-term incentive plan. The Company's former long-term incentive plan, approved by shareholders in 2009, expired in 2019. The Company is therefore proposing to adopt a new long-term incentive plan, the Petropavlovsk PLC Long-Term Incentive Plan 2020 (the **LTIP**). The principal features of the LTIP are set out in Appendix I to this Notice on pages 16 to 18; and
- Resolution 18 seeks approval of certain amendments to the Company's Articles of Association (the **New Articles**), to reflect developments in technology, to update some references to legislation and to clarify some administrative matters. In addition, due to the further strengthening of the Board by the appointment of additional Independent Non-Executive Directors, the Company is seeking to increase the maximum aggregate sum that Directors may receive by way of fees. It is proposed that the Existing Articles be amended to provide that the aggregate maximum fee payable to Directors be increased from £1 million to £1.5 million. The Company does not propose to increase Non-Executive Director fees during 2020, however the Company considers that it would be prudent to revise the Articles in this respect. If the resolution is passed, the New Articles will be adopted. A summary of the proposed amendments to the articles of association can be found on page 19 of this document. The full terms of the proposed amendments are available on the Company's website at www.petropavlovsk.net and as detailed on page 12.

Further explanation of these resolutions and all other business to be considered at this year's AGM is set out on pages 7 to 9 of this document.

Directors' recommendation

The Board considers that each of the Resolutions to be proposed at the AGM would promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders vote in favour of each of the Resolutions, as they intend to do in respect of their own shareholdings.

Dividend Policy

Prosperity Capital Management, through the legal owner of its shares, have made a shareholder's request under section 338A of the Companies Act 2006 for an addition of another item of business to the agenda of the Annual General Meeting. Prosperity have proposed that Petropavlovsk should adopt a formal dividend policy with the objective of achieving a regular payout of 50% of underlying net earnings on a semi-annual basis, subject to a hard ceiling of a Net Debt/Adjusted EBITDA ratio lower than 2.0x; and of making an annual special dividend payment. The full text of Prosperity's request and its statement setting out the grounds for its request is attached to this notice at Appendix VI.

The Board of Directors has considered the proposal. Under the Company's Articles, responsibility rests with the Board for recommending such dividend payments as appear to be justified by the profits of the Company available for distribution. The Board has welcomed the initiative by Prosperity Capital Management and agrees that it is timely for Petropavlovsk to define a dividend policy, while emphasising that decisions on the payment of dividends under the policy cannot be taken until a later date and in the light of distributable reserves available and other relevant criteria. The Board's position on this proposal is attached to this notice at Appendix V.

In accordance with section 338A as part of the formal business of the meeting, shareholders will be invited to debate Prosperity's proposal after the voting on Resolutions 1 to 21. The proposal will not be put to a vote, but the Board will both explain its current position to shareholders and take careful account of their views. In the light of discussion at the AGM the Board will finalise and publish Petropavlovsk's dividend policy.

The Annual General Meeting remains an important function for the Company's shareholders to communicate with their Board and my fellow Directors look forward to next year when we should be able to resume our usual AGM arrangements.

On behalf of the Board, I thank you for your continued support.



Sir Roderic Lyne
Non-Executive Chairman

5 June 2020

Annual General Meeting 2020 (AGM) continued

Shareholder conference call: Commencing at 9.30 a.m. on 30 June 2020

As stated in the Chairman's letter the Company is arranging a conference call to provide an opportunity for shareholder engagement immediately prior to the AGM. It is proposed that the Chairman will be joined on the conference call by a number of his fellow Directors, including Dr Pavel Maslovskiy, Chief Executive Officer, Mr Danila Kotlyarov, Chief Financial Officer, Mr Harry Kenyon-Slaney, Senior Independent Director and Chair of the Company's Safety, Sustainability and Workforce Committee and Mr Robert Jenkins, Chair of the Company's Audit and Remuneration Committees.

We would ask shareholders to submit their questions in advance and by no later than 11 a.m. on 26 June 2020 via email to teamir@petropavlovsk.net or by post addressed to Amanda Whalley, Company Secretary, Petropavlovsk PLC, 2nd Floor, 11 Grosvenor Place, London SW1X 7HH.

The Board will endeavour to answer as many questions as possible. Subject to time constraints there may also be an opportunity for shareholders to ask questions to our Directors and members of our Executive team during this session.

Following this session, shareholders will be able to listen to the formal business of the meeting which will be conducted by Sir Roderic Lyne, Non-Executive Chairman and to participate in the additional formal business of the meeting being a debate on the Company's Dividend Policy which has been proposed by Prosperity Capital Management as detailed on pages 3 and 20

The Company will shortly publish details of how shareholders can listen to the formal business of the meeting and participate in both the 'Q&A session' and the debate on the Company's Dividend Policy on its website at www.petropavlovsk.net. Shareholders can also contact the Company's IR Department at teamIR@petropavlovsk.net or the Company Secretary at aw@petropavlovsk.net if they have any questions regarding these arrangements. Shareholders should note that participation in such facilities will not constitute formal attendance at the meeting and shareholders will not be able to exercise any of their rights as shareholders, including the right to vote, through this facility.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighteenth Annual General Meeting of Petropavlovsk PLC will be held at 11.00a.m. on Tuesday 30 June 2020 at the Company's offices at 11 Grosvenor Place, London SW1X 7HH (the **Notice**) for the following business:

Ordinary Business:

To consider and, if thought fit, to pass the following ordinary resolutions:

- 1 To receive the financial statements of the Company and the reports of the directors and auditor for the year ended 31 December 2019.
- 2 To approve the Directors' Remuneration Report set out on pages 156 to 174 (inclusive) (other than the part containing the Directors' Remuneration Policy) of the Annual Report and Accounts for the year ended 31 December 2019.
- 3 To approve the Director's Remuneration Policy set out on pages 158 to 165 (inclusive) of the Annual Report and Accounts for the year ended 31 December 2019.
- 4 To resolve that the rules of the Petropavlovsk PLC Long-Term Incentive Plan 2020 (the **LTIP**), the principal terms of which are summarised in Appendix I to this notice, and a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification, be approved and the directors be authorised to do all things necessary to operate the LTIP, including making such modifications as the directors consider appropriate to take account of the requirements of the Financial Conduct Authority and best practice.
- 5 To appoint PricewaterhouseCoopers LLP as auditor of the Company for the ensuing year.
- 6 To authorise the Directors to determine the remuneration of the auditor.
- 7 To elect Ms Charlotte Philipps, who retires pursuant to Articles 80 and 84 of the Company's Articles of Association and who, being eligible, offers herself for appointment as a Director of the Company.
- 8 To elect Mrs Ekaterina Ray, who retires pursuant to Articles 80 and 84 of the Company's Articles of Association and who, being eligible, offers herself for appointment as a Director of the Company.
- 9 To elect Mr Danila Kotlyarov, who retires pursuant to Articles 80 and 84 of the Company's Articles of Association and who, being eligible, offers himself for appointment as a Director of the Company.
- 10 To elect Mr Maxim Kharin, who retires pursuant to Articles 80 and 84 of the Company's Articles of Association and who, being eligible, offers himself for appointment as a Director of the Company.
- 11 To elect Ms Fiona Paulus, who retires pursuant to Articles 80 and 84 of the Company's Articles of Association and who, being eligible, offers herself for appointment as a Director of the Company.
- 12 To elect Mr Timothy McCutcheon, who retires pursuant to Articles 80 and 84 of the Company's Articles of Association and who, being eligible, offers himself for appointment as a Director of the Company.

13 To re-elect Dr Pavel Maslovskiy as a Director of the Company.

14 To re-elect Mr James W. Cameron Jr as a Director of the Company.

15 To re-elect Mr Damien Hackett as a Director of the Company.

16 To re-elect Mr Harry Kenyon-Slaney as a Director of the Company.

17 To re-elect Mr Robert Jenkins as a Director of the Company.

Special Business:

Special Resolution

To consider and, if thought fit, to pass the following special resolution:

- 18 THAT the New Articles produced to the Meeting and initialled by the Chairman for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of the Existing Articles.

Ordinary Resolution

To consider and if, thought fit, to pass the following ordinary resolutions:

- 19 To resolve that in substitution for all subsisting authorities to the extent unused the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the **Act**) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £11,034,000. The authority hereby conferred on the Directors shall expire at the conclusion of the Annual General Meeting of the Company in 2021 or 30 June 2021, whichever is earlier save that the Company may after the date of the passing of this resolution before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
- 20 Notwithstanding, and in addition to, the authority in Resolution 19, to resolve that the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the **Act** to exercise all the powers of the Company to allot shares up to an aggregate nominal amount of £22,068,000 (such amount to be reduced by any shares allotted or rights granted under the authority granted pursuant to Resolution 19) in connection with an offer by way of a rights issue:
 - (i) To ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) To holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any

territory or the requirements of any regulatory body or stock exchange or any other matter.

The authority hereby conferred on the Directors shall expire at the conclusion of the Annual General Meeting of the Company in 2021 or 30 June 2021, whichever is earlier save that the Company may after the date of the passing of this resolution before such expiry make an offer by way of a rights issue which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

- 21 THAT a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

Additional Special Business

Pursuant to the request received under section 338A of the Companies Act 2006 to debate the adoption of a dividend policy of Petropavlovsk PLC which would state the following:

- Regular payout ratio is 50% of underlying net earnings (net earning adjusted for non-cash foreign gains/losses and impairment charges) for the period on a semi-annual basis, subject to a hard ceiling of Net debt / Adjusted EBITDA ratio below 2.0x.,
- After the end of each financial year, the Board considers a special dividend payment, based, among other factors, on the Company's available free cash flow (post regular dividends), forward-looking financial projections, market outlook and other investment requirements.

By Order of the Board:



Amanda Whalley, ACIS
Company Secretary

Petropavlovsk PLC
11 Grosvenor Place
Belgravia
London SW1X 7HH

Registered Number: 04343841

5 June 2020

Explanatory Notes to the Notice of Annual General Meeting

Resolution 1: Receipt of the Report and Accounts

The Directors must lay before the shareholders the accounts of the Company for the financial year ended 31 December 2019, the Strategic Report, the Directors' Report and the Independent Auditor's Report on those accounts and on those parts of the Directors' Remuneration Report which had been audited.

Resolution 2: Remuneration Report

The Directors' Remuneration Report can be found on pages 156 to 174 of the 2019 Annual Report. The vote is an advisory one (that is, the contents of the report will not change as a result of the vote and no Director's remuneration is conditional upon passing the resolution).

Resolution 3: Remuneration Policy

The Remuneration Policy is set out on pages 158 to 165 of the Annual Report. The new Policy represents a refinement of the existing Policy rather than a significant reshape. The Committee has ensured that the proposed revised Policy and practices remain consistent with the six principles set out in Provision 40 of the UK Corporate Governance Code published in July 2018. Specifically, the Policy is clear, simple, well understood by our executives, and clearly communicated to our shareholders. The Remuneration Committee has undertaken a consultation with selected major shareholders on the proposed revisions to the Policy.

The main changes are as follows:

- Long-Term Incentive Plan ('LTIP')
The maximum annual award under the LTIP will be increased from 100% to 150% of salary, with the size of any actual award determined annually based on the business circumstances at the time and at the Committee's discretion. The revised maximum will apply under all circumstances, including recruitment. The level of vesting at 'threshold' (expected performance) will be reduced from 30% to 25% of maximum.
- Annual bonus
The maximum opportunity under the annual bonus will be increased to 150% of salary (from 100% currently), to help ensure the overall remuneration package is appropriately focused on variable pay elements and is competitive with that of sector comparators. The revised maximum will apply under all circumstances, including recruitment. The pay-out at target will be reduced from 50% to 30% of maximum. One-third of any bonus earned will be deferred in Company shares for a period of three years. Malus and clawback provisions will apply for a period of up to two years following vesting.
- Post-termination shareholding requirement in line with current best practice
A post-termination shareholding requirement for Executive Directors will be introduced as part of the proposed Policy. Executive Directors will normally be expected to maintain a holding of Company shares at a level equal to the in-post shareholding guideline (being 150% of salary) for a period of two years from the date the individual ceases to be a Director. The specific application of this requirement will be at the Committee's discretion but will apply to share awards granted under the Policy from the 2020 financial year. There will be no requirement to hold shares post-termination which have been purchased independently by the executive.

In accordance with remuneration reporting rules, this is a binding vote.

If the proposed Directors' Remuneration Policy is approved, it will remain valid for a period of three years. Shareholder approval must be renewed at least every three years, so a Remuneration Policy will be put to shareholders again no later than the AGM in 2023. If the Company wishes to amend the Policy, it will need to put the revised Policy to a shareholder vote before it can implement the revised Policy.

If shareholders do not approve the proposed Policy for any reason, the Company will, to the extent permitted by the Companies Act 2006, continue to make payments to Directors under the Directors Remuneration Policy approved on 29 June 2018 and will seek shareholder approval for a revised Policy by the 2021 AGM.

Resolutions 4: Long-Term Incentive Plan

The Company's long-term incentive plan, approved by shareholders in June 2009, expired in June 2019.

The Company is therefore proposing to adopt a new long-term incentive plan, the Petropavlovsk PLC Long-Term Incentive Plan 2020 (the **LTIP**).

The LTIP is intended to operate on materially the same basis as the Company's current long-term incentive arrangements, but in light of developments and best practice in corporate governance and investor guidance, including revisions to the UK Corporate Governance Code, the rules have been reviewed and updated. The updates to the rules are also in line with the proposed new Directors' remuneration policy referred to in connection with Resolution 3 above.

The operation of the LTIP will, in respect of executive directors of the Company, be subject to the terms of the Directors' Remuneration Policy as approved by shareholders from time to time.

The principal features of the LTIP are set out in Appendix I to this Notice on pages 16 to 18.

A copy of the draft rules of the LTIP will be available for inspection at the offices of Bryan Cave Leighton Paisner LLP, Governor's House, 5 Laurence Pountney Hill, London EC4R 0HH during normal business hours (except Saturdays, Sundays and public holidays and are available for inspection to the extent permissible by the current UK Government guidance on social distancing) up to and including the date of the AGM.

Copies of the rules will also be available for inspection at the place of the AGM for at least 15 minutes prior to, and during, the meeting.

Explanatory Notes to the Notice of Annual General Meeting continued

Resolution 5 and 6: Auditors

Following the conclusion of a tender process led by the Audit Committee, the Directors recommend the appointment of PricewaterhouseCoopers LLP. Resolution 5 is an ordinary resolution to appoint PricewaterhouseCoopers LLP as auditor, to hold office from, and including, the financial year ending 31 December 2020. Details of the tender process can be found on page 153 of the Annual Report.

The Company's current auditor, Deloitte LLP, did not participate in the tender process. Deloitte LLP has given a statement of circumstance in connection with their ceasing to hold office as auditor as required by the Companies Act 2006, a copy of which is included as Appendix II.

Resolution 6 is a separate resolution which proposes to grant authority to the Board to determine the auditor's remuneration.

Resolutions 7 to 12: Election of new directors

The Company's Articles of Association require a third of all Directors to submit themselves to retire by rotation at every AGM or, in the case of a Director appointed since the last AGM he/she must retire and submit himself/herself for election at the AGM. However, the UK Corporate Governance Code recommends that all directors should be subject to annual re-election. In accordance with the UK Corporate Governance Code each of the Directors is choosing to retire voluntarily at the AGM and, being eligible, submits themselves for re-election or election pursuant to Resolutions 7 to 17 (inclusive).

Ms Charlotte Philipps and Mrs Katia Ray were both appointed to the Board as Independent Non-Executive Directors on 8 November 2019.

Messrs Danila Kotlyarov and Maxim Kharin were both appointed to the Board on 21 April 2020.

Mr Kotlyarov was appointed as Chief Financial Officer of the Company and a member of the Executive Committee in February 2020 prior to his appointment as a Director.

Mr Maxim Kharin was appointed a Non-Executive Director as a nominee of the Company's new major shareholder, Uzhuralzoloto Group of Companies ("Uzhuralzoloto"). The Company has entered into a formal Relationship Agreement with Uzhuralzoloto and its beneficial shareholder which governs the rights of Uzhuralzoloto, its beneficial holder and the Company and manages any potential conflicts.

Ms Fiona Paulus and Mr Timothy McCutcheon were appointed as Independent Non-Executive Directors on 27 May 2020. Subject to her election as a Director at the AGM, Ms Paulus will be appointed as Non-Executive Chairman upon the conclusion of the AGM.

Biographical details of the above Directors, setting out the skills and experience that enable each Director to contribute to the Company's long-term success are set out on pages 14 to 15 and may assist shareholders to take an informed decision on their election.

Resolutions 13 to 17: Re-election of directors

The Board believes that the performance of each Director continues to be effective and to demonstrate commitment to the role, including commitment of time for Board and Committee meetings and any other duties. The skills and experience that each Director brings and how their contribution continues to be important to the Company is contained within their biographical details on pages 13 to 15 of this document.

The key strengths of the Board include its effective balance of skills and experience, diversity of background, and nationalities, and understanding of the Group's business, all of which enable it to perform effectively.

The Board continues to believe that it benefits substantially from the individual and collective experience and expertise of its Directors. Accordingly, your Board believes that the election or re-election of each of the Directors is in the best interests of your Company.

Resolution 18: Adoption of new Articles of Association

It is proposed that the Company adopt new Articles of Association (the **New Articles**) to update the Company's current Articles, which were adopted on 26 February 2015 (the **Existing Articles**), primarily to reflect developments in technology and best market practice and changes in law, as well as to provide additional clarification and flexibility. In addition, due to the further strengthening of the Board by the appointment of additional Independent Non-Executive Directors, the Company is seeking to increase the maximum aggregate sum that Directors may receive by way of fees. It is proposed that the Existing Articles be amended to provide that the aggregate maximum fee payable to Directors of not exceeding £1 million be increased to £1.5 million. The Company does not propose to increase Non-Executive Director fees during 2020, however the Company considers that it would be prudent to revise the Articles in this respect.

Given the extent of the changes, the Company proposes to adopt entirely New Articles (rather than make amendments to the Existing Articles). Set out in Appendix III is a summary of the principal changes to the Existing Articles (all references are to the New Articles). Other changes, which are of a minor, technical or clarifying nature have not been noted in Appendix III. The New Articles are available for inspection, as noted on page 12, at the offices of Bryan Cave, Leighton, Paisner LLP, Governor's House, 5 Laurence Pountney Hill, London EC4R 0HH during normal business hours (except Saturdays, Sundays and public holidays and are available for inspection to the extent permissible by the current UK Government guidance on social distancing) up to and including the date of the AGM. The New Articles will also be available for inspection at the place of the AGM for at least 15 minutes prior to, and during, the meeting. A copy will also be available on the Company's website at www.petrodavlovsk.net.

Resolution 19 and 20: Renewal of the power of the Board to allot shares

Resolution 19 would give the Directors the authority to allot ordinary shares of the Company up to an aggregate nominal amount equal to £11,034,000. This amount represents approximately one-third of the Company's issued share capital as at 2 June 2020, the latest practicable date before the publication of this Notice.

In line with the most recent guidance on share capital management, issued by the Investment Association, Resolution 20 would, in addition to the authority proposed by Resolution 19, give the Directors the authority to allot ordinary shares in connection with a rights issue in favour of ordinary shares up to £22,068,000 including any shares issued under the authority provided by Resolution 19. This amount represents approximately 66.6% of the Company's issued ordinary shares capital as at 2 June 2020, the latest practicable date before the publication of this Notice and any shares issued pursuant to the authority in Resolution 19 will reduce the number of shares which can be issued pursuant to the authority in Resolution 20.

The Directors have no present intention to exercise the authority sought under either Resolution 19 and or Resolution 20, except under Resolution 19, to satisfy share awards under the Company's Long-Term Incentive Plan.

The authorities sought under Resolutions 19 and 20 will expire at the conclusion of the Annual General Meeting in 2021 or on 30 June 2021, whichever is sooner. The Directors expect to continue to seek to renew both of these authorities at each Annual General Meeting, in accordance with current best practice. As at the date of this Notice, no shares are held by the Company in treasury.

Resolution 21: Notice period for general meetings, other than an annual general meeting

The Companies (Shareholders' Rights) Regulations 2009 specify that the notice period required for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days and the Company offers the facility for all shareholders to vote by electronic means. Resolution 21 seeks such approval. AGMs will continue to be held on at least 21 clear days' notice. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Additional Special Business

Prosperity Capital Management have made a shareholder's request under section 338A of the Companies Act 2006 for an addition to the formal business of the Annual General Meeting. Prosperity have proposed that Petropavlovsk should adopt a dividend policy which would state the following:

- Regular payout ratio is 50% of underlying net earnings (net earning adjusted for non-cash foreign gains/losses and impairment charges) for the period on a semi-annual basis, subject to a hard ceiling of Net debt / Adjusted EBITDA ratio below 2.0x.,
- After the end of each financial year, the Board considers a special dividend payment, based, among other factors, on the Company's available free cash flow (post regular dividends), forward-looking

financial projections, market outlook and other investment requirements.

The full text of Prosperity's request and its statement setting out the grounds for the request is attached to this notice at Appendix VI.

The Board of Directors has considered the proposal. Under the Company's Articles, responsibility rests with the Board for recommending such dividend payments as appear to be justified by the profits of the Company available for distribution. The Board has welcomed the initiative by Prosperity Capital Management and agrees that it is timely for Petropavlovsk to define a dividend policy, while emphasising that decisions on the payment of dividends under the policy cannot be taken until a later date and in the light of distributable reserves and other relevant criteria. The Board's position on this proposal is attached to this notice at Appendix V.

In accordance with section 338A, shareholders will be invited to debate Prosperity's proposal after the voting on Resolutions 1 to 21. The proposal will not be put to a vote, but the Board will both explain its current position to shareholders and take careful account of their views. In the light of discussion at the AGM the Board will finalise and publish Petropavlovsk's dividend policy.

Further Information about the AGM

1. Entitlement to attend and vote

Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) (as amended) and for the purposes of section 360B of the Companies Act 2006 (the Act), the Company has specified that only those members registered on the register of members of the Company at close of business on 26 June 2020 or if the meeting is adjourned, on the day which is two days prior to the time of the adjourned meeting shall be entitled to attend and vote at the AGM in respect of the number of ordinary shares registered in their name at that time. Changes to the register of members after close of business on 26 June 2020 shall be disregarded in determining the rights of any person to attend and vote at the AGM.

In light of the Covid-19 pandemic situation, it is currently expected that no shareholders, proxies or corporate representatives will be permitted to attend the AGM in person. Participation in any audio or audio-visual facilities at the AGM will not constitute formal attendance at the meeting and shareholders will not be able to exercise any of their rights as shareholders, including to vote, through such facility.

2. Appointment of proxies

- (i) Every member entitled to attend and vote at the AGM has the right to appoint some other person(s) of their choice, who need not be a member, as his/her proxy to exercise all or any of his/her rights, to attend, speak and vote on their behalf at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
- (ii) You will not have received a hard copy proxy form for the AGM in the post. You can instead submit your proxy vote electronically by accessing the shareholder portal at www.signalshares.com, logging in and selecting the 'Vote Online Now' link. You will require your username and password in order to log in and vote. If you have forgotten your username or password, you can request a reminder via the shareholder portal. If you have not previously registered to use the portal you will require your investor code (IVC) which can be found on your share certificate or dividend notification. Proxy votes should be submitted as early as possible and, in any event, no later than 11 a.m. on Friday 26 June 2020. You may request a hard copy proxy form directly from the Registrars, Link Asset Services by emailing enquiries@linkgroup.co.uk or by post at Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. To be valid, any hard copy proxy form must be received by post or (during normal business hours only) by hand at the Company's registrars, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11 a.m. on Friday 26 June 2020.

Amended instructions must also be received by the Company's Registrars by the deadline for receipt of proxy forms.

- (iii) To be effective, the electronic appointment of a proxy for the meeting and any power of attorney or other authority under which the proxy appointment is made must be received by Company's registrars not later than 11 a.m. on 26 June 2020 or not less than 48 hours (excluding any part of a day that is Saturday, Sunday or a public holiday) before the time appointed for the AGM or any adjourned AGM or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the

taking of the poll at which it is to be used. Please note that any electronic communication sent to the Company or to the Shareportal Service that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the AGM is governed by the Shareportal Service's conditions of use set out on the website www.signalshares.com and may be read by logging on to that site. If you want to appoint more than one proxy electronically, please contact the Company's registrar on the Link Telephone Helpline on 0371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Link Asset Services Telephone Helpline is open between 9.00a.m. - 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

- (iv) If you hold shares in CREST you can vote by using the CREST electronic proxy appointment service. Further details on how to do this are set out in paragraph 3 below.
- (v) The submission of a proxy vote (online or through CREST) or the return of a hard copy proxy form will not prevent you attending the AGM and voting in person should you wish.

However, in light of the UK Government's current guidance on social distancing, proxies other than the Chairman of the AGM will not be admitted to the AGM in person while such measures prohibit their attendance, therefore members appointing a proxy are strongly encouraged to appoint the Chairman of the AGM to be their proxy in order that their proxy vote can be counted.

- (vi) Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (the Act) (a **Nominated Person**) should note that the provisions in this Notice concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting.

If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

3. Electronic proxy voting through CREST

- (i) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 30 June 2020 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (ii) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID number RA10) by the latest time(s) for receipt of proxy appointments, together with any power of attorney or other authority under which it is sent. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (iii) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).
- (iv) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended). For further information relating to the CREST proxy system, please refer to the CREST Manual.

4. Voting rights

- (i) As at 2 June 2020, being the latest practicable date before the publication of this Notice of AGM, the Company's issued capital consisted of 3,310,210,281 ordinary shares. The total voting rights in the Company as at 2 June 2020 are 3,310,210,281 ordinary shares.
- (ii) If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

5. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member (provided, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of those same shares, they vote those shares in the same way). To be able to attend and vote at the meeting, corporate representatives will be required to produce, prior to their entry to the meeting, evidence satisfactory to the Company of their appointment. Please note, however, that if multiple corporate representatives purport to vote the same block of shares in different ways, they will be treated as not having voted. In addition, due to the UK Government's current guidance on social distancing the AGM will be a closed meeting and admission restricted.

It is currently expected that no corporate representatives will be permitted to attend the AGM in person.

Further Information about the AGM continued

6. Website publication of audit concerns

Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

- (i) The audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or
- (ii) Any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act.

The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

7. Questions

Under section 319A of the Companies Act 2006, a shareholder attending the meeting has the right to ask questions in relation to the business of the meeting. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a shareholder attending the AGM. However, members should note that no answer need be given in the following circumstances:

- (i) If to do so would interfere unduly with the preparation of the AGM or would involve a disclosure of confidential information;
- (ii) If the answer has already been given on a website in the form of an answer to a question; or
- (iii) If it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

However, this year, in light of the UK Government's current guidance on social distancing, shareholders will not be able to attend the AGM in person. As it will not be possible to ask questions during the AGM this year, the Company will provide an opportunity for shareholder engagement immediately prior to the AGM by way of a live conference call which will commence at 9.30 am on 30 June 2020.

Shareholders should submit their questions in advance and by no later than 11 a.m. on 26 June 2020 via email to teamir@petropavlovsk.net or by post addressed to Amanda Whalley, Company Secretary, Petropavlovsk PLC, 2nd Floor, 11 Grosvenor Place, London SW1X 7HH.

Participation in any audio or audio-visual facilities at the AGM will not constitute formal attendance at the meeting and shareholders will not be able to exercise any of their rights as shareholders, including to vote, through such facility.

8. Website

This Notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 2 June 2020, being the latest practicable date before the publication of this Notice of AGM can be found on the Company's website at <http://www.petropavlovsk.net>.

9. Inspection of documents

The following documents are available for inspection at the offices of Bryan Cave Leighton Paisner LLP, Governor's House, 5 Laurence Pountney Hill, London EC4R 0HH during normal business hours (except Saturdays, Sundays and public holidays and are available for inspection to the extent permissible by the current UK Government guidance on social distancing) up to and including the date of the AGM and also on the date and at the place of the AGM from at least 15 minutes prior to the AGM through to its conclusion:

- (i) Copies of the service contracts of the Executive Directors;
- (ii) Letters of appointment of the Non-Executive Directors;
- (iii) The New Articles of Association of the Company; and
- (iv) A copy of the draft form of the rules of the Petropavlovsk PLC 2020 Long-Term Incentive Plan.

10. Addresses

Unless otherwise stated, any telephone number, website and email address set out in this Notice, the form of proxy, or Chairman's letter should not be used to communicate with the Company (including the service of documents or information relating to the proceedings at the AGM).

Biographies of Directors Seeking Election or Re-election

Dr Pavel Maslovskiy, *Chief Executive Officer*

Nationality: Russian

Appointed: June 2018

Experience:

Dr Pavel Maslovskiy, a professional metallurgist, co-founded Petropavlovsk with Peter Hambro in 1994 with a single greenfield licence in the Amur region, organically expanding the business into one of Russia's largest gold mining companies. Starting out with a small team of mining professionals, as Chief Executive, Dr Maslovskiy oversaw the development and construction of four highly successful mines.

Under his leadership and technical know-how, Petropavlovsk successfully built and commissioned its Pressure Oxidation Hub (POX) in 2018, a unique, state-of-the-art modern processing plant, that is producing gold from complex ores, both its own and third party sourced.

Dr Maslovskiy has made a significant contribution to Russian society by founding and leading the work undertaken by the Petropavlovsk Foundation for Social Investment.

Prior to embarking on his successful business career, Dr Maslovskiy was a Professor of Metallurgy at the Moscow Aircraft Technology Institute. He is the author of more than 100 printed scientific papers, copyright certificates and co-author of various textbooks in the field of metallurgy.

Dr Maslovskiy's achievements and contribution, to the Russian mining industry and society has been recognised with awards from the Ministry of Education, the Administration of the President of the Russian Federation and the Administration of the Amur region.

External appointments:

Director of XAU Resources Inc.

Committee membership:

Dr Maslovskiy is Chairman of the Executive Committee and a member of the Nominations and the Safety, Sustainability and Workforce Committees.

Mr Harry Kenyon-Slaney, *Senior Independent Director*

Nationality: British

Appointed: November 2018

Experience:

Mr Kenyon-Slaney has over 37 years of experience in the mining industry, principally with Rio Tinto. He is a geologist by training and his experience spans operations, marketing, projects, finance and business development. Mr Kenyon-Slaney is a member of the board of directors of Schenck Process AG. Until 2015, Mr Kenyon-Slaney was a member of the Group Executive committee of Rio Tinto where he held the roles of CEO of Energy, and before that CEO of Diamonds and Minerals. Prior to this he led Rio Tinto's global titanium dioxide business, was CEO of Rio Tinto's listed subsidiary, Energy Resources of Australia Ltd, was GM Operations at Palabora Mining Company in South Africa and held senior marketing roles in copper, uranium and industrial minerals.

He began his career as an underground geologist with Anglo American on the gold mines in South Africa. Mr Kenyon-Slaney has a BSc Geology from Southampton University.

External Appointments:

Non-Executive Chairman of Gem Diamonds Limited, Non-Executive Director of Sibanye Gold Limited (trading as Sibanye-Stillwater) and a senior advisor to McKinsey & Co.

Committee membership:

Mr Kenyon-Slaney is Chairman of Safety, Sustainability & Workforce Committee and a member of the Nominations and Audit Committees.

Mr James W. Cameron Jr, *Independent Non-Executive Director*

Nationality: American

Appointed: October 2018

Experience:

Mr Cameron, a US qualified lawyer, has extensive international experience, providing expertise and consulting services for companies particularly in the natural resources sector within Russia and the former Soviet Union, since 1988. He was formerly Founder, CEO and Chairman of Occupational Urgent Care Systems Inc., a company traded on the NASDAQ National Market System until it was sold in 1992.

External Appointments:

Mr Cameron is CEO and Chairman of Cameron and Associates.

Committee membership:

Mr Cameron is a member of the Audit, Risk and Remuneration Committees.

Biographies of Directors Seeking Election or Re-election

continued

Mr Damien Hackett, *Independent Non-Executive Director*

Nationality: Australian and British

Appointed: October 2018

Experience:

Mr Hackett has 26 years critical investment research experience covering globally diverse mining companies, initially as Global Head of Mining Research with Credit Suisse – First Boston in Australia, following which he held similar roles with Credit Suisse and Canaccord Genuity in London. Latterly he was Vice Chairman Mining Advisory at Canaccord Genuity responsible for developing investment themes in metals and mining across North America, Europe, Russia and Australia.

Mr Hackett's early career in resources was grounded in 4 years of exploration, resource development and mining in Western Australia followed by 7 years in mineral exploration and economic assessment in Saudi Arabia.

Mr Hackett holds a Bachelor of Science from the Australian National University in Canberra.

External Appointments:

Chairman of UrAmerica Ltd, a private uranium exploration company in Argentina.

Committee membership:

Mr Hackett is a member of the Audit, Remuneration, Nominations and Safety, Sustainability and Workforce Committees. He is also Chairman of the Company's Risk Committee.

Mr Robert Jenkins, *Independent Non-Executive Director*

Nationality: British

Appointed: June 2018

Experience:

Mr Jenkins is a Chartered Accountant, has an MA in Modern History and Modern Languages from Oxford University, and is a fluent Russian speaker. He has 25 years of Russia-related investment and natural resources experience.

Mr Jenkins was formerly Finance Director of AIM listed Eurasia Mining PLC, a Russia-focused mining exploration company, and Chief Financial Officer of Urals Energy, a Russia-based oil exploration and production company. He was formerly Senior Independent Director and Audit Committee Chairman of Ruspetro PLC, a Russia-focused independent oil and gas production company, and Audit Committee Chairman of Toledo Mining Corporation PLC, which is engaged in nickel ore production in the Philippines.

External Appointments:

Non-Executive Director of Brazilian Nickel PLC and of Oppenheimer Resources, a Luxembourg-registered investment vehicle engaged in financing oil and gas producers in the US.

Committee membership:

Mr Jenkins is Chairman of both the Audit and Remuneration Committees and is a member of the Nominations Committee.

Ms Charlotte Philipps, *Independent Non-Executive Director*

Nationality: German

Appointed: November 2019

Experience:

Ms Philipps has extensive experience in corporate financing and equity transactions in Russia and in other transitional former Soviet and CMEA countries, principally focused on natural resources.

Ms Philipps, a German national and qualified lawyer, relocated to London in 1993 to join the European Bank for Reconstruction and Development (EBRD) in London, where she held a number of senior positions, latterly as Senior Banker for EBRD's Natural Resources Team, before accepting the appointment of President & CEO of AIG Russia Century Fund, Moscow. Ms Philipps lived and worked in Moscow during the period 2006 to 2014. Ms Philipps speaks a number of languages, including Russian.

External Appointments:

Ms Philipps is a member of the Strategy and Investment Committee of Inter RAO UES, Russia's largest integrated utility company. In addition, she is a member of the Advisory Board of CAPTIS Intelligence Inc., a US-based global industry leader in security and crime prevention and chairs the Board of one of the UK's largest architecture firms.

Committee membership:

Ms Philipps is a member of the Audit and Remuneration Committees.

Ms Katia Ray, *Independent Non-Executive Director*

Nationality: Russian and British

Appointed: November 2019

Experience

Mrs Ray has a scientific and technical background and over 25 years' experience in the mining sector in senior leadership roles with both Rio Tinto PLC and Anglo American PLC, primarily in business development, sales and marketing, and project and change management. She has worked across the globe in a number of different commodities including industrial minerals, diamonds and platinum group metals. Mrs Ray founded and runs a management consulting firm and has advised corporate mining companies on corporate strategy across the value chain, private equity groups on M&A projects and a number of start-up businesses.

Mrs Ray has a MSc in Chemical Engineering from the Mendeleev University of Chemical Technology in Moscow, Russia. Mrs Ray was born in Russia but has lived in the UK since the early 1990s and is a British citizen.

External Appointments:

Mrs Ray has a number of voluntary roles, including acting as a Governor and a Nominations Committee member at the Royal Surrey County Hospital NHS Trust and is a Business Advisor for Young Enterprise UK.

Committee membership:

Mrs Ray is a member of the Remuneration, Risk and the Safety, Sustainability & Workforce Committees.

Mr Danila Kotlyarov, *Executive Director & Chief Financial Officer*

Nationality: Russian

Appointed: April 2020

Experience:

Immediately prior to joining the Company, Mr Kotlyarov was Chief Financial Officer and Executive Director of IRC Limited, a position he had held since January 2016. Prior to this he served as Deputy General Director for Finance of Aricom a position which in 2010 transferred to IRC as Deputy Chief Executive Officer, following the listing of IRC on the Hong Kong Stock Exchange. Mr Kotlyarov was appointed as Interim Chief Financial Officer of IRC in March 2015.

Mr Kotlyarov has considerable experience having been employed in various position with a number of international companies.

Mr Kotlyarov holds a BA in Management from Moscow State University and a MA in International Economics from the Moscow State Institute of International Relations (MGIMO). He is a fellow member of the Association of Chartered Certified Accountants (ACCA), Chartered Financial Analyst (CFA) charter holder, member of Hong Kong and Russia Associations of Financial Analysts and has a professional diploma in civil and industrial construction.

External Appointments:

Non-Executive Director, IRC Limited.

Committee membership:

Mr Kotlyarov is a member of the Executive Committee.

Mr Maxim Kharin, *Non-Executive Director*

Nationality: Russian

Appointed: April 2020

Experience:

Mr Kharin has a degree in Computer-aided Systems of Management from the Far Eastern State Technical University of Russia and became a qualified accountant in 2006. Prior to joining Uzhuralzoloto Group of Companies ("UGC") as CFO, Mr Kharin held several roles in the International Audit Department at Moore Stephens where he held the title of Senior Auditor and Director and was responsible for the independent audit of companies across a range of sectors, including mining, with a particular focus on the transformation of Russian Accounting Standards to IFRS.

Mr Kharin was nominated as a Director of Petropavlovsk by UGC, the Company's largest shareholder.

External Appointments:

Mr Kharin currently serves as the Director for Economics and Finance at UGC a role he has held since 2012, and where he has also served as Chairman of its Board since 2018.

Ms Fiona Paulus, *Independent Non-Executive Director & Chair Designate*

Nationality: British

Appointed: May 2020

Experience:

Ms Paulus has over 37 years' global investment banking experience, having held senior management roles with a number of leading international investment banks based in London, Europe and North America. Over the past 15 years she has specialised in the energy and resources sectors where she has advised companies on many capital market transactions, including corporate financing, strategic and risk management initiatives.

External Appointments:

In December 2018, Ms Paulus was appointed as an independent board member to RI-Magnesita, a global industrial company listed on the FTSE 250; and where she also serves on the Audit and Sustainability Committees.

Mr Timothy McCutcheon, *Independent Non-Executive Director*

Nationality: American

Appointed: May 2020

Experience:

Mr McCutcheon is a mining and finance professional with over 20 years of international business experience. He has led several mining development companies with assets in Russia, Chile, Slovakia, Kyrgyzstan, Mali and Ghana. Additionally, Mr McCutcheon has served as an adviser to a wide range of natural resource companies, playing key roles in administration and capital market strategy.

Prior to moving to the mining sector, Mr McCutcheon worked in multiple financial institutions such as Bear Stearns, Aton Capital and Pioneer Investments as an award-winning metals and mining sector analyst and as an investment banker. He was also a founder/partner of DBM Capital Partners Ltd, a leading boutique metals finance institution which managed the mining fund Sayan Investments Ltd and advised multiple base and precious metals mining companies active in Europe and Asia. Mr McCutcheon has a BA and MBA from Columbia University, New York, USA.

External Appointments:

Mr McCutcheon is presently CEO and Director of Kenadyr Mining (Holdings) Corp., a public junior exploration company, listed on the TSX Venture Exchange; and a non-executive Director of Ovoca Bio PLC, a public biopharmaceutical company, listed on the AIM.

Petropavlovsk PLC Long-term Incentive Plan 2020

Appendix I

Introduction

The Petropavlovsk PLC Long-Term Incentive Plan 2020 (the **LTIP**) will be used to provide equity incentives over ordinary shares in Petropavlovsk PLC to selected employees, including executive directors. The Remuneration Committee of the Board (the **Committee**) will oversee the LTIP having regard to market practice within the Company's business sector and the need to incentivise and retain the best people whilst aligning their interests with those of the Company's shareholders.

The LTIP provides for the following types of share award:

- (a) Performance share awards, being awards delivering free or nominal cost shares granted as conditional awards or nil-cost or nominal cost options (**Performance Share Awards**); and
- (b) Deferred bonus awards, being awards of shares in lieu of annual bonus conditional upon continuing service, granted as conditional awards or nil-cost or nominal cost options (**Deferred Bonus Awards**).

(together the **Awards**).

The LTIP will be operated by the Company, however the grant of an Award to an executive director, its material terms and the exercise of any discretion pursuant to such executive director's Award will be determined by the Committee. The Committee will also determine the aggregate level of Awards granted each year under the LTIP and the applicable vesting and performance conditions.

The following is a summary of the key features of the LTIP. Unless stated otherwise, the same terms apply to Performance Share Awards and Deferred Bonus Awards.

Plan limit

At any time, the total number of shares which have been issued or remain issuable pursuant to grants made under the LTIP and under any other employees' share scheme established by the Company in the previous ten years may not exceed ten per cent. (10%) of the shares in issue at that time.

At any time, the total number of shares which have been issued or remain issuable pursuant to grants made under the LTIP and under any other discretionary employees' share scheme established by the Company in the previous ten years may not exceed five per cent. (5%) of the shares in issue at that time.

For the purposes of the above limit, treasury shares will be treated as issued where so required by institutional investor guidelines and shares which are the subject of lapsed awards shall be excluded.

Eligibility

Employees (including executive directors of the Company) will be eligible but not entitled to participate in the LTIP and participation will be at the Committee's discretion. The Committee intends to grant Awards at both Board and senior management levels.

Grant of awards

No payment is required for the grant of an Award.

Awards may be granted upon or shortly following approval and adoption of the LTIP by shareholders and thereafter:

- (a) Within 42 days following the announcement by the Company of its results for any period; or
- (b) Within 42 days after the approval by shareholders of the Company of a new or amended directors' pay policy; or
- (c) Within 28 days after the person to whom the Award is granted first becomes an eligible employee; or
- (d) At other times when exceptional circumstances have arisen which justify the grant of an Award,

provided that no Awards may be granted at any time when their grant would be prohibited under the Market Abuse Regulation, the Company's dealing code, the Listing Rules or any other relevant requirement, guideline, regulation or law, and no Awards may be granted after the tenth anniversary of commencement of the LTIP.

Dividend equivalent

If the Company pays any dividend to its shareholders between the grant of a Performance Share Award or a Deferred Bonus Award and the date of vesting, on or before the grant of an Award the Committee may, in its absolute discretion, determine that at vesting the number of shares subject to the Award shall be increased, to reflect the value of the dividends which would have been paid on the shares subject to the Award had such shares been held by the awardholder or that, on vesting, a cash payment reflecting such value may be made.

Individual limit – performance share awards

The aggregate market value of shares subject to all Performance Share Awards granted during any financial year of the Company to an individual shall not exceed two hundred per cent. (200%) of such individual's basic salary (measured at the time of grant).

However, in exceptional circumstances (such as a senior executive's recruitment), this limit may be exceeded provided that grant levels will remain within a maximum approved by the Committee.

Precedence of directors' pay policy

Notwithstanding any provisions of the LTIP, nor the terms of any Award, nothing in the LTIP or the terms of any Award will oblige any member of the Group to issue or transfer any shares or make any payment which would be in breach of the directors' pay policy. The Committee may, however, subject to the terms of the LTIP, amend the terms of any relevant Award to ensure that it may be settled in a manner consistent with the directors' pay policy.

Vesting of performance share awards

Performance Share Awards shall vest subject to the following conditions:

- (i) The awardholder remaining in service with the Company or any of its subsidiaries (together, the "**Group**") for such period as the Committee shall determine being not less than 3 years from the date of grant; and

-
- (ii) Satisfaction of appropriate and challenging performance conditions determined by the Committee, having regard to market practice within the Company's business sector and relating to the overall performance of the Company.

Performance Share Awards structured as nil-cost or nominal cost options shall lapse on the tenth anniversary of grant to the extent unexercised.

Shares acquired by executive directors pursuant to a Performance Share Award shall be subject to a post-vesting holding period, as detailed below.

Where events occur which cause the Committee to consider that any established performance condition has become unfair in either direction or impractical, the Committee may amend or replace such condition as it deems appropriate provided such revised or new condition is, in the Committee's opinion, no more and no less difficult to satisfy than was originally intended.

Further, the Committee may reduce the number of shares which would otherwise vest as a result of the formulaic outcome of any performance condition to ensure that the extent to which any Award vests is reflective of the underlying business performance of the Group, a subsidiary or division(s), and/or wider circumstances.

Post-vesting holding period

It is currently intended that Performance Share Awards granted to executive directors will be subject to a post-vesting holding period which will prevent the sale of any shares received pursuant to a Performance Share Award until the fifth anniversary of grant (other than those sold to raise funds to discharge the tax liabilities arising on vesting or exercise (as applicable)).

The terms and basis upon which the post-vesting holding period will operate shall be determined by the Committee from time to time and may include, by way of example, determinations in respect of whether the post-vesting holding period shall apply following certain terminations of employment or on a change of control or other significant corporate event.

Deferred bonus awards

The Committee may in respect of any financial year of the Company determine that up to one hundred per cent. (100%) of an eligible employee's annual bonus shall be satisfied by the grant of a Deferred Bonus Award.

The number of shares subject to the Deferred Bonus Award will be based on the pre-tax amount of the bonus and the market value of the Company's shares at the time of grant.

A Deferred Bonus Award shall vest subject to the awardholder remaining in service with the Group for such period as the Committee shall determine being not less than 3 years from the date of grant.

Cessation of employment

If an awardholder ceases to be employed by the Group by reason of his death, injury, ill-health, disability, retirement, as a result of the sale out of the Group of the business or subsidiary by which the awardholder is employed or for any other reason which the Committee in its absolute discretion permits, Awards shall vest on their normal vesting date (unless the Committee determines that Awards shall vest earlier) and in the case of Performance Share Awards such vesting shall be subject to the satisfaction of the applicable performance conditions and a pro-rata reduction to reflect the proportion of the service period

employed. In exceptional circumstances the Committee has the power to disapply the pro-rata reduction in whole or part.

If an awardholder ceases employment for any other reason prior to his Award vesting, his Award will lapse immediately on cessation of employment.

Takeover change of control and winding-up

In the event of takeover, change of control or winding-up of the Company (other than an internal re-organisation), or if the Company is affected by a demerger, delisting, special dividend or another event which, in the opinion of the Committee, would affect the market price of the Company's shares to a material extent, Awards shall immediately vest either on, or shortly before the event. In the case of Performance Share Awards vesting will be based on the extent to which the Committee determines that the performance conditions have been met or are likely to be met. The number of shares subject to Awards shall be pro-rated down to reflect the reduced service period (unless the Committee determines otherwise).

Alternatively, Awards may, by agreement with the acquiring company, be exchanged for equivalent awards over shares in the acquiring company.

In the event of an internal re-organisation of the Company, the Committee shall determine that all Awards will either vest to the extent set out above or be automatically exchanged for equivalent awards.

Malus and clawback

Awards may be subject to malus and/or clawback within two years from the date of vesting if the Committee determines that there has been a material misstatement of the Company's financial results, an error in assessing any applicable performance condition or the number of shares received pursuant to an Award, material misconduct by a participant on the part of that individual, the group has suffered serious reputational damage, or circumstances of corporate failure have arisen.

In these circumstances, the Committee may reduce (including to zero) future incentive compensation, including but not limited to the amount of any unpaid bonus, and the number of shares under any equity award held by the relevant participant. It may also require the participant to make a cash payment to the Company.

Variation of share capital

In the event of any variation in the ordinary share capital of the Company, by way of capitalisation of profits or reserves or by way of any consolidation or sub-division, or reduction of capital or otherwise and in respect of any discount element in any rights issues, or in the event of any payment of a special dividend, or such other event which would affect the market price of a share to a significant extent, the number of shares subject to an Award and the exercise price of any Awards granted as nil-cost or nominal cost options may be adjusted in such manner as the Committee determines is appropriate.

Voting, dividend and other rights

Awardholders will have no voting or dividend rights in respect of the shares subject to Awards until the Awards vest or are exercised (as applicable).

Shares allotted under the LTIP will rank *pari passu* with the existing shares with the exception of rights attached by reference to a record date prior to the date of vesting or exercise of the relevant Award. Application will be made to the London Stock Exchange for all such

shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities.

Awards are non-transferable and non-pensionable.

Amendments

The LTIP may be amended in any respect by the Committee provided that the prior approval of the Company in general meeting is required for amendments made to the material benefit of awardholders to any provisions relating to:

- (a) The persons to whom Awards may be granted;
- (b) The overall and individual limits on the number of shares in respect of which Awards may be granted;
- (c) The basis for determining awardholders' entitlements to, and the material terms of, Awards to be provided under the LTIP;
- (d) The adjustment of Awards in the event of a variation of share capital; and
- (e) The rule relating to amendments to the LTIP.

No amendment may be made to the rules of the LTIP if it would adversely affect the existing rights of awardholders without the approval of awardholders holding Awards over a majority of the affected shares.

However, minor amendments to the benefit of the administration of the LTIP, to take account of changes in legislation, exchange control, or regulatory treatment or to take account of a corporate transaction, may be made without the need for either of the approvals set out above where such amendments do not alter the basic principles of the LTIP.

The Board may (without shareholder or awardholder approval) modify the terms of the LTIP to obtain or maintain favourable tax treatment (for the awardholders or the Group) and if considered expedient adopt sub-plans suitable for such purpose provided that the terms of the awards granted pursuant to such modifications or sub-plan shall not be materially more favourable overall than the terms of Awards granted under the LTIP as set out in this summary.

International

When granting Awards to employees resident outside the United Kingdom, the Board may (without shareholder approval) modify the terms of the LTIP to take account of tax laws or other legal or regulatory requirements in the relevant country and, if considered necessary and expedient, adopt sub-plans suitable for operation in the relevant country, provided that the terms of awards granted such modifications or sub-plan shall not be materially more favourable overall than the terms of Awards granted under the LTIP as set out in this summary.

Employee Benefit Trust

The Board may establish an employee benefit trust (an "EBT") or use an existing EBT for the purpose of settling Awards made under the LTIP and without seeking further shareholder approval. Any new EBT which is established shall not be capable of holding more than five per cent (5) of the outstanding share capital of the Company at any time.

Awards may be granted to eligible employees under the terms of the LTIP by an EBT. Any Awards granted by an EBT, shall be subject to the recommendation of the Committee, with respect to the terms of such Award and the exercise of any discretions. The same performance, service and other vesting conditions shall be applied to Awards granted by any EBT as are applied to Awards granted in the same year by the Company. Any shares issued to an EBT for the purpose of settling Awards granted by the EBT shall count towards the relevant limits set out above.

Appendix II

Statement of reasons relating to the intention of Deloitte LLP not to seek re-appointment as auditors to Petropavlovsk PLC at the conclusion of our term of office.

During the year ended 31 December 2019, Petropavlovsk PLC held an audit tender as required under the Statutory Auditors and Third Country Auditors Regulations 2016. Deloitte declined to participate in the tender having considered our length of service as auditors and due to limitations in the company's internal controls and systems for financial reporting, which include the use of an excel based consolidation system and a need for further investment in the capacity of the finance functions. The issues, along with the subsequent actions taken and planned, are further set out on page 154 of the Annual Report for the year ended 31 December 2019. Subsequent to the tender, the Audit Committee has recommended PricewaterhouseCoopers LLP be appointed as auditors at the forthcoming AGM.

Unless the company applies to the court, this statement of reasons is required to be brought to the attention of members or creditors of the company and must be sent by the company within 14 days to every person entitled under Section 423 of the Companies Act 2006 to be sent copies of the company's accounts. This is a requirement of Section 520(2) of that Act.

Deloitte LLP – Audit registration C009201919

1 June 2020

Company's Articles of Association

Appendix III

Explanatory notes of principal changes to the Company's articles of association under the New Articles.

General clarification

As the Company is proposing to adopt the New Articles to make the changes described below, the opportunity has been taken to update provisions to reflect current statutory and regulatory rules and to remove redundant provisions (such as wording in relation to the bearer share regime).

Facilitating electronic means of attendance and participation at meetings (Hybrid AGMs)

The Board believes in line with the Investment Association Guidelines that AGMs provide an important mechanism for the Board to be publicly accountable to all shareholders. At these meetings, shareholders should be able to make statements and ask questions of the Board. However, due to the difficulties of many shareholders to attend AGMs in person, which has been exacerbated by COVID-19, the New Articles provide for the use of developing technology by enabling the Board to hold shareholder meetings partly electronically, to ensure both the equal participation of all entitled to attend and vote and allow a greater number of shareholders to participate. For any shareholder meeting to be valid, there will still need to be a physical meeting, however in addition to the physical meeting the New Articles allow for simultaneous electronic participation by all of those entitled to attend and vote at the general meeting. The means by which shareholders can participate in any such hybrid meetings must be

adequate to ensure that shareholders can participate in the business of the meeting, hear all persons who speak at the meeting and be heard by all other persons present at the meeting. In line with the UK Investment Association guidance the New Articles do not provide for virtual-only shareholder meetings.

Quorum for adjourned meeting

The quorum for business to be transacted at any general meeting is two persons entitled to attend and to vote on the business to be transacted, each being a member so entitled or a proxy for a member so entitled or a duly authorised representative of a corporation which is a member so entitled. It is proposed that under the New Articles the quorum for any adjourned meeting will be increased from one person entitled to vote on the business to be transacted to two. In the event that a quorum is not present for any adjourned meeting within fifteen minutes of the time of the meeting, such adjourned meeting shall be dissolved.

Maximum aggregate fee payable to Directors

Due to the further strengthening of the Board by the appointment of additional Independent Non-Executive Directors, the Company is seeking to increase the maximum aggregate sum that Directors may receive by way of fees. It is proposed that the Existing Articles be amended to provide that the aggregate maximum fee payable to Directors be increased from £1 million to £1.5 million. The Company does not propose to increase Non-Executive Director fees during 2020, however the Company considers that it would be prudent to revise the Articles in this respect.

Dividend Policy

Appendix IV

Registered shareholder's request to include business to be dealt with at the Annual General Meeting of Petropavlovsk PLC (the Company).

Aurora Nominees Limited is the legal holder and registered owner of **241 719 565** ordinary shares of the Company, which is more than 5% of the total voting rights. The shareholding is held for the beneficial ownership of **The Russian Prosperity Fund**, duly incorporated in the Cayman Islands, registered at: Windward 1, Regatta Office Park, Grand Cayman, Cayman Islands (the "**Beneficial Owner**").

On instruction from the Beneficial Owner and pursuant to section 338A Companies Act 2006, the following statement is put to the Company:

The Beneficial Owner ("we", "our") is very satisfied with the Company's management and Board efforts up to date and the current progress towards re-establishing the Company as one of the leading gold miners in Russia. We particularly note both corporate governance improvements through the Board expansion and addition of new independent directors as well as operational improvements like the POX plant successful commissioning and production/cost targets achievement.

Having stabilised the Company operationally and addressed the IRC refinancing, acknowledging the current very favourable external market conditions like high gold price and weak domestic currency, we believe the Company is now stable. This stability allows you to focus, not only on dealing with immediate challenges, but also think about forming the long-term development frames. One of the essential parts of such a frame is an efficient capital allocation policy which would help to properly allocate the current earnings between the desired returns to shareholders, de-leveraging and future growth options funding.

We propose to establish a formal dividend policy for the Company, which would both answer these abovementioned goals and also set the Company in one row with other industry participants which already have their policies in place (Polyus, Polymetal, Highland Gold).

In our view the Company should adopt a policy which would state the following:

- Regular payout ratio of 50% of underlying net earnings (net earning adjusted for non-cash foreign gains/losses and impairment charges) for the period on a semi-annual basis, subject to a hard ceiling of Net debt / Adjusted EBITDA ratio below 2.0x;
- After the end of each financial year, the Board considers a special dividend payment, based on, among other factors, the Company's available free cash flow (post regular dividends), forward-looking financial projections, market outlook and other investment requirements.

This would align Petropavlovsk's dividend policy with the best practices of its direct UK-domiciled Premium LSE-listed Russian gold mining peers. Also, this should materially improve Petropavlovsk's attractiveness for both existing and new investors and greatly increase the Company's valuation, which otherwise still trades at a discount to peers (on EV/EBITDA and P/E multiples). We believe this is due to historical financial problems, but also complete absence of dividends in the last years.

We strongly believe that after the successful 2019 performance, now it is the right time to implement further necessary changes that would benefit both the Company and its shareholders. We are proposing that this policy should be applied to the 1H20 dividend decision later this year.

Appendix V

Statement by the Board of Petropavlovsk PLC

Dividend Policy

Prosperity Capital Management, a major shareholder in Petropavlovsk, via the registered shareholder, Aurora Nominees Limited, has proposed that the Company should institute a dividend policy with the objective of paying as dividend 50% of underlying net earnings, subject to a hard ceiling that the Net Debt/Adjusted EBITDA ratio must be lower than 2.0 times which will be debated as part of the formal business at our forthcoming Annual General Meeting.

The Company's Articles of Association reserve decisions on the payment of dividends to the Board. Article 135 states that "no dividend shall exceed the amount recommended by the Board". Article 136 states that "the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution."

Accordingly, the Board seeks to maintain an efficient capital allocation policy which balances the objectives of reducing debt, sustaining investment and making returns to shareholders. Given the Company's improved performance and rising profitability, it is the Board's objective to reinstate the payment of dividends as soon as this becomes appropriate and viable.

In order to facilitate the debate at the forthcoming AGM, the Board felt it would be appropriate to set out the principles on which it proposes to base a dividend policy for the Company:

- Dividends may be paid when justified by the profits of the Company and legally available for distribution.
- Before declaring a dividend, the Board will take into consideration the overall financial position and outlook of the Company and the wider commercial and economic environment.
- Dividend payments will respect the contractual obligations of the Company's under its agreements, including under its Bonds.
- Subject to the satisfaction of the preceding criteria, the Board will consider the payment of interim dividends on a semi-annual basis, following the adoption of the Half-Year and Annual Results, targeting a pay-out ratio of 50% of underlying net earnings (i.e. earnings adjusted for non-cash foreign exchange gains or losses and for impairment charges) within a hard ceiling of a Net Debt/Adjusted EBITDA ratio lower than 2.0 times.
- After the end of each financial year, the Board will consider whether payment of a final dividend is justified, taking account of the Company's available free cash flow (after payment of interim dividends) and of forward-looking financial projections, market outlook and other investment requirements. The Board would then recommend any final dividend for approval by shareholders at a general meeting.

Petropavlovsk PLC

Incorporated in England and Wales
with Registered No. 4343841

11 Grosvenor Place
London
SW1X 7HH

T +44 (0)20 7201 8900
E teamir@petropavlovsk.net
www.petropavlovsk.net



PETROPAVLOVSK