PETROPAVLOVSK

PRESS RELEASE

30 October 2020

Petropavlovsk PLC
Interim Results for the Period Ended 30 June 2020 and Third Quarter Sales Report

Petropavlovsk PLC ("Petropavlovsk", or the "Company" and, together with its subsidiaries, the "Group") today issues its Interim Results for the period from 1 January 2020 to 30 June 2020 ("H1 2020" or the "Period") and a Third Quarter Sales Report ("Q3 2020").

James W Cameron Jr, Petropavlovsk Chairman said: EBITDA almost doubled from the first half of 2019 to US$193m, benefitting from higher gold prices and increased production. Petropavlovsk has some excellent assets with substantial opportunities. Our guiding focus is to deliver greater value for all shareholders. This will involve reducing costs, improving controls and raising standards of governance across the Company.

As previously announced, over the past few months the Board and interim CEO have encountered a lack of cooperation from certain employees and received legal actions, which have no legal merit, led by Sergey Ermolenko and Alexey Maslovskiy (Pavel Maslovskiy's son).

The Board is finalising the selection of a forensic investigator to examine all transactions in the past few years which may have involved 'connected parties', as requested by shareholders at the Requisitioned General Meeting on 10 August 2020.

Financial Highlights

		H1 2020	H1 2019[1]	% Change
Total gold produced	koz	**320.6**	225.0	+42%
Total gold sold	koz	**312.4**	225.0	+39%
Avg. realised gold price♦	US$/oz	**1,640**	1,286	+28%
Total Cash Costs♦	US$/oz	**983**	774	+27%
Total Cash Costs from own material	US$/oz	**800**	774	+3%
All-in Sustaining Costs♦	US$/oz	**1,220**	1,029	+19%
Group revenue (including non-precious operations)	US$m	**522.7**	305.3	+71%
Underlying EBITDA♦	US$m	**192.6**	98.5	+96%
Operating profit	US$m	**146.1**	2.5	*n/m*
(Loss) / profit for the period	US$m	**(22.0)**	3.9	*n/m*
Capital expenditure♦	US$m	**59.6**	45.0	+32%
Cash generated from operations before working capital changes	US$m	**183.3**	85.8	+114%
Cash generated from operations	US$m	**172.8**	55.2	+213%
(Net debt♦)	US$m	**(538.0)**	(561.3)	(4%)

[1]All figures reflect the H1 2019 period except Net debt of US$561.3m which was the position as at 31 December 2019

♦See "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs

- **Total gold produced increased 42%**: 320.6koz (H1 2019: 225.0koz), including 178.0koz from the processing of own and third-party refractory gold concentrates at the POX Hub
- **Total gold sales increased 39%**: 312.4koz (H1 2019: 225.0koz) driven by the increase in gold production
- **Average realised gold price♦ increased 28%**: US$1,640/oz (H1 2019: US$1,286/oz) driven by higher gold prices and zero impact from the Company's hedging arrangements which compares to a H1 2019 hedging loss of US$(26)/oz
- **Total Cash Costs (TCC)♦ increased 27%**: US$983/oz (H1 2019: US$774/oz) primarily due to higher costs associated with third-party gold concentrate
- **Total Cash Costs from own material have marginally increased by 3%**: US$800/oz (H1 2019: US$774/oz) due to lower grades of non-refractory ore at Albyn and Malomir, lower RIP recoveries at Malomir, inflation of certain Rouble denominated costs, and an increase in mining tax rates from 1.2% to 6.0% at LLC Malomirskiy Rudnik. The increase was partly offset by higher grades and recoveries of non-refractory ore processed at Pioneer, higher grades and recoveries of refractory ore processed at Malomir and Rouble depreciation
- **All-in Sustaining Costs (AISC♦) increased 19%**: US$1,220/oz (H1 2019: US$1,029/oz) mainly due to higher TCC as well as an increase in capitalised stripping expenditure at both Pioneer and Malomir
- **Group revenue (including non-precious operations) increased 71%**: US$522.7m (H1 2019: US$305.3m) reflecting higher production volumes and a higher average gold sales price
- **Underlying EBITDA♦ increased 96%**: US$192.6m (H1 2019: US$98.5m) due to higher revenues and partly offset by higher TCC♦
- **Headline loss for the period of US$(22.0)m**: compares to a gain in H1 2019 of US$3.9m and caused by a negative non-cash adjustment of US$(122.2)m related to a fair value loss on the conversion option (H1 2019: US$(9.2)m) reflecting the increase in the Company's share price
- **Capital expenditure♦ increased by 32%:** to US$59.6m (H1 2019: US$45.0m) with expenditure focused on construction of the Pioneer and Malomir flotation plants, Elginskoye mine development and development work to support underground mining at Pioneer
- **Cash generated from operations increased by 213%**: US$172.8m (H1 2019: US$55.2m) driven by higher gold sales, higher gold prices and Rouble weakness, partly offset by an increase in costs associated with the purchase of third-party concentrates and higher mining taxes
- **Net debt♦ reduction**: US$538.0m as at 30 June 2020 (31 December 2019: US$561.3m) principally driven by an increase in cash
- **Gold prepays reduction**: The Company continues to prioritise settlement of the interest-bearing gold prepays which stood at c.US$121.0m as at 30 June 2020 (US$187.4m as at 31 December 2019), a net decrease of US$66.4m over the period

Comments from James W Cameron Jr, Chairman

This is the first report since I became Chairman of Petropavlovsk PLC ("Petropavlovsk" or the "Company"), following the Requisitioned General Meeting of 10 August 2020 (the "RGM"). Since the RGM, the Board has been steadfastly focussed on ensuring the ongoing operational stability of the Company and its subsidiaries (the "Group"). At the same time, we are making good progress in strengthening the governance of the Group and working towards our stated ambition of achieving full compliance with the UK Corporate Governance Code.

ASSESSMENT AND ACTIONS

♦*See "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs*

First and foremost, the Company has some excellent assets in its three active gold mines and the world-class POX Hub, a dedicated workforce of highly-qualified employees, robust operational capability and significant future potential.

However, since my appointment as Chairman, it has become increasingly apparent that the substantial opportunities open to us will only be achieved when some fundamental (and largely legacy) issues are addressed, including:

- *Ensuring a greater focus on providing returns to all shareholders, who have helped provide the capital for the significant projects and development of the Group.*
- *Taking advantage of the current pricing environment to further reduce the levels and cost of debt, which have historically been a source of instability and undervaluation.*
- *Introducing more robust and up-to-date systems, such as SAP, to provide the tools to control and reduce operating costs.*
- *Continuing to improve standards of governance and transparency across the Group. This comes both from installing relevant controls, but also in demanding integrity in behaviours, in line with our corporate values. This includes simplifying an unnecessarily complex organisational structure, with over 30 subsidiaries.*
- *Enlarging the Board, which following the RGM is not an appropriate size for the Company. We are actively engaged with an external consultant in appointing new members. Finding the right people with relevant skills and backgrounds will inevitably take some time. We believe that a Board of around seven to eight directors, the majority of whom are independent, would be optimal to provide sufficient diversity and allocate responsibilities effectively.*
- *Increasing the rigour and realism applied to budgeting and guidance procedures. This is already exemplified by the announcement on 9 October of lower production guidance for 2020, revising the numbers set out on 23 July 2020, which proved to be overly optimistic, particularly in light of the COVID-19 pandemic.*

The Board and management team are committed to driving these improvements, to ensure that Petropavlovsk can deliver on its significant potential, providing improved returns and maximising value for all its shareholders.

DISRUPTION AND LEGAL MATTERS

As we first announced on 28 August 2020, since his appointment, the interim Chief Executive Officer has encountered a lack of co-operation from certain employees and ex-employees. This lack of co-operation is still continuing from a very small number of senior employees and officers of the Company's subsidiaries, who appear to have been subjected to pressure to withhold certain documents and operational data from the Board and to disregard the Board's instructions in certain respects.

Further, some individuals, in particular Sergey Ermolenko and Alexey Maslovskiy (Pavel Maslovskiy's son) are pursuing litigation in Russia against certain of the Company's subsidiaries. This litigation, which has no proper legal basis, has arisen principally as a result of the Company's efforts to undo actions taken in June and July of this year, when a few key Russian subsidiaries changed their constitutional arrangements. These changes took place without the knowledge of the current Board, and apparently at the direction of Pavel Maslovskiy.

While the directors believe that these actions have had no material adverse impact on the Group's financial position and its operations to date, they are clearly not in the interests of the Group, its employees nor its many stakeholders. Not least, the ongoing litigation has caused (and will continue to cause) the Company to incur legal and other costs, which could be more usefully deployed elsewhere.

In this context, we note that 84% of shareholders voted in favour of Resolution 19 at the RGM, which mandated the Board to commission an independent forensic investigation to review all transactions over *the preceding three years which may have involved 'connected parties'. The Board is currently finalising the appointment of an independent forensic investigator as required by the terms of the Resolution.*

EXECUTIVE COMMITTEE

We have reconstituted our Executive Committee, which now consists of Maksim Meshcheryakov, Danila Kotlyarov, Dmitrii Chekashkin, John Smelt and Dorcas Murray. The Executive Committee will commence a corresponding refresh of governance controls throughout the organisation. We are delighted to have recruited John Smelt and Dorcas Murray in London to assist us with these efforts. Once the enlarged Board is constituted and the ongoing litigations is concluded, the Board will embark on the process of appointing a permanent CEO.

Maksim Meshcheryakov has recently been unwell, as a result of COVID, but I am pleased to say that he is returning to full strength.

CONCLUSION

The Board is clear that, going forward, there must be a greater focus on providing returns to all shareholders, who have helped provide the capital for significant projects and development of the Group. Petropavlovsk has not declared a dividend for eight years.

The period since the RGM has been a challenging one, combining continued governance disruption and the COVID-19 pandemic. I would like to thank our employees for their resilience and hard work in the face of these difficulties.

The Board is unwavering in its dedication to resolving the legacy issues that are currently hampering the Group from achieving its potential. We have a clear plan which will drive change and will ensure that the Company's shares more fully reflect the substantial underlying worth and potential of the business, creating value for all stakeholders.

Third Quarter Sales Report

Gold sales

- A marginal 4% decrease in total gold sales to 121.1koz (Q3 2019: 126.4koz) primarily reflecting the depletion of Albyn non-refractory reserves that are planned to be replaced with Elginskoye reserves per Company development plans and also decrease of Malomir production reflecting transfer to refractory ore processing
- Brings total gold sales for the first nine months of 2020 to 433.4koz (first nine months of 2019: 351.4koz), an increase of 23%
- Average realised gold price increase of 38% to US$1,919/oz in Q3 2020 (Q3 2019: US$1,388/oz)

Gold sales '000oz

Asset	Three months to 30 Sept 2020 (Q3 2020)	Three months to 30 Sept 2019 (Q3 2019)	Nine months to 30 Sept 2020 (YTD 2020)	Nine months to 30 Sept 2019 (YTD 2019)
JSC Pokrovskiy Mine	65.5	39.8	224.4	92.6
Pioneer	30.8	31.0	90.8	83.8
Third-party concentrate (POX Hub)	34.7	8.8	133.6	8.8

LLC Malomirskiy Rudnik (Malomir)	29.1	39.6	110.8	132.6
LLC Albynskiy Rudnik (Albyn)	26.4	47.0	98.2	126.3
Total Group	**121.1**	**126.4**	**433.4**	**351.4**

Note: Numbers may not add up due to rounding effect

Net debt

- Net debt (unaudited) reduced by c.US$56.8m to c.US$481.2m as of 30 September 2020 (30 June 2020: US$538.0m) principally reflecting partial conversion of the US$125 million Convertible Bonds
- The Company continues to prioritise settlement of the interest-bearing gold prepays which stood at c.US$72.3m as at 30 September 2020 (US$121.0m as at 30 June 2020), a net decrease of US$48.7m for the third quarter

COVID-19 Update

- The Company continues to implement strict quarantine and safety measures at all its operations with remote working practices established at offices in Moscow, Blagoveshchensk and London
- At the time of reporting, there have been 29 reported cases among the Company's employees, the majority of which have been at the Company's offices in the far east of Russia with a small number of cases reported at the Albyn mine
- All affected employees are self isolating or receiving medical care

FY 2020 Outlook

The outlook for the full year 2020, assuming no further significant disruption arising from the current COVID-19 pandemic, is as follows:

Total Group Production (includes processing of third-party refractory concentrates):

- Between 560koz to 600koz (versus previous forecasts of 620koz to 720koz)

Gold production (Company's own ore):

- Between 395koz and 415koz (versus previous 430koz to 460koz)
- Lower grades from Malomir underground and slower development of underground operations at the Andreevskaya zone at Pioneer

TCC (Company's own gold production):

- Between US$800/oz and US$850/oz (versus previous US$700/oz to US$800/oz)
- Lower production and higher unit costs at the POX Hub due to lower throughput following the delay to the start-up of the Pioneer flotation plant

Capital Expenditure:

- Between US$90m to US$100m (versus previous US$70m to $80m)
- Reclassification of part of Pioneer underground workings as Capex, accelerated expenditure on the Malomir flotation plant expansion and POX related upgrade expenditure

IRC Update

Petropavlovsk is a major shareholder in IRC (31.1%), a Hong-Kong-listed producer and developer of industrial commodities

On 23 October 2020, IRC Limited released its Q3 2020 trading update, confirming that US$8.8m had been paid during the quarter to Gazprombank as principal repayment and interest. This is in accordance with the repayment schedule for the facility agreements guaranteed by Petropavlovsk

On 26 August 2020, IRC released its interim results for the six months ended 30 June 2020. The results are available to view on the IRC website at http://www.ircgroup.com.hk

Key highlights from the report are as follows:

Financials

- Revenue increased by 19% to US$106.2m (30 June 2019: US$89.2m)
- Cash cost down by 4.7% to US$48.8/t (30 June 2019: US$51.2/t)
- EBITDA has more than doubled, increasing to US$33.2m (30 June 2019: US$13.2m)
- Profit of US$5.9m (30 June 2019: loss of US$25.2m)

Operations

- 14.3% and 11.4% improvement in production and sales respectively over the same period in 2019
- Stable production capacity of 89% (30 June 2019: 78%)
- K&S operated at more than 90% capacity in July and the early part of August. Planned ball mill maintenance and a period of heavy rains affected production in August. Normal production has now been resumed, month-to-date capacity of c.80%.
- Impact of COVID-19 not as yet significant

Conference Call and Webcast

The Company's Chief Financial Officer will host a webcast conference to present the Company's financial results today at 09:00 GMT (12:00 Moscow). Details of the webcast can be accessed via the following link: https://www.lsegissuerservices.com/spark/Petropavlovsk/events/02cfaef0-7753-4ad4-b1ff-a6e9393dcd0b

About Petropavlovsk

Petropavlovsk PLC (LSE: POG. MOEX: POGR) is a major integrated Russian gold producer with JORC Resources of 21.03Moz Au which include Reserves of 8.46Moz Au. Following its IPO on the Alternative Investment Market (AIM) in 2002, Petropavlovsk was promoted to the London Stock Exchange in 2009, where today it is a Premium Listed company and a constituent of the FTSE 250, FTSE 350 and FTSE All Share indices. The Company's shares also trade on the Moscow Exchange and are a constituent of the flagship RTS / MOEX index.

Petropavlovsk's key operating mines (Pioneer, Malomir and Albyn) are in the Amur Region in the Russian Far East. Petropavlovsk has produced a total of c.8.1Moz of gold since operations began in 1994 and has a strong track record of mine development, expansion and asset optimisation.

The Group recently entered a new era of growth following the successful commissioning and start-up of its flagship asset, the Pressure Oxidation (POX) Hub at Pokrovskiy, which enables the processing of the Company's abundant refractory reserves and resources.

Petropavlovsk is one of the region's largest employers and one of the largest contributors to the sustainable development of the local economy.

For more information

Please visit www.petropavlovsk.net and www.ircgroup.com.hk or contact:

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Cautionary note on forward-looking statements

This release may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this release and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the future price of gold, the Group's results of operations, financial position, liquidity, prospects, growth, estimation of mineral reserves and resources and strategies, and exchange rates and the expectations of the industry. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances outside the control of the Group. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this release. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward looking statements contained in this release, those developments may not be indicative of developments in subsequent periods. A number of factors could cause results and/or developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the impact of the current Covid-19 pandemic, general economic and business conditions, demand, supply and prices for gold and other long-term commodity price assumptions (and their effect on the timing and feasibility of future projects and developments), trends in the gold mining industry and conditions of the international gold markets, competition, actions and activities of governmental authorities (including changes in laws, regulations or taxation), currency fluctuations (including as between the US Dollar and Rouble), the Group's ability to recover its reserves or develop new reserves, changes in its business strategy, any litigation, and political and economic uncertainty. Except as required by applicable law, rule or regulation (including the Listing and Disclosure Guidance and Transparency Rules), the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Past performance cannot be relied on as a guide to future performance. The content of websites referred to in this announcement do not form part of this announcement.

Financial Review

Note: Figures may not add up due to rounding

Financial Highlights

		H1 2020	H1 2019
Gold produced	'000oz	**320.6**	225.0
Gold sold	'000oz	**312.4**	225.0
Group revenue	US$ million	**522.7**	305.3
Average realised gold price◆	US$/oz	**1,640**	1,286
Average LBMA gold price afternoon fixing	US$/oz	**1,645**	1,307
Total Cash Costs◆ [a]	US$/oz	**983**	774[c]
All-in Sustaining Costs◆ [b]	US$/oz	**1,220**	1,029[c]
All-in Costs◆ [b]	US$/oz	**1,325**	1,091
Underlying EBITDA◆	US$ million	**192.6**	98.5[c]
Operating profit	US$ million	**146.1**	2.5
Profit before tax	US$ million	**16.5**	7.2[d]
(Loss)/profit for the period	US$ million	**(22.0)**	3.9[d]
(Loss)/profit for the period attributable to equity shareholders of Petropavlovsk PLC [d]	US$ million	**(23.9)**	4.7[d]
Basic (loss)/profit per share [d]	US$	**(0.01)**	0.00[d]
Cash generated from operations before working capital changes	US$ million	**183.3**	85.8
Net cash from operating activities	US$ million	**112.1**	11.9[c]

(a) Calculation of Total Cash Costs◆ ("TCC") is set out in the section Hard rock mines below.

(b) All-in Sustaining Costs◆ ("AISC") and All-in Costs◆ ("AIC") are calculated in accordance with guidelines for reporting All-in Sustaining Costs◆ and All-in Costs◆ published by the World Gold Council. Calculation is set out in the section All-in Sustaining Costs◆ and All-in Costs◆ below.

(c) Following a review of the nature of the deferred stripping costs the Group has made a reclassification of deferred stripping costs balance from the Inventory balance into the Mining assets within Property, plant and equipment. Comparative information on TCC, AISC, EBITDA and Net cash from operating activities for H1 2019 have been re-calculated accordingly to reflect the effect of the aforementioned re-classification. Please refer to note 2 in the condensed consolidated interim financial statements for further details.

(d) In the condensed consolidated interim financial statements for the six months ended 30 June 2019 the fair value of the call option over non-controlling interests, net of the remaining unpaid premium, was recognised at US$16.2 million, comprising the initial gain of US$9.6 million, a revaluation loss of US$(0.4) million and the premium paid to date of US$7.0 million, with a corresponding net gain of US$9.2 million recognised within Net other finance gains and losses in the statement of profit or loss. After further analysis and consideration of the IFRS 9 application guidance (which prohibits the recognition of day 1 gains based on valuation techniques that use unobservable inputs), this economic gain previously recognised in the period ended 30 June 2019 has been deferred for accounting purposes in the consolidated financial statements for the year ended 31 December 2019. The comparative financial information has been aligned to be on a consistent basis by restating the comparative amounts. Please refer to note 2 in the condensed consolidated interim financial statements for further details.

		30 June 2020	31 December 2019
Cash and cash equivalents	US$ million	**73.5**	48.2
Notes[a]	US$ million	**(501.1)**	(500.4)
Convertible bonds [b]	US$ million	**(110.4)**	(109.1)
Net Debt◆	US$ million	**(538.0)**	(561.3)

(a) US$500 million Guaranteed Notes due on 14 November 2022 at amortised cost.

(b) US$125 million convertible bonds due on 03 July 2024 at amortised cost.

Revenue

	H1 2020 **US$ million**	H1 2019 US$ million
Revenue from hard rock mines	**512.3**	290.0
Revenue from other operations	**10.4**	15.3

◆ *Throughout this document, when discussing the Group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APMs), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.*

	522.7	305.3

Group revenue during the period was US$522.7 million, 71% higher than the US$305.3 million achieved in H1 2019.

Revenue from hard rock mines was US$512.3 million, 77% higher than the US$290.0 million achieved in H1 2019. Gold remains the key commodity produced and sold by the Group, comprising 98% of total revenue generated in H1 2020. The physical volume of gold sold from hard rock mines increased by 39% from 225,031 oz in H1 2019 to 312,354 oz in H1 2020. The average realised gold price◆ increased by 28% from US$1,286/oz in H1 2019 to US$1,640 /oz in H1 2020. The average realised gold price◆ was not affected by hedge arrangements (H1 2019: US$(26)/oz).

There were no sales of silver in H1 2020, compared to 42,976 oz in H1 2019 at an average price of US$15/oz.

Revenue generated as a result of third-party work by the Group's in-house service companies was US$10.4 million in H1 2020, a US$(4.9) million decrease compared to US$15.3 million in H1 2019. This revenue is substantially attributable to sales generated by the Group's engineering and research institute, Irgiredmet, primarily through engineering services and the procurement of materials, consumables and equipment for third parties, which comprised US$9.0 million in H1 2020 compared to US$13.0 million in H1 2019.

Cash flow hedge arrangements

In March 2020 the Group has entered into a number of gold option contracts and currency option contracts, in both cases structured as zero cost collars where the Company purchased a put option and sold a call option, in order to increase certainty in respect of a proportion of its operating cash flows.

Zero cost collars for the underlying aggregate of US$21 million (US$7 million per month for the period April to June 2020) with a RUB:USD exercise price of RUB75.00 for put options and a RUB:USD exercise price in the range of between RUB90.65 and RUB100.00 for call options matured during H1 2020 and resulted in US$0.9 million net cash settlement received by the Group. Zero cost collars for the underlying aggregate of US$126 million (US$7 million per month until December 2021) with a RUB:USD exercise price of RUB75.00 for put options and a RUB:USD exercise price in the range between RUB90.65 and RUB100.00 for call options were outstanding as at 30 June 2020.

Zero cost collars for the underlying aggregate of 10,500oz of gold (3,500 oz of gold per month for the period from April to June 2020) with an exercise price of US$1,600/oz for put options and US$1,832/oz for call options matured during H1 2020 and expired unexercised. In H1 2019 the Group used gold forward contracts as cash flow hedge arrangements which resulted in US$(6.0) million net cash settlement paid by the Group on forward contracts to sell 99,984 oz of gold. Zero cost collars for the underlying aggregate of 63,000 oz of gold (3,500 oz of gold per month until December 2021) with an exercise price of US$1,600/oz for put options and US$1,832/oz for call options were outstanding as at 30 June 2020.

Corresponding fair values for gold and currency option contracts are disclosed in note 16 to the Group's consolidated interim financial statements for the six months ended 30 June 2020.

Underlying EBITDA◆ and analysis of operating costs

	H1 2020 **US$ million**	H1 2019 US$ million
(Loss)/profit for the period	**(22.0)**	3.9
Add/(less):		
Net impairment losses/(impairment reversals) on financial instruments	**1.3**	(33.1)
Investment and other finance income	**(4.0)**	(4.9)
Interest expense	**33.4**	26.0
Net other finance losses [(a)]	**98.9**	7.4
Foreign exchange (gains)/losses	**(26.7)**	14.0

◆ *Throughout this document, when discussing the Group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APMs), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.*

Taxation	**38.5**	3.2
Depreciation	**64.7**	69.2
Reversal of impairment of ore stockpiles	**-**	(0.8)
Reversal of impairment of gold in circuit	**-**	(0.1)
Share of results of associates [(b)]	**8.6**	13.7
Underlying EBITDA◆	**192.6**	98.5

(a) Including US$(122.2) million fair value loss from re-measurement of the conversion option of the convertible bonds.
(b) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains/losses, taxation, depreciation and impairment/reversal of impairment recognised by an associate (IRC).

Underlying EBITDA◆ as contributed by business segments is set out below.

	H1 2020 US$ million	H1 2019 US$ million
Pioneer	**59.3**	12.4
Malomir	**70.9**	44.9
Albyn	**75.0**	57.9
Total Hard rock mines	**205.1**	115.2
Corporate and other	**(12.5)**	(16.7)
Underlying EBITDA◆	**192.6**	98.5

Hard rock mines

During this period, hard rock mines generated Underlying EBITDA◆ of US$205.1 million compared to US$115.2 million Underlying EBITDA in H1 2019.

Total Cash Costs◆ for hard rock mines increased from US$774/oz in H1 2019 to US$983/oz in H1 2020.

The marginal increase in Total Cash Costs from own material from US$774/oz in H1 2019 to US$800/oz in H1 2020 primarily reflects the effect of lower grades of non-refractory ore processed at Albyn and Malomir and lower recoveries achieved at Malomir, the effect of inflation of certain Rouble denominated costs, and mining tax rates as set out below. This effect was partially mitigated by the effect of higher grades and recoveries of non-refractory ore processed at Pioneer and the effect of higher grades and recoveries of refractory ore processed at Malomir, as well as by the effect of Rouble depreciation.

Total Cash Costs from 3d parties concentrate in H1 2020 was US$1,380/oz (in H1 2019 no 3d parties concentrate was processed at POX Hub). Total Cash Costs from 3d parties concentrate is directly dependent on gold price that has significantly increased over H1 2020.

The increase in physical ounces sold from 225,031oz in H1 2019 to 312,354oz in H1 2020 resulted in US$44.7 million increase in the Underlying EBITDA◆. The increase in the average realised gold price◆ from US$1,286/oz in H1 2019 to US$1,640/oz in H1 2020 contributed to a further US$110.6 million increase in the Underlying EBITDA◆. This effect was partly offset by the increase in TCC◆ with US$(65.4) million negative contribution to the Underlying EBITDA◆, primarily resulted from the higher TCC of the 3rd parties concentrate

The key components of the operating cash expenses are wages, electricity, diesel, chemical reagents and consumables, as set out in the table below. The key cost drivers affecting the operating cash expenses are production volumes of ore mined and processed, grades of ore processed, recovery rates, cost inflation and fluctuations in the Rouble to US Dollar exchange rate.

The Rouble depreciated against the US Dollar by 6% in H1 2020 compared to H1 2019, with the average exchange rate for the period of 69.42 Roubles per US Dollar in H1 2020 compared to 65.20 Roubles per US Dollar in H1 2019, somewhat mitigating the effect of Rouble denominated costs inflation.

Refinery and transportation costs are variable costs dependent on production volume. Mining tax is also a variable cost dependent on production volume and the gold price realised. The Russian statutory mining tax rate

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is 6%. Under the Russian Federal Law 144-FZ dated 23 May 2016 that introduced certain amendments to the Russian Tax Code, taxpayers who are participants in Regional Investment Projects (“RIP”) have the right to apply the reduced mining tax rate provided certain conditions are met. JSC Pokrovskiy Rudnik and LLC Malomirskiy Rudnik applied full mining tax rate in H1 2020, resulting in US$15.2 million mining tax expense compared to US$6.7 million in H1 2019 when 1.2% mining tax rate was applied by both LLC Albynskiy Rudnik and LLC Malomirskiy Rudnik.

	H1 2020		H1 2019	
	US$ million	**%**	US$ million	%
Staff cost	**40.8**	**15**	40.8	25
Materials	**40.8**	**15**	42.4	26
Flotation concentrate purchased	**130.2**	**47**	-	-
Fuel	**17.5**	**6**	22.5	14
Electricity	**17.7**	**6**	17.0	10
Other external services	**18.1**	**6**	28.3	17
Other operating expenses	**12.9**	**5**	12.5	8
	278.1	**100**	163.5	100
Movement in ore stockpiles, gold in circuit, bullion in process, limestone and flotation concentrate attributable to gold production	**9.3**		0.8	
Total operating cash expenses	**287.4**		164.4	

	Hard rock mines			H1 2020	H1 2019
	Pioneer US$ million	**Malomir US$ million**	**Albyn US$ million**	**Total US$ million**	Total US$ million
Revenue					
Gold	**258.4**	**136.4**	**117.6**	**512.3**	**289.4**
Including:					
Gold from own material	**99.6**	**136.4**	**117.6**	**353.6**	289.4
Gold from 3d parties concentrate	**158.8**	**-**	**-**	**158.8**	-
Silver	**-**	**-**	**-**	**-**	0.7
	258.4	**136.4**	**117.6**	**512.3**	290.0
Expenses					
Operating cash expenses	**191.5**	**55.7**	**40.2**	**287.4**	164.4
Refinery and transportation	**0.3**	**0.1**	**0.1**	**0.5**	0.4
Other taxes	**1.2**	**2.1**	**0.9**	**4.1**	3.4
Mining tax	**6.1**	**7.7**	**1.4**	**15.2**	6.7
Depreciation	**23.0**	**23.9**	**16.6**	**63.5**	68.5
Reversal of impairment of ore stockpiles and gold in circuit	**-**	**(0.1)**	**-**	**(0.1)**	(0.9)
Operating expenses	**222.1**	**89.4**	**59.2**	**370.7**	242.4
Result of precious metals operations	**36.3**	**47.0**	**58.4**	**141.7**	47.6
Add/(less):					
Depreciation	**23.0**	**23.9**	**16.6**	**63.5**	68.5
Reversal of impairment of ore stockpiles and gold in circuit	**-**	**(0.1)**	**-**	**(0.1)**	(0.9)
Segment EBITDA¨	**59.3**	**70.9**	**75.0**	**205.1**	115.2
Physical volume of gold sold, oz	**158,844**	**81,726**	**71,785**	**312,354**	225,031
Including:					
Gold sold from own material*, oz*	**59,925**	**81,726**	**71,785**	**213,436**	225,031
Gold sold from 3d parties concentrate*, oz*	**98,919**	**-**	**-**	**98,919**	-
Cash costs					
Operating cash expenses	**191.5**	**55.7**	**40.2**	**287.4**	164.4
Refinery and transportation	**0.3**	**0.1**	**0.1**	**0.5**	0.4
Other taxes	**1.2**	**2.1**	**0.9**	**4.1**	3.4
Mining tax	**6.1**	**7.7**	**1.4**	**15.2**	6.7
Operating cash costs	**199.1**	**65.5**	**42.6**	**307.2**	174.8
Deduct: co-product revenue	**-**	**-**	**-**	**-**	(0.7)
Total Cash Costs◆	**199.1**	**65.5**	**42.6**	**307.2**	174.2
Including:					
Total cash costs from own material	**62.6**	**65.5**	**42.6**	**170.7**	174.2
Total cash costs from 3d parties concentrate	**136.5**	**-**	**-**	**136.5**	-
TCC◆, US$/oz	**1,253**	**802**	**593**	**983**	774
TCC **from own material**, US$/oz	**1,045**	**802**	**593**	**800**	774
TCC **from 3d parties** concentrate, US$/oz	**1,380**	**-**	**-**	**1,380**	-

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All-in Sustaining Costs◆ and All-in Costs◆

AISC◆ increased from US$1,029/oz in H1 2019 to US$1,220/oz in H1 2020. The increase in AISC◆ primarily reflects increase in TCC◆ and increase in capitalized stripping expenditure during the period at Pioneer and Malomir. This effect was partially offset by the increase in physical ounces sold in H1 2020 with an aggregate of sustaining capital expenditures related to the existing mining operations, underground mining projects at Pioneer and Malomir, POX project, and Malomir flotation plant remaining at approximately the same level as the aggregate of sustaining capital expenditures in H1 2019.

AIC◆ increased from US$1,091/oz in H1 2019 to US$1,325/oz in H1 2020, reflecting the increase in AISC◆ explained above, development expenditure in relation to Pioneer flotation plant and Elginskoye infrastructure. This effect was partially offset by decrease in Capital Expenditure◆ in relation to the POX project, with POX Hub commissioned in 2019 and being considered as sustaining in the period.

	Hard rock mines			**H1 2020**	H1 2019
	Pioneer US$ million	**Malomir US$ million**	**Albyn US$ million**	**Total US$ million**	Total US$ million
Physical volume of gold sold, oz	**158,844**	**81,726**	**71,785**	**312,354**	225,031
Total Cash Costs◆	**199.1**	**65.5**	**42.6**	**307.2**	174.2
TCC◆, US$/oz	**1,253**	**802**	**593**	**983**	774
Reversal of impairment of ore stockpiles and gold in circuit	**-**	**(0.1)**	**-**	**(0.1)**	(0.9)
Adjusted operating costs	**199.1**	**65.5**	**42.6**	**307.1**	173.2
Central administration expenses	**10.5**	**5.4**	**4.8**	**20.7**	22.0
Capitalised stripping	**13.0**	**10.7**	**-**	**23.7**	4.9
Close-down and site restoration	**0.6**	**-**	**0.1**	**0.7**	0.5
Sustaining exploration expenditures	**0.4**	**-**	**0.2**	**0.5**	3.4
Sustaining Capital Expenditure	**12.4**	**10.6**	**3.2**	**26.2**	27.6
Sustaining lease	**0.1**	**1.0**	**0.9**	**2.1**	-
All-in Sustaining Costs◆	**236.1**	**93.3**	**51.6**	**381.0**	231.7
All-in Sustaining Costs◆, US$/oz	**1,487**	**1,141**	**718**	**1,220**	1,029
Exploration Expenditure◆	**(0.0)**	**1.3**	**3.4**	**4.6**	4.8
Capital Expenditure◆	**16.1**	**-**	**12.1**	**28.2**	9.2
All-in Costs◆	**252.2**	**94.6**	**67.0**	**413.8**	245.6
All-in Costs◆, US$/oz	**1,588**	**1,157**	**934**	**1,325**	1,091

Corporate and other

Corporate and other operations contributed US$(12.5) million to Underlying EBITDA◆ in H1 2020 compared to US$(16.7) million in H1 2019. Corporate and other operations primarily include central administration function, result of in-house service companies and the Group's share of results of its associate IRC.

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The Group has corporate offices in London, Moscow and Blagoveschensk, which together represent the central administration function. Central administration expenses decreased by US$1.3 million from US$22.0 million in H1 2019 to US$20.7 million in H1 2020.

The Group's share of profit generated by IRC is US$1.8 million (H1 2019: US$(7.9) million share of losses generated by IRC). IRC contributed US$ 10.5 million to the Group's Underlying EBITDA◆ in H1 2020 (H1 2019: US$5.8 million).

Impairment review

Impairment of mining assets

As at 30 June 2020 and 30 June 2019, the Group identified no impairment indicators or indicators of impairment reversal for the cash generating units related to its gold mining projects and supporting in-house service companies.

As at 31 December 2019, the Group recognised impairment reversals at the Pioneer CGU and the supporting in-house service companies of US$43.5 million (US$34.8 million post-tax) and US$9.4 million (US$7.8 million post-tax), respectively.

Impairment of exploration and evaluation assets

As at 30 June 2020, the Group performed a review of its exploration and evaluation assets and concluded no impairment was required (31 December 2019: the Group performed a review of its exploration and evaluation assets and concluded no impairment was required). Exploration and evaluation assets in the statement of financial position relate to the areas adjacent to the existing mines.

Investment and other finance income

	H1 2020 US$ million	H1 2019 US$ million
Investment income [(a)]	**0.6**	2.5
Guarantee fee income [(b)]	**3.4**	2.4
	4.0	4.9

(a) Interest income on bank deposits.
(b) Guarantee fee income under Gazprombank Guarantee arrangements, as set out in section "Corporate activities" below.

Interest expense

	H1 2020 US$ million	H1 2019 US$ million
Interest expense	**34.0**	35.1
Interest capitalised	**(1.0)**	(9.4)
Other	**0.4**	0.3
	33.4	26.0

Interest expense for the period comprised of US$21.0 million effective interest on the Notes, US$6.5 million effective interest on the Convertible Bonds, US$6.3 million interest on prepayments on gold sale agreements and US$0.3 million interest on finance lease (H1 2019: US$20.8 million effective interest on the Notes, US$6.4 million effective interest on the Convertible Bonds, US$7.7 million interest on prepayments on gold sale agreements and US$0.3 million interest on finance lease).

As the Group continued with construction of flotation line at Pioneer, this project met eligibility criteria for borrowing costs capitalization under IAS 23 "Borrowing Costs" with US$1.0 million of interest expense capitalized within property, plant and equipment (H1 2019: US$9.4 million of interest expense was capitalised within property, plant and equipment in relation to POX Hub and Malomir flotation). With all four autoclaves of the POX Hub fully functional, interest capitalisation in relation to POX Hub ceased in December 2019, with increase in net interest expense from December 2019 onwards.

Net other finance gains/(losses)

Net other finance losses for the period totalled US$(98.9) million compared to US$(7.4) million of net other finance losses in H1 2019. Key elements of other finance gains and losses this period include:

- US$(122.2) million fair value non-cash loss from re-measurement of the conversion option of the convertible bonds, reflecting the increase in the underlying share price of the Company;
- US$20.6 million fair value gain on the call option to acquire 25% interest in the Group's subsidiary LLC TEMI from its current shareholder as set out in section "Corporate activities" below, reflecting the gold price increase;
- US$3.1 million fair value gain on gold and currency option contracts;
- US$(0.3) million net loss on other items.

Net impairment reversals/ (impairment losses) on financial instruments

In H1 2020, the Group recognised a US$1.3 million increase in the provision for expected credit losses under Gazprombank guarantee arrangements (H1 2019: net of US$30.1 million reversal of provision for expected credit losses under Gazprombank and ICBC guarantee arrangements and US$3.0 million revesal of impairment of financial assets).

Taxation

	H1 2020 US$ million	H1 2019 US$ million
Tax charge	**38.5**	3.2

The Group is subject to corporation tax under the UK, Russia and Cyprus tax legislation. The statutory tax rate for H1 2020 was 19% in the UK and 20% in Russia.

The tax charge for the period primarily related to the Group's gold mining operations and is represented by a current tax charge of US$25.1 million (H1 2019: US$12.3 million) and a deferred tax charge, which is a non-cash item, of US$13.4 million (H1 2019: deferred tax credit of US$9.1 million). Included in the deferred tax charge in H1 2020 is a US$23.7 million charge (H1 2019: US$16.3 million credit) from the effect of foreign exchange which primarily arises because the tax base for a significant portion of the future taxable deductions in relation to the Group's property, plant and equipment are denominated in Russian Roubles, whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value. The effective tax rate is also affected by expenses that are not deductible for tax purposes which primarily relate to fair value loss on re-measurement of the conversion option of the Convertible Bonds, effect of tax losses for which no deferred income tax asset was recognised which primarily relate to interest expense incurred in the UK and Russian withholding tax on intercompany dividends.

During the period, the Group made corporation tax payments in aggregate of US$28.5 million in Russia (H1 2019: corporation tax payments in aggregate of US$16.6 million in Russia).

Earnings per share

	H1 2020 US$ million	H1 2019 US$ million
(Loss)/profit for the period attributable to equity holders of Petropavlovsk PLC	**US$(23.9) million**	US$4.7 million
Weighted average number of Ordinary Shares	**3,310,369,237**	3,308,154,243
Basic (loss)/profit per ordinary share	**US$(0.01)**	US$0.00

Basic loss per share for H1 2020 was US$(0.01) compared to US$0.00 basic profit per share for H1 2019.

The total number of Ordinary Shares in issue as at 30 June 2020 was 3,310,369,237 (30 June 2019: 3,308,154,243).

Financial position and cash flows

	30 June 2020 US$ million	31 December 2019 US$ million
Cash and cash equivalents	**73.5**	48.2
Notes [(a)]	**(501.1)**	(500.4)
Convertible bonds [(b)]	**(110.4)**	(109.1)
Net Debt♦	**(538.0)**	(561.3)

(a) US$500 million Guaranteed Notes due on 14 November 2022 at amortised cost.
(b) US$125 million convertible bonds due on 03 July 2024 at amortised cost.

	H1 2020 US$ million	H1 2019 US$ million
Net cash from operating activities	**112.1**	11.9
Net cash (used in)/from investing activities [(c)]	**(82.7)**	1.5
Net cash used in financing activities	**(2.0)**	(2.8)

(c) Including US$59.6 million cash CAPEX (H1 2019: US$45.0 million)♦.

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Key movements in cash and Net Debt◆

	Cash US$ million	Debt US$ million	Net Debt◆ US$ million
As at 1 January 2020	**48.2**	**(609.5)**	**(561.3)**
Net cash generated by operating activities before working capital changes	**183.3**		
Decrease in working capital	**(10.5)**		
Corporation tax paid	**(28.5)**		
Capital Expenditure◆	**(59.6)**		
Capitalized stripping	**(23.7)**		
Interest accrued		**(27.4)**	
Interest paid	**(32.1)**[(d)]	**25.5**	
Interest received	**0.6**		
Other	**(4.2)**		
As at 30 June 2020	**73.5**	**(611.4)**	**(538.0)**

(d) Including US$6.3 million interest paid in relation to advance payments from Gazprombank and Sberbank.

Capital Expenditure ◆

The Group invested an aggregate of US$59.6 million in H1 2020 compared to US$45.0 million in H1 2019. The key areas of focus in this period were on Pioneer and Malomir flotation, Elginskoye mine development and development to support the underground mining at Pioneer. The Group capitalised US$1.0 million of interest expense incurred in relation to the Group's debt into the cost of the Pioneer flotation (H1 2019: US$9.4 million into the cost of the POX Hub and Malomir flotation).

	Exploration expenditure US$ million	Development expenditure and other CAPEX◆ US$ million	Total CAPEX◆ US$ million
POX [(a)]	**-**	**4.2**	**4.2**
Pioneer [(b), (c)]	**0.4**	**24.1**	**24.5**
Malomir[(d), (e)]	**1.3**	**6.8**	**8.1**
Albyn[(f)]	**3.5**	**14.1**	**17.6**
Corporate and in-house services	**-**	**5.2**	**5.2**
	5.2	**54.4**	**59.6**

(a) Including US$4.2 million of development expenditure in relation to the POX Hub which is considered to be sustaining Capital Expenditure◆ for the purposes of calculating AISC◆ and AIC◆.
(b) Including US$5.6 million of expenditure in relation to the underground mining project at Pioneer to be sustaining Capital Expenditure◆ for the purposes of calculating AISC◆ and AIC◆.
(c) Including US$ 16.1 million development expenditure in relation to the Pioneer flotation (including tailing dams) to be non-sustaining Capital Expenditure◆ for the purposes of calculating the AISC◆ and AIC◆.
(d) Including US$0.6 million of development expenditure in relation to the underground mining project at Malomir to be sustaining Capital Expenditure◆ for the purposes of calculating AISC◆ and AIC◆.
(e) Including US$4.9 million of development expenditure in relation to Malomir flotation (including tailing dams), which is considered to be sustaining Capital Expenditure◆ for the purposes of calculating AISC◆ and AIC◆.
(f) Including US$3.4M of exploration expenditure in relation to Elginskoye, US$5.8M of development expenditure in relation to road between Elginskoye and Albyn processing facilities and US$6.3M of development expenditure in relation to tailing dam for Elginskoye project, which are considered to be non-sustaining Capital Expenditure◆ for the purposes of calculating AISC◆ and AIC◆.

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Foreign currency exchange differences

The Group's principal subsidiaries have a US Dollar functional currency. Foreign exchange differences arise on the translation of monetary assets and liabilities denominated in foreign currencies, which for the principal subsidiaries of the Group are the Russian Rouble and GB Pounds Sterling.

The following exchange rates to the US Dollar have been applied to translate monetary assets and liabilities denominated in foreign currencies.

	30 June 2020	31 December 2019
GB Pounds Sterling (GBP: US$)	**0.81**	0.75
Russian Rouble (RUB: US$)	**69.95**	61.91

The Rouble depreciated by 13% against the US Dollar during H1 2020, from RUB61.91: US$1 as at 31 December 2019 to RUB69.95: US$1 as at 30 June 2020. The average period-on-period depreciation of the Rouble against the US Dollar was approximately 6%, with the average exchange rate for H1 2020 being RUB69.42: US$1 compared to RUB65.20 : US$1 for H1 2019. The Group recognised foreign exchange gains of US$27.9 million in H1 2020 (H1 2019: US$14.0 million losses) arising primarily on Rouble denominated net monetary liabilities (including advance payments received from Gazprombank and Sberbank under gold sales agreements).

Corporate activities

Guarantee over IRC's external borrowings

The Group historically entered into an arrangement to provide a guarantee over its associate's, IRC, external borrowings, the ICBC Facility ('ICBC Guarantee'). Under the terms of the arrangement the Group was entitled to receive an annual fee equal to 1.75% of the outstanding amount. As at 30 June 2020 the remaining outstanding contractual guarantee fee was US$5.0 million, which had a corresponding fair value of US$4.7 million and is payable by IRC no later than 31 December 2020 (31 December 2019: outstanding contractual guarantee fee of US$5.0 million with corresponding fair value after provision for credit losses of US$4.4 million).

In March 2019, IRC has refinanced the ICBC Facility through entering into a US$240 million new facility with Gazprombank ('Gazprombank Facility'). The facility was fully drawn down during the year ended 31 December 2019. The outstanding loan principal was US$214 million as at 30 June 2020.

A new guarantee was issued by the Group over part of the Gazprombank Facility ('Gazprombank Guarantee'), the guarantee mechanism is implemented through a series of five guarantees that fluctuate in value through the eight-year life of the loan, with the possibility of the initial US$160 million principal amounts guaranteed reducing to US$40 million within two to three years, subject to certain conditions being met. For the final two years of the Gazprombank Facility, the guaranteed amounts will increase to US$120 million to cover the final principal and interest repayments. If certain springing recourse events transpire, including default on a scheduled payment, then full outstanding loan balance is accelerated and subject to the guarantee. Under the Gazprombank Guarantee arrangements, the guarantee fee receivable is determined at each reporting date on an independently determined fair value basis, which for the six months ended 30 June 2020 was estimated at the annual rate of 3.07% for 2020 by reference to the average outstanding principal balance under Gazprombank Facility. The guarantee fee charged for six months ended 30 June 2020 was US$3.4 million, with corresponding value of US$3.2 million after provision for expected credit losses (H1 2019: US$$2.4 million, with corresponding value of $2.2 million after provision for expected credit losses).

The following assets and liabilities have been recognised in relation to the ICBC Guarantee and Gazprombank Guarantee as at 30 June 2020 and 31 December 2019:

	30 June 2020 US$ million	31 December 2019 US$ million
Other receivables – ICBC Guarantee	4.7	4.4
Other receivables – Gazpombank Guarantee	8.4	5.0
Financial guarantee contract – Gazpombank Guarantee	(10.2)	(8.9)

Option to acquire non-controlling 25% interest in LLC TEMI

In May 2019, the Group entered into the option contract to acquire non-controlling 25% interest in LLC TEMI, holder of licenses for the Elginskoye Ore Field and Afanasievskaya Prospective Ore Area, from its shareholder Agestinia Trading Limited for an aggregate consideration of US$60 million (adjusted to US$53.5 million if certain conditions are met). The option premium payable is US$13 million, which was paid in 2019. The exercise period of the option is 730 days from 22 May 2019.

The Group employed an independent third-party expert to undertake the valuations of the underlying 25% interest in LLC TEMI and the call option. As at 30 June 2020, the fair value of the derivative financial asset was US$31.6 million reflecting cumulative gain on re-measurement to fair value from initial recognition in the amount of US$18.6 million and the initial US$13 million cash payment.

Partial conversion of US$125 million Convertible Bonds

During the period after 30 June 2020, the Company has received Conversion Notices in respect of the exercise of conversion rights under the US$125 million Convertible Bonds. The principal amount of the Convertible Bonds in respect of which the Conversion Notices have been served amounted to an aggregate of US$86.8 million, which, at a fixed exchange price of US$0.1350 per ordinary share, resulted in the issue and allotment of an aggregate of 642,962,951 new ordinary shares.

Going concern

The Group monitors and manages its liquidity risk on an ongoing basis to ensure that it has access to sufficient funds to meet its obligations. Cash forecasts are prepared regularly based on a number of inputs including, but not limited to, forecast commodity prices and the impact of hedging arrangements, the Group's mining plan, forecast expenditure and debt repayment schedules. Sensitivities are run for different scenarios including, but not limited to, changes in commodity prices, cost inflation, different production rates from the Group's producing assets and the timing of expenditure on development projects. This is done to identify risks to liquidity and enable management to develop appropriate and timely mitigation strategies. The Group meets its capital requirements through a combination of sources including cash generated from operations, advances received from customers under prepayment arrangements and external debt.

The Group performed an assessment of the forecast cash flows for the period of 12 months from the date of approval of the Half Year Report for the period ended 30 June 2020. As at 30 June 2020, the Group had sufficient liquidity headroom. The Group is also satisfied that it has sufficient headroom under a base case scenario for the period to December 2021. The Group has also performed projections under a layered stressed case that is based on:

- a gold price, which is approximately 10% lower than the upper quartile of the average of the market consensus forecasts;
- processing of third-party concentrate through POX facilities is approximately 10% lower than projected and oxide gold production from underground operations at Pioneer and Malomyr approximately 10% lower than projected; and
- Russian Rouble: US Dollar exchange rate that is approximately 10% stronger than the average of the market consensus forecasts.

Following the removal of the majority of the non-executive directors and all executive directors at the Company's annual general meeting on 30 June 2020 and the requisitioned general meeting held on 10 August 2020, and the subsequent appointment of the interim CEO, the Company has encountered a lack of co-operation from certain senior employees and ex-employees in some of the Company's material Russian subsidiaries. While the directors believe that these factors have had no material adverse impact on the Group's financial position and its operations to date, the Group has further stressed its cash flow projections to reflect potential operational inefficiencies for a three-month period from November 2020, including the following:

- production from gold mining operations being approximately additional 10% lower;
- operating cash costs for gold mining operations being approximately additional 10% higher.

The results of this analysis indicate sufficient liquidity for a period of at least 12 months, including if there is underperformance at IRC Ltd (in which the Group holds a 31.1% interest). In selecting the assumptions in its cash flow stress testing, the directors have also considered the potential impact of Covid-19.

As at 30 June 2020, the Group had guaranteed the outstanding amounts owed by IRC Ltd to Gazprombank under a credit facility. The outstanding loan principal was US$214 million as at 30 June 2020 and the facility is subject to a $160 million guarantee given by the Group (see note 21). The directors have considered whether there is any material uncertainty that IRC will be able to repay this facility as it falls due in its overall going concern assessment. IRC projections demonstrate that IRC expects to have sufficient liquidity over the next 12 months and expects to meet its obligations under the Gazprombank facility.

As at 30 June 2020, the Group has outstanding debt issued under US$125 million Convertible Bonds and US$500 million Guaranteed Notes (see note 19). If the Group fails to comply with its obligations (including interest payment obligations) under the Convertible Bonds, Guaranteed Notes or Gazprombank guarantee arrangements then, if not remedied by the Group, this would result in events of default which, through cross-defaults and cross-accelerations, could cause all of the Group's indebtedness to become repayable on demand. The assessment of whether there is any material uncertainty that the Group will be able to meet its repayment and compliance obligations under debt or guarantee arrangements as they fall due is another key element of the Group's overall going concern assessment.

Since the requisitioned general meeting held on 10 August 2020, the Group has made changes to the boards of directors of certain material subsidiaries of the Company in Russia and reversed changes to those subsidiaries' constitutional documents which were instituted by the Group's former CEO during June and July 2020 and which had the effect of entrenching the previous management of those subsidiaries. Those changes have been challenged by certain employees and ex-employees of the Group in legal proceedings in Russia. In the view of Company legal advisors, these actions are entirely baseless and without merit. However, it may take several months for these issues to be resolved and until such time it may be difficult for the Directors to appoint new management and for the newly appointed management of the relevant subsidiaries to interact successfully with 3rd parties as a result of injunctions granted by the Russian courts pending resolution of the proceedings.

The Company relies on cash flows from certain Russian subsidiaries to secure repayments under its debt obligations and other ongoing expenses as they fall due. The lack of co-operation from some employees and ex-employees in certain of the Russian subsidiaries as described above has led to delays in receiving cash from those subsidiaries in circumstances where those subsidiaries have not complied fully with the requests of the Company for funds. The Company has received sufficient cash to enable it to meet its October 2020 payment obligations under US$125 million Convertible Bonds and expects to receive cash required to meet its November 2020 payment obligations under US$500 million Guaranteed Notes. The Company is seeking additional external funding sources to meet its obligations in the event that future funding from the Russian subsidiaries is not received.

Having taken into account the aforementioned factors and after making enquiries and considering the matters described above, the Directors have concluded that they do not constitute material uncertainties that may cast significant doubt about the ability of the Group to continue as a going concern and have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of the Half Year Report for the period ended 30 June 2020. Accordingly, they continue to adopt the going concern basis of accounting in preparing these condensed consolidated financial statements.

Principal Risk and Uncertainties

The Group is exposed to a variety of risks and uncertainties which could significantly affect its business and financial results. A detailed review of the key risks facing the Group is set out in the Principal Risks and Mitigation section on pages 26 to 41 of the 2019 Annual Report, which is available on the Group's website, http://www.petropavlovsk.net. This also includes a description of the potential impact of such risks on the Group together with measures in place to manage or mitigate against each specific risk where this is within the Group's control.

The Board's view of the principal risks and uncertainties that could impact the Group for the remainder of the current financial year remains substantially unchanged save as set out below and/or in Note 2 Going concern to these financial statements.

There may be additional risks unknown to the Group and other risks, currently believed to be immaterial, which could turn out to be material. These risks, whether they materialise individually or simultaneously, could significantly affect the Group's business and financial results. The Group will continue to monitor internal and external areas of uncertainty and threat closely as well as remain vigilant on internal controls, and incorporate any further developments as part of the full-year assessment of principal risks and uncertainties.

The principal risks relate to the following:

Corporate

- Legal dispute between the Company and a number of employees and ex-employees
- Lack of co-operation of certain employees with the interim CEO and the Board

Covid-19

- Impact of Covid-19 on the Group's employees and its operations

Operational

- Production
- Exploration
- Decline in operational efficiency resulting from the Corporate matters referred to above
- Disruption in Group reporting processes

Processing

- Mechanical failure of POX Hub
- Processing of third party concentrate being lower than expected
- Availability of underground oxide ore at Pioneer and Malomir

Financial

- Lack of funding and liquidity including resulting from the Corporate matters referred to above
- Gold price
- Exchange rate
- Guarantee of IRC's debt

Health, safety and environmental

- POX
- Underground mining
- Contamination

Loss of key personnel

- The Company is dependent on long-serving members of the senior executive and site teams
- There have been a large number of recent changes in the senior executive team

Country/Compliance

- The Group requires various licences and permits in order to operate
- Russian sovereign risks

Director's Responsibilities Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements, which has been prepared in accordance with IAS34 "Interim Financial Reporting" as endorsed and adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the company, or the undertakings included in the consolidation as a whole as required by DTR4.2.4R
- The interim management report includes a fair review of the information required by DTR4.2.7R (indication of important events and their impact, and description of principal risks and uncertainties for the remaining six months of the financial year); and
- The interim management report includes a fair review of the information required on related party transactions as required by DTR4.2.8R

By order of the Board,

James W Cameron Jr	**Danila Kotlyarov**
Chairman	Chief Financial Officer

29 October 2020

Independent Review Report to Petropavlovsk PLC (Auditors)

Introduction

We have been engaged by Petropavlovsk plc (the Company) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the Condensed Consolidated Statement of Profit or Loss, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 25. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely for the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

MHA MacIntyre Hudson

Statutory Auditor

London

29 October 2020

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Profit or Loss
Six months ended 30 June 2020

	note	**Six months ended 30 June 2020 (unaudited)**	Six months ended 30 June 2019 (restated) [(a)] (unaudited)	Year ended 31 December 2019
		US$'000	US$'000	US$'000
Group revenue	5	**522,731**	305,328	741,589
Operating expenses	6	**(378,440)**	(294,910)	(590,853)
Share of results of associates	12	**1,845**	(7,905)	(35,376)
Operating profit		**146,136**	2,513	115,360
Net (impairment losses)/impairment reversals on financial instruments	7	**(1,274)**	33,093	30,797
Investment and other finance income	7	**3,962**	4,939	8,826
Interest expense	7	**(33,383)**	(25,979)	(59,854)
Net other finance (losses)/gains	7	**(98,893)**	(7,407)	(42,190)
Profit before taxation		**16,548**	7,159	52,939
Taxation	8	**(38,542)**	(3,233)	(27,246)
(Loss)/profit for the period		**(21,994)**	3,926	25,693
Attributable to:				
Equity shareholders of Petropavlovsk PLC		**(23,934)**	4,673	26,883
Non-controlling interests		**1,940**	(747)	(1,190)
Profit/(loss) per share				
Basic (loss)/profit per share	9	**US$(0.01)**	US$0.00	US$0.01
Diluted (loss)/profit per share	9	**US$(0.01)**	US$0.00	US$0.01

(a) See note 2 for details regarding the restatement.

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2020

	Six months ended 30 June 2020 (unaudited) US$'000	Six months ended 30 June 2019 (unaudited) US$'000	Year ended 31 December 2019 US$'000
(Loss)/ profit for the period	**(21,994)**	3,926	25,693
Items that may be reclassified subsequently to profit or loss:			
Exchange differences:			
Exchange differences on translating foreign operations	**(2,261)**	1,701	2,102
Share of other comprehensive income/(loss) of associate	**425**	(6,386)	(1,084)
Cash flow hedges:			
Fair value losses	**-**	(15,624)	(22,652)
Tax thereon	**-**	2,911	4,234
Transfer to revenue	**-**	5,963	31,471
Tax thereon	**-**	(1,103)	(5,865)
	(1,836)	(12,538)	8,206
Total comprehensive (loss)/profit for the period	**(23,830)**	(8,612)	33,899
Attributable to:			
Equity shareholders of Petropavlovsk PLC	**(25,770)**	(7,838)	35,067
Non-controlling interests	**1,940**	(774)	(1,168)
	(23,830)	(8,612)	33,899

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Financial Position
At 30 June 2020

	note	**30 June 2020** (unaudited) US$'000	30 June 2019 (restated) [a] (unaudited) US$'000	31 December 2019 US$'000
Assets				
Non-current assets				
Exploration and evaluation assets	10	**57,751**	47,982	53,123
Property, plant and equipment	11	**1,219,716**	1,135,497	1,209,817
Investments in associates	12	**50,950**	70,848	48,680
Inventories	13	**64,556**	51,938	60,257
Trade and other receivables	14	**578**	538	556
Derivative financial instruments	16	**2,730**	6,541	11,022
Other non-current assets		**763**	974	880
		1,397,044	1,314,318	1,384,335
Current assets				
Inventories	13	**221,554**	176,135	307,773
Trade and other receivables	14	**86,827**	83,159	105,975
Current tax assets		**10,535**	4,943	5,807
Derivative financial instruments	16	**37,647**	-	-
Cash and cash equivalents	15	**73,458**	39,138	48,153
		430,021	303,375	467,708
Total assets		**1,827,065**	1,617,693	1,852,043
Liabilities				
Current liabilities				
Trade and other payables	17	**(229,648)**	(216,700)	(389,041)
Current tax liabilities		**(2,138)**	(80)	(535)
Borrowings	18	**-**	(97,045)	-
Derivative financial instruments	16	**(3,168)**	(30,110)	(266)
Provision for close down and restoration costs		**-**	(1,364)	-
Lease liabilities		**(2,473)**	(2,856)	(5,373)
		(237,427)	(348,155)	(395,215)
Net current assets/(liabilities)		**192,594**	(44,780)	72,493
Non-current liabilities				
Borrowings	18	**(611,436)**	(499,504)	(609,463)
Derivative financial instruments	16	**(171,939)**	-	(46,313)
Deferred tax liabilities		**(126,045)**	(102,473)	(112,566)
Provision for close down and restoration costs		**(36,616)**	(20,289)	(36,231)
Financial guarantee contract	21	**(10,199)**	(7,274)	(8,923)
Trade and other payables	17	**(19,473)**	(43,761)	-
Lease liabilities		**(2,144)**	(3,370)	(7,805)
		(977,852)	(676,671)	(821,301)
Total liabilities		**(1,215,279)**	(1,024,826)	(1,216,516)
Net assets		**611,786**	592,867	635,527
Equity				
Share capital	19	**49,035**	49,003	49,003
Share premium		**518,142**	518,142	518,142
Hedging reserve		**-**	(14,992)	-
Share based payments reserve		**-**	49	199
Translation reserves		**(18,139)**	(16,279)	(15,878)
Retained earnings		**50,352**	46,094	73,605
Equity attributable to the shareholders of Petropavlovsk PLC		**599,390**	582,017	625,071
Non-controlling interests		**12,396**	10,850	10,456
Total equity		**611,786**	592,867	635,527

(a) See note 2 for details regarding the restatement.

These condensed consolidated financial statements for Petropavlovsk PLC, registered number 4343841, were approved by the Directors on 29 October 2020 and signed on their behalf by

James W Cameron Jr
Chairman

Danila Kotlyarov
Chief Financial Officer

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2020

	Total attributable to equity holders of Petropavlovsk PLC								
	Share capital US$'000	Share premium US$'000	Share based payments reserve US$'000	Hedging reserve US$'000	Translation reserve US$'000	Retained earnings/ (losses) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2019	48,963	518,142	227	(7,166)	(17,980)	47,538	589,724	11,624	601,348
Total comprehensive (loss)/income	-	-	-	(7,826)	1,701	(1,713)	(7,838)	(774)	(8,612)
Profit for the period	-	-	-	-	-	4,673	4,673	(747)	3,926
Other comprehensive (loss)/income	-	-	-	(7,826)	1,701	(6,386)	(12,511)	(27)	(12,538)
Deferred share awards	40	-	(178)	-	-	269	131	-	131
Balance at 30 June 2019 (restated) [(a)] **(unaudited)**	49,003	518,142	49	(14,992)	(16,279)	46,094	582,017	10,850	592,867
Total comprehensive income	-	-	-	14,992	401	27,512	42,905	(394)	42,511
Profit for the period (restated)	-	-	-	-	-	22,210	22,210	(443)	21,767
Other comprehensive income	-	-	-	14,992	401	5,302	20,695	49	20,744
Deferred share awards	-	-	150	-	-	(1)	149	-	149
Balance at 31 December 2019	**49,003**	**518,142**	**199**	**-**	**(15,878)**	**73,605**	**625,071**	**10,456**	**635,527**
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**(2,261)**	**(23,509)**	**(25,770)**	**1,940**	**(23,830)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(23,934)**	**(23,934)**	**1,940**	**(21,994)**
Other comprehensive income/(loss)	**-**	**-**	**-**	**-**	**(2,261)**	**425**	**(1,836)**	**-**	**(1,836)**
Deferred share awards	**32**	**-**	**(199)**	**-**	**-**	**256**	**89**	**-**	**89**
Balance at 30 June 2020 (unaudited)	**49,035**	**518,142**	**-**	**-**	**(18,139)**	**50,352**	**599,390**	**12,396**	**611,786**

(a) See note 2 for details regarding the restatement.

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Cash Flows
Six months ended 30 June 2020

	note	**Six months ended 30 June 2020 (unaudited) US$'000**	Six months ended 30 June 2019 (restated) [(a)] (unaudited) US$'000	Year ended 31 December 2019 US$'000
Cash flows from operating activities				
Cash generated from operations	20	**172,758**	55,194	189,321
Interest paid		**(32,149)**	(32,694)	(67,160)
Guarantee fee received in connection with ICBC facility	21	**-**	6,000	6,000
Income tax paid		**(28,513)**	(16,558)	(32,723)
Net cash from operating activities		**112,096**	11,942	95,438
Cash flows from investing activities				
Purchase of property, plant and equipment	20	**(78,618)**	(44,969)	(120,798)
Expenditure on exploration and evaluation assets	10	**(4,648)**	(4,929)	(10,136)
Proceeds from disposal of property, plant and equipment		**57**	3	111
Other loans granted	21	**-**	(389)	(389)
Repayment of loans granted to an associate	21	**-**	56,211	56,243
Interest received		**558**	2,610	3,283
Call option over non-controlling interests	16	**-**	(7,000)	(13,000)
Net cash (used in)/from investing activities		**(82,651)**	1,537	(84,686)
Cash flows from financing activities				
Issue of Bonds, net of transaction cost		**-**	-	120,561
Repayment of Bonds		**-**	-	(108,000)
Exercise of the Call Option over the Company's shares	16	**-**	(2,215)	(2,215)
Exercise of gold options	16	**(999)**	-	-
Exercise of currency options	16	**677**	-	-
Funds advanced to the Group under investment agreement with the Russian Ministry of Far East Development		**-**	-	8,772
Funds transferred under investment agreement with the Russian Ministry of Far East Development		**-**	-	(8,772)
Principal elements of lease payments		**(1,655)**	(608)	(1,468)
Net cash (used in)/from financing activities		**(1,977)**	(2,823)	8,878
Net increase in cash and cash equivalents in the period		**27,468**	10,656	19,630
Effect of exchange rates on cash and cash equivalents		**(2,163)**	2,330	2,371
Cash and cash equivalents at beginning of period	15	**48,153**	26,152	26,152
Cash and cash equivalents at end of period	15	**73,458**	39,138	48,153

(a) See note 2 for details regarding the restatement.

PETROPAVLOVSK PLC
Notes to the condensed consolidated interim financial statements
Six months ended 30 June 2020

1. General information

Petropavlovsk PLC (the 'Company') is a company incorporated and registered in England and Wales. The address of the registered office is 11 Grosvenor Place, London SW1X 7HH.

These condensed consolidated interim financial statements are for the six months ended 30 June 2020. The interim financial statements are unaudited.

The information for the year ended 31 December 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. This information was derived from the statutory accounts for the year ended 31 December 2019, a copy of which has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified.

The auditor's report did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

2. Basis of preparation and presentation

The annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 were prepared in accordance with International Financial Reporting Standards ("IFRS"s) as adopted by the European Union.

The condensed consolidated set of financial statements has been prepared using accounting policies consistent with those set out in the annual financial statements for the year ended 31 December 2019, with adoption of new and revised standards and interpretations as set out below, and in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Going concern

The Group monitors and manages its liquidity risk on an ongoing basis to ensure that it has access to sufficient funds to meet its obligations. Cash forecasts are prepared regularly based on a number of inputs including, but not limited to, forecast commodity prices and the impact of hedging arrangements, the Group's mining plan, forecast expenditure and debt repayment schedules. Sensitivities are run for different scenarios including, but not limited to, changes in commodity prices, cost inflation, different production rates from the Group's producing assets and the timing of expenditure on development projects. This is done to identify risks to liquidity and enable management to develop appropriate and timely mitigation strategies. The Group meets its capital requirements through a combination of sources including cash generated from operations, advances received from customers under prepayment arrangements and external debt.

The Group performed an assessment of the forecast cash flows for the period of 12 months from the date of approval of the Half Year Report for the period ended 30 June 2020. As at 30 June 2020, the Group had sufficient liquidity headroom. The Group is also satisfied that it has sufficient headroom under a base case scenario for the period to December 2021. The Group has also performed projections under a layered stressed case that is based on:

- a gold price, which is approximately 10% lower than the upper quartile of the average of the market consensus forecasts;
- processing of third-party concentrate through POX facilities is approximately 10% lower than projected and oxide gold production from underground operations at Pioneer and Malomyr approximately 10% lower than projected;
- and Russian Rouble : US Dollar exchange rate that is approximately 10% stronger than the average of the market consensus forecasts.

Following the removal of the majority of the non-executive directors and all executive directors at the Company's annual general meeting on 30 June 2020 and the requisitioned general meeting held on 10 August 2020, and the subsequent appointment of the interim CEO, the Company has encountered a lack of co-operation from certain senior employees and ex-employees in some of the Company's material Russian subsidiaries. While the directors believe that these factors have had no material adverse impact on the Group's financial position and its operations to date, the Group has further stressed its cash flow projections to reflect potential operational inefficiencies for a three-month period from November 2020, including the following:

- production from gold mining operations being approximately additional 10% lower;
- operating cash costs for gold mining operations being approximately additional 10% higher.

The results of this analysis indicate sufficient liquidity for a period of at least 12 months, including if there is underperformance at IRC Ltd (in which the Group holds a 31.1% interest). In selecting the assumptions in its cash flow stress testing, the directors have also considered the potential impact of Covid-19.

As at 30 June 2020, the Group had guaranteed the outstanding amounts owed by IRC Ltd to Gazprombank under a credit facility. The outstanding loan principal was US$214 million as at 30 June 2020 and the facility is subject to a $160 million guarantee given by the Group (see note 21). The directors have considered whether there is any material uncertainty that IRC will be able to repay this facility as it falls due in its overall going concern assessment. IRC projections demonstrate that IRC expects to have sufficient liquidity over the next 12 months and expects to meet its obligations under the Gazprombank facility.

As at 30 June 2020, the Group has outstanding debt issued under US$125 million Convertible Bonds and US$500 million Guaranteed Notes (see note 19). If the Group fails to comply with its obligations (including interest payment obligations) under the Convertible Bonds, Guaranteed Notes or Gazprombank guarantee arrangements then, if not remedied by the Group, this would result in events of default which, through cross-defaults and cross-accelerations, could cause all of the Group's indebtedness to become repayable on demand. The assessment of whether there is any material uncertainty that the Group will be able to meet its repayment and compliance obligations under debt or guarantee arrangements as they fall due is another key element of the Group's overall going concern assessment.

Since the requisitioned general meeting held on 10 August 2020, the Group has made changes to the boards of directors of certain material subsidiaries of the Company in Russia and reversed changes to those subsidiaries' constitutional documents which were instituted by the Group's former CEO during June and July 2020 and which had the effect of entrenching the previous management of those subsidiaries. Those changes have been challenged by certain employees and ex-employees of the Group in legal proceedings in Russia. In the view of Company legal advisors, these actions are entirely baseless and without merit. However, it may take several months for these issues to be resolved and until such time it may be difficult for the Directors to appoint new management and for the newly appointed management of the relevant subsidiaries to interact successfully with 3rd parties as a result of injunctions granted by the Russian courts pending resolution of the proceedings.

The Company relies on cash flows from certain Russian subsidiaries to secure repayments under its debt obligations and other ongoing expenses as they fall due. The lack of co-operation from some employees and ex-employees in certain of the Russian subsidiaries as described above has led to delays in receiving cash from those subsidiaries in circumstances where those subsidiaries have not complied fully with the requests of the Company for funds. The Company has received sufficient cash to enable it to meet its October 2020 payment obligations under US$125 million Convertible Bonds and expects to receive cash required to meet its November 2020 payment obligations under US$500 million Guaranteed Notes. The Company is seeking additional external funding sources to meet its obligations in the event that future funding from the Russian subsidiaries is not received.

Having taken into account the aforementioned factors and after making enquiries and considering the matters described above, the Directors have concluded that they do not constitute material uncertainties that may cast significant doubt about the ability of the Group to continue as a going concern and have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of the Half Year Report for the period ended 30 June 2020. Accordingly, they continue to adopt the going concern basis of accounting in preparing these condensed consolidated financial statements.

Call option over non-controlling interests

As disclosed in note 18 to the Group's consolidated financial statements for the year ended 31 December 2019, the fair value of the option was initially recognised as US$9.6 million upon initial recognition, resulting in a corresponding gain recognised within Net other finance gains and losses in the statement of profit or loss. This gain on initial recognition was primarily due to improvement in the gold price outlook between the pricing and completion of the transaction together with the judgements taken with regards to certain inputs into the relevant valuation models, in particular, historic volatility used as a proxy of the expected volatility of the underlying assets and being historic volatility of the comparable listed companies used for the valuations under IFRS 13 as opposed to historic gold market volatility used for the valuation of the contractual option premium.

In the condensed consolidated interim financial statements for the six months ended 30 June 2019 the fair value of the call option, net of the remaining unpaid premium, was recognised at US$16.2 million, comprising the initial gain of US$9.6 million, a revaluation loss of US$(0.4) million and the premium paid to date of US$7.0 million, with a corresponding net gain of US$9.2 million recognised within Net other finance gains and losses in the statement of profit or loss. After further analysis and consideration of the IFRS 9 application guidance (which prohibits the recognition of day 1 gains based on valuation techniques that use unobservable inputs), this economic gain previously recognised in the period ended 30 June 2019 has been deferred for accounting purposes in the consolidated financial statements for the year ended 31 December 2019. The comparative financial information has been aligned to be on a consistent basis by restating the comparative amounts as set out below.

Condensed Consolidated Statement of Financial Position (extract)

	30 June 2019 US$'000	Decrease US$'000	30 June 2019 Restated US$'000
Derivative financial instruments	16,158	(9,617)	6,541
Net assets	602,484	(9,617)	592,867
Retained earnings	55,711	(9,617)	46,094
Total equity	602,484	(9,617)	592,867

Condensed Consolidated Statement of Profit or Loss (extract)

	Six months ended 30 June 2019	Increase/ decrease	Six months ended 30 June 2019 Restated

	US$' 000	US$' 000	US$' 000
Net other finance gains/(losses)	2,210	(9,617)	(7,407)
Profit for the period	13,543	(9,617)	3,926
Attributable to:			
Equity shareholders of Petropavlovsk PLC	14,290	(9,617)	4,673
Non-controlling interests	(747)	-	(747)

Condensed Consolidated Statement of Comprehensive Income (extract)

	Six months ended 30 June 2019	Decrease	Six months ended 30 June 2019 Restated
	US$' 000	US$' 000	US$' 000
Profit for the period	13,543	(9,617)	3,926
Other comprehensive loss for the period net of tax	(12,538)	-	(12,538)
Total comprehensive profit/(loss) for the period	1,005	(9,617)	(8,612)
Attributable to:			
Equity shareholders of Petropavlovsk PLC	1,779	(9,617)	(7,838)
Non-controlling interests	(774)	-	(774)

Re-classification of deferred stripping costs

As set out in the 2019 consolidated financial statements, following a review of the nature of the deferred stripping costs balance, the Group has concluded that these costs should had been presented as mining assets under property, plant and equipment. The comparative financial information has been aligned to be on a consistent basis with re-classifications in the Consolidated Statement of Financial Position from inventory current and non-current assets to property, plant and equipment non-current assets of US$36.7 million as at the period ended 30 June 2019. As a consequence, a US$4.9 million reclassification from Net cash from operating activities to Net cash used in investing activities in the Consolidated Statement of Cash Flows for the period ended 30 June 2019 has been also made. There is no impact on the Group's consolidated statement of profit or loss, profit per share, retained earnings or net assets for the period ended 30 June 2019.

Other re-classifications

As set out in the 2019 consolidated financial statements, impairment losses and impairment reversals on financial instruments have been reclassified to be presented in a separate line item in the Consolidated Statement of Profit or Loss. Other finance gains and other finance losses have been presented in the Consolidated Statement of Profit or Loss on a net basis as the Group believes it is more representative since gains and losses relate to similar financial instruments. The comparative financial information for the period ended 30 June 2019 has been aligned to be on a consistent basis with re-classifications from Other finance losses to Net impairment reversals/(impairment losses) on financial instruments of US$33.1 million and the remaining Other finance losses of US$10.6 million and Other finance gains of US$12.8 million presented on a net basis.

Adoption of new and revised standards and interpretations

During the period the Group adopted all standards, amendments and interpretations that were effective for annual periods beginning on or after 1 January 2020 (such standards, amendments and interpretations were disclosed in note 2 to the Group's consolidated financial statements for the year ended 31 December 2019). These standards, amendments, and interpretations have not had a significant impact on the presentation or disclosure in Group's condensed consolidated financial statements for the interim period ended 30 June 2020. No other changes have been made to the Group's accounting policies in the period ended 30 June 2020. Additional disclosures with respect to the annual period requirements will be included in the Group's consolidated financial statements for the year ending 31 December 2020.

Areas of judgement in applying accounting policies and key sources of estimation uncertainty

When preparing the consolidated financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. Areas of judgement in applying accounting policies and key sources of estimation uncertainty are consistent with those set out in the annual financial statements for the year ended 31 December 2019.

3. Foreign currency translation

The following exchange rates to the US dollar have been applied to translate balances and transactions in foreign currencies:

	As at 30 June 2020	**Average six months ended 30 June 2020**	As at 30 June 2019	Average six months ended 30 June 2019	As at 31 December 2019	Average year ended 31 December 2019
GB Pounds Sterling (GBP: US$)	**0.81**	**0.79**	0.79	0.77	0.75	0.78
Russian Rouble (RUB: US$)	**69.95**	**69.42**	63.08	65.20	61.91	64.69

4. Segment information

The Group's reportable segments under IFRS 8, which are aligned with its operating locations, were determined to be Pioneer, Malomir and Albyn hard rock gold mines which are engaged in gold and silver production as well as field exploration and mine development. POX Hub facilities are allocated between Pioneer and Malomir reportable segments based on the expected use by each segment.

Corporate and Other segment amalgamates corporate administration, in-house geological exploration and construction and engineering expertise, engineering and scientific operations and other supporting in-house functions as well as various gold projects and other activities that do not meet the reportable segment criteria.

Reportable operating segments are based on the internal reports provided to the Chief Operating Decision Maker ('CODM') to evaluate segment performance, decide how to allocate resources and make other operating decisions and reflect the way the Group's businesses are managed and reported.

The financial performance of the segments is principally evaluated with reference to operating profit less foreign exchange impacts.

Six months ended 30 June 2020	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$'000**	**Consolidated US$'000**
Revenue					
Gold	**258,378**	**136,404**	**117,553**	**-**	**512,335**
Silver	**-**	**-**	**-**	**-**	**-**
Other external revenue	**-**	**-**	**-**	**10,396**	**10,396**
Inter segment revenue	**17,169**	**179**	**6,633**	**71,166**	**95,147**
Intra group eliminations	**(17,169)**	**(179)**	**(6,633)**	**(71,166)**	**(95,147)**
Total Group revenue from external customers	**258,378**	**136,404**	**117,553**	**10,396**	**522,731**
Operating expenses and income					
Operating cash costs	**(199,104)**	**(65,529)**	**(42,560)**	**(12,679)**	**(319,872)**
Depreciation	**(22,987)**	**(23,941)**	**(16,607)**	**(1,125)**	**(64,660)**
Central administration expenses	**-**	**-**	**-**	**(20,671)**	**(20,671)**
Reversal of impairment of ore stockpiles	**-**	**15**	**-**	**-**	**15**
Reversal of impairment of gold in circuit	**-**	**38**	**-**	**-**	**38**
Total operating expenses [(a)]	**(222,091)**	**(89,417)**	**(59,167)**	**(34,475)**	**(405,150)**
Share of results of associates				**1,845**	**1,845**
Segment result	**36,287**	**46,987**	**58,386**	**(22,234)**	**119,426**
Foreign exchange gains					**26,710**
Operating profit					**146,136**
Net impairment losses on financial instruments					**(1,274)**
Investment and other finance income					**3,962**
Interest expense					**(33,383)**
Net other finance losses					**(98,893)**
Taxation					**(38,542)**
Loss for the period					**(21,994)**
Segment assets	**622,174**	**665,757**	**313,567**	**219,735**	**1,821,233**
Unallocated cash					**5,832**
Consolidated total assets					**1,827,065**

(a) Operating expenses excluding foreign exchange gains (note 6).

Six months ended 30 June 2019	Pioneer	Malomir	Albyn	Corporate and other	Consolidated (restated)
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue					
Gold [(b)]	67,868	119,447	102,073	-	289,388
Silver	334	221	96	-	651
Other external revenue	-	-	-	15,289	15,289
Inter segment revenue	23,520	284	2,895	75,615	102,314
Intra group eliminations	(23,520)	(284)	(2,895)	(75,615)	(102,314)
Total Group revenue from external customers	68,202	119,668	102,169	15,289	305,328
Operating expenses and income					
Operating cash costs	(55,778)	(74,780)	(44,262)	(15,888)	(190,707)
Depreciation	(21,645)	(22,750)	(24,104)	(652)	(69,152)
Central administration expenses	-	-	-	(21,953)	(21,953)
(Impairment)/ reversal of impairment of ore stockpiles	(3,136)	-	3,959	-	823
Reversal of impairment of gold in circuit	101	-	-	-	101
Total operating expenses [(c)]	(80,458)	(97,530)	(64,407)	(38,493)	(280,888)
Share of results of associates				(7,905)	(7,905)
Segment result	(12,256)	22,138	37,762	(31,109)	16,535
Foreign exchange losses					(14,022)
Operating profit					2,513
Net impairment reversals on financial instruments					33,093
Investment and other finance income					4,939
Interest expense					(25,979)
Net other finance losses					(7,407)
Taxation					(3,233)
Profit for the period					3,926
Segment assets	476,156	650,924	301,738	187,399	1,616,217
Unallocated cash					1,476
Consolidated total assets					1,617,693

(b) *Including US$(6.0) million net cash settlement paid by the Group for realised cash flow hedges.*
(c) *Operating expenses excluding foreign exchange losses (note 6).*

2019	Pioneer	Malomir	Albyn	Corporate and other	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue					
Gold [(e)]	223,193	239,365	229,139	-	691,697
Silver	464	267	146	-	877
Other external revenue	-	-	-	49,015	49,015
Inter segment revenue	45,970	537	4,493	145,326	196,326
Intra group eliminations	(45,970)	(537)	(4,493)	(145,326)	(196,326)
Total Group revenue from external customers	223,657	239,632	229,285	49,015	741,589
Operating expenses and income					
Operating cash costs	(170,349)	(135,427)	(80,017)	(48,745)	(434,538)
Depreciation	(41,225)	(46,549)	(48,144)	(1,857)	(137,775)
Central administration expenses	-	-	-	(52,527)	(52,527)
Reversal of impairment of mining assets and in-house service	42,755	-	-	9,404	52,159
(Impairment)/reversal of impairment of ore stockpiles	(664)	(517)	3,959	-	2,778
Reversal of impairment/(impairment) of gold in circuit	101	(243)	-	-	(142)
Total operating expenses [(f)]	(169,382)	(182,736)	(124,202)	(93,725)	(570,045)
Share of results of associate	-	-	-	(35,376)	(35,376)
Segment result	54,275	56,896	105,083	(80,086)	136,168
Foreign exchange losses					(20,808)
Operating profit					115,360
Net impairment reversals on financial instruments					30,797
Investment and other finance income					8,826
Interest expense					(59,854)
Net other finance losses					(42,190)
Taxation					(27,246)
Profit for the year					25,693
Segment assets	629,169	705,230	315,152	199,578	1,849,129
Unallocated cash					2,914
Consolidated total assets					1,852,043

(d) *Net of US$(31.5) million net of cash settlement paid by the Group for realised cash flow hedges.*
(e) *Operating expenses excluding foreign exchange losses (note 6).*

5. Group revenue

	Six months ended 30 June 2020 US$'000	Six months ended 30 June 2019 US$'000	Year ended 31 December 2019 US$'000
Sales of goods:			
Gold	**512,335**	289,388	691,697
Silver	**-**	651	877
Other goods	**3,976**	7,941	33,395
Rendering of services:			
Engineering and construction contracts	**5,036**	5,565	12,535
Other services	**1,042**	1,463	2,347
Rental income	**342**	320	738
	522,731	305,328	741,589
Timing of revenue recognition:			
At a point in time	**516,311**	297,980	725,969
Over time	**6,420**	7,348	15,620
	522,731	305,328	741,589

6. Operating expenses and income

	Six months ended 30 June 2020 US$'000	Six months ended 30 June 2019 US$'000	Year ended 31 December 2019 US$'000
Net operating expenses [(a)]	**384,532**	259,859	572,313
Reversal of impairment of mining assets and in-house service [(a)]	**-**	-	(52,159)
Reversal of impairment of ore stockpiles [(a)]	**(15)**	(823)	(2,778)
(Reversal of impairment)/impairment of gold in circuit	**(38)**	(101)	142
Central administration expenses [(a)]	**20,671**	21,953	52,527
Foreign exchange (gains)/losses	**(26,710)**	14,022	20,808
	378,440	294,910	590,853

(a) As set out below.

Net operating expenses

	Six months ended 30 June 2020 US$'000	Six months ended 30 June 2019 US$'000	Year ended 31 December 2019 US$'000
Depreciation	**64,660**	69,152	137,775
Staff costs	**45,178**	45,642	97,615
Materials	**42,277**	43,517	91,004
Flotation concentrate purchased	**130,175**	-	74,010
Fuel	**17,652**	22,636	43,612
External services	**18,941**	28,562	46,392
Mining tax charge	**15,238**	6,695	15,917
Electricity	**17,779**	17,038	34,118
Smelting and transportation costs	**466**	381	858
Movement in ore stockpiles, work in progress, bullion in process, limestone and flotation concentrate attributable to gold production	**9,297**	781	(34,156)
Taxes other than income	**4,238**	3,378	7,706
Insurance	**2,225**	4,210	8,437
Rental fee	**1,609**	1,247	3,194
(Reversal of)/provision for impairment of trade and other receivables	**(27)**	(75)	2,021
Bank charges	**553**	319	876
Repair and maintenance	**2,860**	2,848	6,896
Security services	**2,265**	2,181	4,503
Travel expenses	**606**	1,310	2,902
Goods for resale	**2,673**	5,907	19,471
Other operating expenses	**5,867**	4,130	9,162
	384,532	259,859	572,313

Central administration expenses

	Six months ended 30 June 2020 US$'000	Six months ended 30 June 2019 US$'000	Year ended 31 December 2019 US$'000
Staff costs	**13,217**	16,008	33,466
Professional fees	**3,662**	2,174	1,771
Insurance	**415**	417	797
Rental fee	**193**	256	481
Business travel expenses	**369**	930	2,000
Office costs	**383**	331	832
Other	**2,432**	1,837	13,180
	20,671	21,953	52,527

Impairment charges

Impairment of mining assets

As at 30 June 2020 and 30 June 2019, the Group identified no impairment indicators or indicators of impairment reversal for the cash generating units related to its gold mining projects and supporting in-house service companies.

As at 31 December 2019, the Group identified impairment reversal indicators for the Pioneer CGU and the supporting in-house service companies. Detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared. The estimated recoverable amounts exceeded the carrying values of the associated assets on the statement of financial position as at 31 December 2019. Taking into consideration the above and the removed uncertainty connected with the timing of the final construction and performance of the POX hub, the Directors concluded on the following:

- A reversal of impairment previously recorded against the carrying value of the assets that are part of the Pioneer CGU would be appropriate. Accordingly, a pre-tax impairment reversal of US$43.5 million (being a post-tax impairment reversal of US$34.8 million) has been recorded against the associated assets within property, plant and equipment. The aforementioned impairment reversal takes into consideration the effect of depreciation attributable to relevant mining assets and intra-group transfers of previously impaired assets to Pioneer.

- A further reversal of impairment previously recorded against the carrying value of the assets of the supporting in-house service companies would be appropriate. Accordingly, a pre-tax impairment reversal of US$9.4 million (being a post-tax impairment reversal of US$7.8 million) has been recorded against the associated assets within property, plant and equipment. The aforementioned impairment reversal takes into consideration the effect of depreciation attributable to relevant assets and intra-group transfers of previously impaired assets.

The key assumptions which formed the basis of forecasting future cash flows and the value in use calculation are set out below:

	Year ended 31 December 2019
Long-term real gold price	US$1,400/oz
Discount rate [(a)]	7.0%
RUB/US$ exchange rate	RUB65.8 : US$1

(a) Being the post-tax real weighted average cost of capital, equivalent to a nominal pre-tax discount rate of 9.8%.

Impairment of exploration and evaluation assets

As at 30 June 2020, 30 June 2019 and 31 December 2019, the Group performed a review of its exploration and evaluation assets and concluded no impairment was required.

As at 30 June 2020, 30 June 2019 and 31 December 2019, all exploration and evaluation assets in the statement of financial position related to the areas adjacent to the existing mines (note 10).

Impairment of ore stockpiles

The Group assessed the recoverability of the carrying value of ore stockpiles and recorded reversals of impairment/ impairment charges as set out below:

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Pre-tax Impairment charge /(reversal of impairment)	**Taxation**	**Post-tax impairment charge/(reversal of impairment)**	Pre-tax Impairment charge /(reversal of impairment)	Taxation	Post-tax impairment charge/(reversal of impairment)	Pre-tax Impairment charge /(reversal of impairment)	Taxation	Post-tax impairment charge/(reversal of impairment)
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Pioneer	**-**	**-**	**-**	3,136	(627)	2,509	664	(133)	531
Malomir	**(15)**	**3**	**(12)**	-	-	-	517	(88)	429
Albyn	**-**	**-**	**-**	(3,959)	673	(3,286)	(3,959)	673	(3,286)
	(15)	**3**	**(12)**	(823)	46	(777)	(2,778)	452	(2,326)

7. Financial income and expenses and impairment of financial instruments

	Six months ended 30 June 2020 US$'000	Six months ended 30 June 2019 US$'000	Year ended 31 December 2019 US$'000
Net impairment reversals/(impairment losses) on financial instruments			
Reversal of impairment of financial assets [(a)]	**2**	2,980	2,333
Financial guarantee contract [(b)]	**(1,276)**	30,113	28,464
	(1,274)	33,093	30,797
Investment and other finance income			
Interest income	**574**	2,522	3,216
Guarantee fee income [(c)]	**3,388**	2,417	5,610
	3,962	4,939	8,826
Interest expense			
Notes	**(20,986)**	(20,810)	(41,995)
Convertible bonds	**(6,455)**	(6,375)	(12,984)
Prepayment on gold sale agreements	**(6,295)**	(7,682)	(16,019)
Lease liabilities	**(281)**	(270)	(593)
	(34,017)	(35,137)	(71,591)
Interest capitalised	**1,019**	9,431	12,287
Unwinding of discount on environmental obligation	**(385)**	(273)	(550)
	(33,383)	(25,979)	(59,854)
Net other finance (losses)/gains			
Fair value loss on the conversion option [(e)]	**(122,248)**	(9,218)	(31,127)
Loss on repurchase of the Existing Bonds	**-**	-	(11,211) [(g)]
Fair value gain on the guarantee receivable [(f)]	**226**	3,607	3,607
Fair value gain/(loss) on the call option over non-controlling interests [(d)]	**20,558**	(459)	(1,978)
Fair value loss on other derivative financial instruments	**(733)**	(1,079)	(1,345)
Fair value loss on listed equity investments	**(59)**	(258)	(302)
Gain on lease modification	**224**	-	166
Fair value gain on commodity and currency option contracts[(h)]	**3,139**	-	-
	(98,893)	(7,407)	(42,190)

(a) Six months ended 30 June and year ended 31 December 2019: including US$3.2 million reversal of ECL in relation to loans granted to IRC (note 21).

(b) Change in the guarantee contract liability under Gazprombank facility in the amount of 12-month ECL during the period. (Six months ended 30 June 2019 and year ended 31 December 2019: US$30.1 million gain and US$28.5 million gain, correspondingly, being net of:

- *recognition of US$7.3 million and US$8.9 million guarantee contract liability under Gazprombank guarantee arrangements as at 30 June 2019 and 31 December 2019, correspondingly, in the amount of 12-month ECL; and*
- *de-recognition of US$(37.4) million guarantee contract liability previously recognised under ICBC guarantee arrangements in the amount of the lifetime ECL following termination of the ICBC Facility Agreement.)*

The determination of the Group's US$10.2 million and US$8.9 million guarantee liability as at 30 June 2020 and 31 December 2019, correspondingly, relies upon the critical judgement as to whether there has been a significant increase in IRC's credit risk from March 2019 to June 2020 and December 2019. Management have determined that there has not been a significant increase in credit risk since March 2019 and therefore the guarantee liability is measured in the amount of 12-month ECL. This is in contrast to the ICBC guarantee which was measured int the amount of the lifetime ECL as there had previously been a significant increase in credit risk for that guarantee since 2010. This difference in measurement has resulted in the net accounting gain during the six months ended 30 June and year ended 31 December 2019 as referred to above.

Further details on the financial guarantee contracts are set out in note 21.

(c) *Guarantee fee income under Gazprombank Guarantee arrangements (note 21).*
(d) *Result of re-measurement of the TEMI option to fair value (notes 16 and 21).*
(e) *Result of re-measurement of the conversion option to fair value (notes 16 and 18).*
(f) *Result of re-measurement of receivable from IRC under ICBC Guarantee arrangements to fair value (six months ended 30 June and year ended 31 December 2019: result of re-measurement of receivable from IRC under ICBC guarantee arrangements to fair value, net of US$0.7 million guarantee fee income) (note 21).*
(g) *US$100 million convertible bonds due 2020 (the 'Existing Bonds'): difference between the US$108 million paid to fund the Repurchase Price and the carrying value of the Existing Bonds at redemption (note 18).*
(h) *Result of measurement of commodity and currency option contracts (note 16).*

8. Taxation

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	US$'000	US$'000	US$'000
Current tax			
Russian current tax	**25,100**	12,322	29,660
	25,100	12,322	29,660
Deferred tax			
Origination/(reversal) of timing differences [(a)]	**13,442**	(9,089)	(2,414)
Total tax charge [(b)]	**38,542**	3,233	27,246

(a) *Including effect of foreign exchange movements in respect of deductible temporary differences of US$23.7 million (six months ended 30 June 2019: US$(16.3) million, year ended 31 December 2019: US$(20.4) million) which primarily arises as the tax base for a significant portion of the future taxable deductions in relation to the Group's property, plant and equipment are denominated in Russian Rouble whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value and reflects the movements in the Russian Rouble to the US Dollar exchange rate.*
(b) *Including effect of expenses that are not deductible for tax purposes which primarily relate to fair value loss on re-measurement of the conversion option of the Convertible Bonds (note 7), effect of tax losses for which no deferred income tax asset was recognised which primarily relate to interest expense incurred in the UK (note 7) and Russian withholding tax on intercompany dividends.*

Tax laws, regulations and court practice applicable to the Group are complex and subject to frequent change, varying interpretations and inconsistent and selective enforcement. There are a number of practical uncertainties associated with the application of relevant tax legislation and there is a risk of tax authorities making arbitrary judgements of business activities. If a particular treatment, based on management's judgement of the Group's business activities, was to be challenged by the tax authorities, the Group may be subject to tax claims and exposures. Management has calculated a total exposure (including taxes and respective interest and penalties) estimated to be US$6.7 million (six months ended 30 June 2019: US$8.6 million and 2019: US$10.5 million) of contingent liabilities, including US$1.1 million (30 June 2019: US$nil and 31 December 2019: US$4.8 million) in respect of income tax and US$5.6 million (30 June 2019: US$8.6 million and 31 December 2019: US$5.7 million) in respect of other taxes.

9. Earnings per share

	Six months ended 30 June 2020	Six months ended 30 June 2019 Restated	Year ended 31 December 2019
	US$'000	US$'000	US$'000
(Loss)/profit for the period attributable to equity holders of Petropavlovsk PLC	**(23,934)**	4,673	26,883
Interest expense on convertible bonds [(a)]	**-**	-	-
(Loss)/profit used to determine diluted earnings per share	**(23,934)**	4,673	26,883
	No of shares	No of shares	No of shares
Weighted average number of Ordinary Shares	**3,310,369,237**	3,308,154,243	3,309,193,559
Adjustments for dilutive potential Ordinary Shares [(a)]	**-**	-	-
Weighted average number of Ordinary Shares for diluted earnings per share	**3,310,369,237**	3,308,154,243	3,309,193,559
	US$	US$	US$
Basic (loss)/profit per share	**(0.01)**	0.00	0.01
Diluted (loss)/profit per share	**(0.01)**	0.00	0.01

(a) *Convertible bonds which could potentially dilute basic profit/(loss) per ordinary share in the future are not included in the calculation of diluted profit/(loss) per share because they were anti-dilutive* ***for the six months ended 30 June 2020 and 2019 and the year ended 31 December 2019.***

10. Exploration and evaluation assets

	Flanks of Pioneer US$'000	Flanks of Albyn US$'000	Other US$'000	Total US$'000
At 1 January 2020	**7,544**	**43,397**	**2,182**	**53,123**
Additions	**-**	**3,341**	**1,287**	**4,628**
At 30 June 2020	**7,544**	**46,738**	**3,469**	**57,751**

11. Property, plant and equipment

	Mining assets US$'000	Non-mining assets US$'000	Capital construction in progress US$'000	Total US$'000
Cost				
At 1 January 2020	**2,509,276**	**194,515**	**40,739**	**2,744,530**
Additions [(a)]	**41,328**	**1,327**	**40,466**	**83,121**
Interest capitalised	**-**	**-**	**1,019**	**1,019**
Transfers from capital construction in progress [(b)]	**6,892**	**165**	**(7,057)**	**-**
Disposals [(c)]	**(10,948)**	**(10,813)**	**(17)**	**(21,778)**
Foreign exchange differences	**-**	**(2,941)**	**(73)**	**(3,014)**
At 30 June 2020	**2,546,548**	**182,253**	**75,077**	**2,803,878**
Accumulated depreciation and impairment				
At 1 January 2020	**1,405,097**	**129,616**	**-**	**1,534,713**
Charge for the year [(d)]	**63,228**	**1,976**	**-**	**65,204**
Disposals	**(10,402)**	**(3,126)**	**-**	**(13,528)**
Reallocation and other transfers	**(2,365)**	**2,365**	**-**	**-**
Foreign exchange differences	**-**	**(2,227)**	**-**	**(2,227)**
At 30 June 2020	**1,455,558**	**128,604**	**-**	**1,584,162**
Net book value				
At 1 January 2020[(e)]	**1,104,179**	**64,899**	**40,739**	**1,209,817**
At 30 June 2020[(e)]	**1,090,990**	**53,649**	**75,077**	**1,219,716**

(a) Including US$23.7 million stripping cost capitalised.
(a) Being costs primarily associated with the POX hub project.
(b) Including US$9.2 million of fleet lease modification, US$7.9 million of fully depreciated fleet that is not suitable for future use due to wear and tear, US$2.2 million disposals of mining fleet due to derecognition of the replaced part.
(c) Including US$13.5 million depreciation charge of capitalized stripping cost.
(d) Including US$52.0 million net book value of capitalized stripping cost (31 December 2019: US$41.9 million).

12. Investments in associates

	30 June 2020 US$'000	30 June 2019 US$'000	31 December 2019 US$'000
IRC Limited ('IRC')	**50,950**	70,848	48,680
	50,950	70,848	48,680

Summarised financial information for those associates that are material to the Group is set out below.

	IRC 30 June 2020 US$'000	IRC 30 June 2019 US$'000	IRC 31 December 2019 US$'000
Non-current assets			
Exploration and evaluation assets	**20,035**	7,800	19,877
Property, plant and equipment	**512,652**	534,189	522,640
Other non-current assets	**14,840**	10,986	14,859

	547,527	552,975	557,376
Current assets			
Cash and cash equivalents	**4,980**	8,286	4,292
Other current assets	**52,065**	46,198	46,106
	57,045	54,484	50,398
Current liabilities			
Borrowings [(a)]	**(19,869)**	(20,710)	(20,703)
Other current liabilities	**(82,781)**	(88,615)	(80,288)
	(102,650)	(109,325)	(100,991)
Non-current liabilities			
Borrowings [(a)]	**(191,981)**	(211,113)	(201,204)
Other non-current liabilities	**(24,181)**	(24,610)	(27,578)
	(216,162)	(235,723)	(228,782)
Net assets	**285,760**	262,411	278,001

(a) Gazprombank Facility: On 18 December 2018, IRC entered into two facility agreements for a loan in aggregate of US$240 million (the "Gazprombank Facility"). The Gazprombank Facility will mature in 2026 and consists of two tranches. The principal under the first tranche amounts to US$160 million with interest being charged at the London Inter-bank Offer Rate ("LIBOR") + 5.7% per annum and is repayable in equal quarterly payments during the term of the Gazprombank Facility, the final payment in December 2026. The principal under the second tranche amounts to US$80 million with interest being charged at LIBOR + 7.7% per annum and is repayable in full at the end of the term, in December 2026. Interest charged on the drawn down amounts under the two tranches is payable in equal quarterly payments during the term of the Gazprombank Facility.

As at 30 June 2020, the entire facility amount of US$240 million has been fully drawn down.

The Gazprombank Facility is secured by (i) IRC's property, plant and equipment with net book value of US$53 million, (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK and (iii) a guarantee from the Company. Please refer to the note 21 for the details on the guarantee arrangements. The Gazprombank Facility is also subject to certain financial covenants and requirements.

	IRC Six months ended 30 June 2020 US$'000	IRC Six months ended 30 June 2019 US$'000	IRC Year ended 31 December 2019 US$'000
Revenue	**106,173**	89,244	177,164
Net operating expenses	**(86,489)**	(91,290)	(178,653)
including			
Depreciation	**(13,465)**	(15,048)	(28,504)
Impairment losses under expected credit loss model	**(5,176)**	-	-
Foreign exchange gains/(losses)	**4,690**	(5,681)	(6,181)
Investment income	**26**	26	83
Interest expense	**(13,338)**	(24,108)	(40,421)
Taxation	**(440)**	708	3,157
Profit/(loss) for the period	**5,932**	(25,420)	(38,670)
Other comprehensive profit/(loss)	**1,368**	(20,535)	(3,483)
Total comprehensive profit/(loss)	**7,300**	(45,955)	(42,153)
Group's share %	**31.1%**	31.1%	31.1%
Group's share in profit/(loss) for the period	**1,845**	(7,905)	(12,026)
Impairment of investment in associate	**-**	-	(23,350)
Share of results of associate	**1,845**	(7,905)	(35,376)

Impairment of investment in associate

As at 30 June 2020, the Group identified no impairment indicators or indicators of impairment reversal in relation to its investment in IRC (30 June 2019: no impairment indicators and 31 December 2019: detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded a US$23.4 million impairment was required and recorded accordingly).

13. Inventories

	30 June 2020 US$'000	30 June 2019 (restated) US$'000	31 December 2019 US$'000
Current			
Construction materials	**9,652**	5,456	6,600
Stores and spares	**81,956**	65,787	86,985
Ore in stockpiles [(a), (b)]	**59,945**	55,908	68,479
Gold in circuit	**10,055**	21,158	37,740
Bullion in process	**17,936**	528	4,732
Flotation concentrate	**33,068**	24,124	97,932
Other	**8,942**	3,174	5,305
	221,554	176,135	307,773
Non-current			
Ore in stockpiles [(a), (b), (c)]	**64,556**	51,938	60,257
	64,556	51,938	60,257

(a) As at 30 June 2020, there were no balances of ore in stockpiles carried at net realisable value (30 June 2019: US$36.4 million, 31 December 2019: US$0.1 million).
(b) For details of ore stockpile impairment see note 6.
(c) Ore in stockpiles that is not planned to be processed within twelve months after the reporting period.

14. Trade and other receivables

	30 June 2020 US$'000	30 June 2019 US$'000	31 December 2019 US$'000
Current			
VAT recoverable	**33,756**	24,033	51,499
Advances to suppliers	**13,329**	14,546	10,513
Prepayments for property, plant and equipment	**5,411**	4,039	9,216
Trade receivables	**5,467**	8,361	10,254
Contract assets	**1,211**	1,960	2,856
Guarantee fee receivable [(a)]	**13,041**	6,670	9,417
Other debtors	**14,612**	23,550	12,220
	86,827	83,159	105,975
Non-current			
Other	**578**	538	556
	578	538	556

(a) Please refer to notes 2, 12 and 21 for the details of ICBC and Gazprombank guarantee arrangements.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

15. Cash and cash equivalents

	30 June 2020 US$'000	30 June 2019 US$'000	31 December 2019 US$'000
Cash at bank and in hand	**20,540**	15,563	14,181
Short-term bank deposits	**52,918**	23,575 **[(a)]**	33,972 **[(a)]**
	73,458	39,138	48,153

(a) 30 June 2019 and 31 December 2019: including restricted bank deposit of US$1.0 million and US$1.1 million, correspondingly.

16. Derivative financial instruments

	30 June 2020		30 June 2019		31 December 2019	
	Assets	**Liabilities**	Assets (restated)	Liabilities	Assets	Liabilities

	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current						
Gold option contracts [(a), (c)]	**1,119**	**(2,936)**	-	-	-	-
Currency option contracts [(b), (c)]	**4,948**	**(232)**	-	-	-	-
Forward gold contracts – cash flow hedge	**-**	**-**	-	(18,481)	-	-
Conversion option [(e), (f)]	**-**	**-**	-	(11,629)	-	-
Call option over non-controlling interests [(g), (h), (i)]	**31,580**	**-**	-	-	-	-
Other	**-**	**-**	-	-		(266)
	37,647	**(3,168)**	-	(30,110)	-	(266)
Non-current						
Gold option contracts [(a), (c)]	**72**	**(2,799)**	-	-	-	-
Currency option contracts [(b), (c)]	**2,658**	**(579)**	-	-	-	-
Conversion option [(d), (e)]		**(168,561)**	-	-	-	(46,313)
Call option over non-controlling interests [(f), (g), (h)]	**-**	**-**	6,541	-	11,022	-
	2,730	**(171,939)**	6,541	-	11,022	(46,313)

(a) Gold option contracts with an exercise price of US$1,600/oz for purchased put options and US$1,832/oz for issued call options for an aggregate of 63,000 ounces of gold maturing over a period until December 2021.

(b) Currency option contracts with an exercise price of RUB75.00 for purchased put options and in the range between RUB90.65 and RUB100.00 for issued call options for an aggregate of US$126 million maturing over a period until December 2021.

(c) Measured at fair value and considered as Level 2 of the fair value hierarchy which valuation incorporates the following inputs:

- *Historic gold price and RUB: USD exchange rates volatility;*
- *exercise price;*
- *time to maturity; and*
- *risk free rate.*

(d) Note 18.

(e) Measured at fair value and considered as Level 3 of the fair value hierarchy which valuation incorporates the following inputs:

- *the Group's credit risk and implied credit spreads (Level 3);*
- *historic share price volatility;*
- *the conversion price;*
- *time to maturity; and*
- *risk free rate.*

(f) Call option to acquire non-controlling 25% interest in the Group's subsidiary LLC TEMI: In May 2019, the Group entered into the option contract to acquire non-controlling 25% interest in LLC TEMI from its shareholder Agestinia Trading Limited for an aggregate consideration of US$60 million (adjusted to US$53.5 million if certain conditions are met). LLC TEMI holds the licences for the Elginskoye Ore Field and Afanasievskaya Prospective Ore Are, which have substantial non-refractory gold reserves and resources, suitable for processing at the Albyn Plant. Further details on this transaction are set out in note 21.

(g) Measured at fair value and considered as Level 3 of the fair value hierarchy which valuation incorporates the following inputs:

- *the current valuation of the underlying investment (Level 3);*
- *historic peers' volatility attributed to the valuation of the underlying investment (Level 3);*
- *the exercise price;*
- *time to maturity; and*
- *risk free rate.*

(h) The fair value of the TEMI option at the period ended 30 June 2020 is US$31.6 million, which represent the premium paid to acquire the option of US$13.0 million and a subsequent revaluation gain of US$18.6 million.

17. Trade and other payables

	30 June 2020	30 June 2019	31 December 2019
	US$'000	US$'000	US$'000
Current			
Trade payables [(a)]	**64,217**	50,666	134,818
Payables for property, plant and equipment	**3,865**	4,789	5,810
Advances from customers [(b)]	**103,482**	114,404	188,968

Advances received on resale contracts (c)	**12,808**	11,287	7,698
Accruals and other payables	**45,276**	35,554	51,747
	229,648	216,700	389,041
Non-current			
Advances from customers (d)	**19,473**	43,761	-
	19,473	43,761	-

(a) The trade payables as at 30 June 2020 include US$28.5 million payable for flotation concentrate purchased (31 December 2019: US$81.0, 30 June 2019: US$nil).

(b) The current advances from customers as at 30 June 2020 include US$101.5 million (31 December 2019: US$152.5 million, 30 June 2019: US$106.5 million) and US$nil million (31 December 2019: US$34.9 million, 30 June 2019: US$6.4 million) advance payments received from Gazprombank and Sberbank, respectively, under gold sales agreements. Advance payments are to be settled against physical delivery of gold produced by the Group in regular intervals over the period of up to twelve months from the reporting date based on the sales price prevailing at delivery that is determined with reference to LBMA fixing. For details of interest charged in relation to the aforementioned advances please refer to note 7.

(c) Amounts included in advances received on resale and commission contracts at 30 June 2020, 30 June 2019 and 31 December 2019 relate to services performed by the Group's subsidiary, Irgiredmet, in its activity to procure materials such as reagents, consumables and equipment for third parties.

(d) The non-current advances from customers as at 30 June 2020 include US$19.5 million (31 December 2019: US$nil, 30 June 2019: US$43.8 million) advance payments received from Gazprombank under gold sales agreements. Advance payments are to be settled against physical delivery of gold produced by the Group in regular intervals over the period after twelve months from the reporting date based on the sales price prevailing at delivery that is determined with reference to LBMA fixing. For details of interest charged in relation to the aforementioned advances please refer to note 7.

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

18. Borrowings

	30 June 2020	30 June 2019	31 December 2019
	US$'000	US$'000	US$'000
Borrowings at amortised cost			
Notes (a)	**501,051**	499,504	500,377
Convertible Bonds (b), (c)	**110,385**	97,045	109,086
	611,436	596,549	609,463
Amount due for settlement within 12 months	**-**	97,045	-
Amount due for settlement after 12 months	**611,436**	499,504	609,463
	611,436	596,549	609,463

(a) US$500 million Guaranteed Notes due for repayment on 14 November 2022 (the "Notes"), measured at amortised cost. The Notes were issued by the Group's wholly owned subsidiary Petropavlovsk 2016 Limited and are guaranteed by the Company and its subsidiaries JSC Pokrovskiy Rudnik, LLC Albynskiy Rudnik and LLC Malomirskiy Rudnik. The Notes have been admitted to the official list of the Irish Stock Exchange and to trading on the Global Exchange Market of the Irish Stock Exchange on 14 November 2017. The Notes carry a coupon of 8.125% payable semi-annually in arrears. The interest charged was calculated by applying an effective interest rate of 8.35%.

(b) 30 June 2020 and 31 December 2019: Debt component of the US$125 million Convertible Bonds due on 03 July 2024 measured at amortised cost and not revalued. The bonds were issued by the Group's wholly owned subsidiary Petropavlovsk 2010 Limited (the "Issuer") on 03 July 2019 and are guaranteed by the Company. The bonds carry a coupon of 8.25% per annum, payable quarterly in arrears. The bonds are, subject to certain conditions, convertible into fully paid ordinary shares of the Company with an initial exchange price of US$0.1350, subject to customary adjustment provisions. The interest charged was calculated by applying an effective interest rate of 12.08%.

The Group has used the US$120.6 million net proceeds from the issue of US$125 million Convertible Bonds to fund the repurchase of the outstanding US$100 million convertible bonds as set out below, resulting in the net US$12.6 million cash inflow.

Concurrently with the issue of the US$125 million Convertible Bonds, the Group also concluded the invitation to repurchase (the "Repurchase") any and all of the outstanding US$100 million 9.00% convertible bonds due 2020 (the "Existing Bonds"). Holders whose Existing Bonds have been accepted for purchase by the Issuer pursuant to the Repurchase were eligible to receive US$1,080 per US$1,000 *in principal amount of the Existing Bonds (the "Repurchase Price"). The Issuer also paid, in respect of Existing Bonds accepted for purchase pursuant to the Repurchase, a cash amount representing the accrued but unpaid interest ("Accrued Interest") on each US$1,000 in aggregate principal amount of Existing Bonds accepted for repurchase from and including 18 June 2019, being the immediately preceding interest payment date applicable to the Existing Bonds, to but excluding the settlement date for the Repurchase (the "Repurchase Settlement Date"). The Accrued Interest, based on a Repurchase Settlement Date of 3 July 2019 comprised US$3.75 per US$1,000 in aggregate principal amount of Existing Bonds.*

The remaining Existing Bonds were redeemed at the Repurchase Price on 9 July 2019. The Issuer also paid a cash amount representing the Accrued Interest on each US$1,000 in aggregate principal amount of Existing Bonds from and including 18 June 2019 to redemption.

The Existing Bonds were subsequently cancelled by the Issuer. The US$11.2 million difference between the US$108.0 million paid to fund the Repurchase Price and the carrying value of the Existing Bonds at redemption was recognized as loss on repurchase of the Existing Bonds (note 7).

The conversion option of the US$125 million Convertible Bonds represents the fair value of the embedded option for the bondholders to convert into the equity of the Company (the "Conversion Right"). As the Company can elect to pay the cash value in lieu of delivering the Ordinary Shares following the exercise of the Conversion Right the conversion option is a derivative liability. Accordingly, the conversion option is measured at fair value and is presented separately within derivative financial liabilities (note 16) which the fair value loss is included in the net other finance (losses)/ gains (note 7).

The fair value of debt component of the convertible bonds, considered as Level 3 of the fair value hierarchy, amounted to US$124.7 million (31 December 2019: US$122.8 million), with the carrying value of US$110.4 million (31 December 2019: US$109.0 million). Valuation incorporates the following inputs: the Group's credit risk and implied credit spreads, time to maturity and risk free rate.

The fair value of the convertible bonds, considered as Level 1 of the fair value hierarchy and calculated by applying the market traded price to the convertible bonds outstanding, amounted to US$293.3 million (31 December 2018: US$169.1 million).

(c) 30 June 2019: Debt component of the US$100 million Convertible Bonds due on 18 March 2020, measured at amortised cost. The interest charged was calculated by applying an effective interest rate of 13.89% to the liability component.

The conversion option of the US$100 million Convertible Bonds represents the fair value of the embedded option for the bondholders to convert into the equity of the Company (the "Conversion Right"). As the Company can elect to pay the cash value in lieu of delivering the Ordinary Shares following the exercise of the Conversion Right, the conversion option is a derivative liability. Accordingly, the conversion option is measured at fair value and is presented separately within derivative financial instruments.

As at 30 June 2019, the fair value of debt component of the convertible bonds, considered as Level 3 of the fair value hierarchy, amounted to US$98.5 million. Valuation incorporates the following inputs: the Group's credit risk, time to maturity and risk free rate.

As at 30 June 2019, the fair value of the Convertible Bonds, considered as Level 1 of the fair value hierarchy and calculated by applying the market traded price to the convertible bonds outstanding, amounted to US$110.1 million.

The US$100 million Convertible Bonds were refinanced in July 2019 as set out above.

19. Share capital

	30 June 2020		30 June 2019		31 December 2019	
	No of shares	**US$'000**	No of shares	US$'000	No of shares	US$'000
Allotted, called up and fully paid						
At the beginning of the period	**3,310,210,281**	**49,003**	3,307,151,712	48,963	3,307,151,712	48,963
Issued during the period	**2,615,541**	**32**	3,058,569	40	3,058,569	40
At the end of the period	**3,312,825,822**	**49,035**	3,310,210,281	49,003	3,310,210,281	49,003

The Company has one class of ordinary shares which carry no right to fixed income.

20. Notes to the cash flow statement

Reconciliation of profit before tax to operating cash flow

	Six months ended 30 June 2020	Six months ended 30 June 2019 (restated)	Year ended 31 December 2019
	US$'000	US$'000	US$'000
Profit before tax	**16,548**	7,159	52,939
Adjustments for:			
Share of results of associates	**(1,845)**	7,905	35,376

Net impairment losses/(impairment reversals) on financial instruments	**1,274**	(33,093)	(30,797)
Investment and other finance income	**(3,962)**	(4,939)	(8,826)
Interest expense	**33,383**	25,979	59,854
Net other finance losses	**98,893**	7,407	42,190
Share based payments	**89**	130	280
Depreciation	**64,660**	69,152	137,775
Reversal of impairment of ore stockpiles	**(15)**	(823)	(2,778)
Effect of processing previously impaired stockpiles	**(502)**	(5,733)	(6,398)
(Reversal of)/provision for impairment of trade and other receivables	**(21)**	(75)	2,280
(Reversal of impairment)/impairment of gold in circuit	**(38)**	(101)	142
Effect of processing previously impaired gold in circuit	**(206)**	(1,413)	(1,413)
Loss on disposals of property, plant and equipment	**663**	116	1,118
Foreign exchange losses/(gains)	**(26,710)**	14,022	20,808
Reversal of impairment of mining assets and in-house service	**-**	-	(52,159)
Other non-cash items	**999**	73	129
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**13,045**	(13,990)	(31,204)
Decrease/(increase) in inventories	**82,129**	(735)	(133,848)
(Decrease)/increase in trade and other payables	**(105,626)**	(15,847)	103,853
Net cash generated from operations	**172,758**	55,194	189,321

Reconciliation of cash flows used to purchase property, plant and equipment

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	US$'000	US$'000	US$'000
Additions to property, plant and equipment	**83,121**	49,513	125,524
Non-cash additions to property, plant and equipment:			
Transfer from materials	**50**	3,014	7,343
Capitalised depreciation	**(430)**	(399)	(737)
Right-of-use assets additions	**(1,735)**	(4,552)	(13,279)
	81,006	47,576	118,851
Associated cash flows:			
Purchase of property, plant and equipment	**78,618**	44,969	120,798
Increase in prepayments for property, plant and equipment	**3,804**	3,194	(1,982)
(Decrease)/increase in payables for property, plant and equipment	**(1,945)**	(452)	568
Cash movements presented in other cash flow lines:			
Changes in working capital	**529**	(135)	(533)
	81,006	47,576	118,851

Non-cash transactions

There were no significant non-cash transactions during the six months ended 30 June 2020 and 30 June 2019.
An equivalent of US0.1$ million of VAT recoverable was offset against profit tax during the year ended 31 December 2019 and US$1.5 million of provision of profit tax relating to Albyn, was accrued as at 31 December 2019.

21. Related parties

Related parties the Group entered into transactions with during the reporting period

The Petropavlovsk Foundation for Social Investment (the 'Petropavlovsk Foundation') is considered to be a related party due to the participation of the key management of the Group in the board of directors of the Petropavlovsk Foundation.

IRC Limited and its subsidiaries are associates to the Group and hence are related parties since 7 August 2015.

Transactions with related parties the Group entered into during the six months ended 30 June 2020 and 30 June 2019 and the year ended 31 December 2019 are set out below.

Trading Transactions

Related party transactions the Group entered into that relate to the day-to-day operation of the business are set out below.

	Sales to related parties			Purchases from related parties		
	Six months ended 30 June 2020 US$'000	Six months ended 30 June 2019 US$'000	Year ended 31 December 2019 US$'000	**Six months ended 30 June 2020 US$'000**	Six months ended 30 June 2019 US$'000	Year ended 31 December 2019 US$'000
Entities in which key management have interest and exercises a significant influence or control	**-**	-	-	**195**	3,287	4,046
IRC Limited and its subsidiaries	**58**	23	42	**58**	219	5,458
	58	23	42	**253**	3,506	9,504

On 13 December 2019, the Group entered into the sale and purchase agreement with a seller (the "Seller"), a related party of the Company, LLC GMMC. Pursuant to the sale and purchase agreement, the Group agreed to purchase, and the Seller agreed to sell, a helicopter for a consideration of RUB316.7 million (equivalent to US$5.0 million). The transaction was completed in February 2020.

During the six months ended 30 June 2020, the Group made US$0.2 million charitable donations to the Petropavlovsk Foundation (six months ended 30 June 2019: US$0.1 million and year ended 31 December 2019: US$1.0 million).

The outstanding balances with related parties at 30 June 2020, 30 June 2019 and 31 December 2019 are set out below.

	Amounts owed by related parties			Amounts owed to related parties		
	30 June 2020 US$'000	30 June 2019 US$'000	31 December 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000	31 December 2019 US$'000
Entities in which key management have interest and exercises a significant influence or control	**-**	-	-	**-**	-	759
IRC Limited and its subsidiaries	**3,622**	2,101	3,651	**1,166**	1,117	5,863
	3,622	2,101	3,651	**1,166**	1,117	6,622

Financing transactions

Guarantee over IRC's external borrowings

The Group historically entered into an arrangement to provide a guarantee over its associate's, IRC, external borrowings, the ICBC Facility ('ICBC Guarantee'). As at 30 June 2020 the remaining outstanding contractual guarantee fee was US$5.0 million, which had a corresponding fair value of US$4.7 million and is payable by IRC no later than 31 December 2020 (30 June 2019: outstanding contractual guarantee fee of US$5.7 million with corresponding fair value after provision for credit losses of US$4.8 million; 31 December 2019: outstanding contractual guarantee fee of US$5.0 million with corresponding fair value after provision for credit losses of US$4.4 million).

In March 2019, IRC has refinanced the ICBC Facility through entering into a US$240 million new facility with Gazprombank ('Gazprombank Facility'). The facility was fully drawn down during the year ended 31 December 2019 and was used, inter alia, to repay the amounts outstanding under the ICBC Facility in full, the two loans provided by the Group in the equivalent of approximately US$57 million and part of the ICBC Guarantee fee of US$6 million owed by IRC to the Group.

A new guarantee was issued by the Group over part of the Gazprombank Facility ('Gazprombank Guarantee'), the guarantee mechanism is implemented through a series of five guarantees that fluctuate in value through the eight-year life of the loan, with the possibility of the initial US$160 million principal amounts guaranteed reducing to US$40 million within two to three years, subject to certain conditions being met. For the final two years of the Gazprombank Facility, the guaranteed amounts will increase to US$120 million to cover the final principal and interest repayments. If certain springing recourse events transpire, including default on a scheduled payment, then full outstanding loan balance is accelerated and subject to the guarantee. The outstanding loan principal was US$214 million as at 30 June 2020 (31 December 2019: US$225 million and 30 June 2019: US$235 million). Under the Gazprombank Guarantee arrangements, the guarantee fee receivable is determined at each reporting date on an independently determined fair value basis, which for the six months ended 30 June 2020 was at the annual rate of 3.07% for 2020 by reference to the average outstanding principal balance under Gazprombank Facility. The guarantee fee charged for the six months ended 30 June 2020 was US$3.4 million, with corresponding value of US$3.2 million after provision for expected credit losses (six months ended 30 June 2019: US$$2.4 million, with corresponding value of $2.2 million after provision for expected credit losses; year ended 31 December 2019: US$5.6 million, with corresponding value of US$5.0 million after provision for expected credit losses).

On 18 March 2020, the Group announced a preliminary agreement to dispose of its 29.9% out of 31.1% interest in IRC to Stocken Board AG for a cash consideration of US$10 million, subject to certain conditions precedent being met, including the release of the Group's obligation to guarantee IRC's debt under the Gazprombank Facility.

The following assets and liabilities have been recognised in relation to the ICBC Guarantee and Gazprombank Guarantee as at 30 June 2020, 30 June 2019 and 31 December 2019:

	30 June 2020	30 June 2019	31 December 2019
	US$'000	US$'000	US$'000
Other receivables – ICBC Guarantee [(a)]	4,662	4,828	4,436
Other receivables – Gazpombank Guarantee [(b)]	8,380	1,842	4,981
Financial guarantee contract – Gazpombank Guarantee [(c)]	10,199	7,274	8,923

(a) The fair value of the receivable, comprising billed fee receivable, less provision for credit losses. Considered Level 3 of the fair value hierarchy which valuation incorporates the following inputs:

- *Assessment of the credit standing of IRC and implied credit spread;*
- *Share price and share price volatility of IRC as at 30 June 2020, 30 June 2019 and 31 December 2019;*

(b) Amounts of guarantee fee for the period that are expected to be received from IRC and calculated by applying annual rate of 3.07% for the six months ended 30 June 2020 and the year ended 31 December 2019 by reference to the average outstanding principal balance under Gazprombank Facility for the relevant the period, less provision for ECL.

(c) Measured in accordance with ECL model: the amount of the loss allowance equals to 12-month ECL as it has been concluded that the credit risk on the financial guarantee contract has not increased significantly since initial recognition.

The results from relevant re-measurements of the aforementioned assets and liabilities were recognised within Other finance gains and losses and impairments of financial instruments (note 7).

Other financing transactions

In March 2018, the Group entered into a loan agreement with Dr Pavel Maslovskiy. At 30 June 2020, the loan outstanding amounted to an equivalent of US$0.2 million (30 June 2019: US$0.2 million; 31 December 2019: US$0.2 million). Interest charged during the six months ended 30 June 2020 comprised an equivalent of US$0.01 million (six months ended 30 June 2019: US$0.01 million; year ended 31 December 2019: US$0.01 million).

In April 2019, the Group entered into a loan agreement with Dr Alya Samokhvalova. At 30 June 2020, the loan outstanding amounted to an equivalent of US$0.4 million (30 June 2019: US$0.4 million; 31 December 2019: US$0.4 million). Interest charged during the six months ended 30 June 2020 comprised an equivalent of US$0.01 million (six months ended 30 June 2019: US$0.01 million; year ended 31 December 2019: US$0.02 million).

Investing transactions

In May 2019, the Group entered into the option contract to acquire the remaining non-controlling 25% interest in the subsidiary LLC TEMI from Agestinia Trading Limited, a non-controlling holder of 25% interest in LLC TEMI, for an aggregate consideration of US$60 million (adjusted to US$53.5 million if certain conditions are met). This represents a related party transaction as it is over the equity of a subsidiary company. The option premium payable is US$13 million, which was paid during the year ended 31 December 2019. The exercise period of the option is 730 days from 22 May 2019.

The Group employed an independent third party expert to undertake the valuations of the underlying 25% interest in LLC TEMI and the call option. As at 30 June 2020, the fair value of the derivative financial asset was US$31.6 million (30 June 2019: US$6.5 million; 31 December 2019: US$11.0 million) reflecting a gain on re-measurement to fair value of US$20.6 million (six months ended 30 June 2019: US$(0.5) million loss; year ended 31 December 2019: US$(2.0) million loss) (note 16).

There are no other related party relationships with Agestinia Trading Limited present.

Key management compensation

Key management personnel, comprising a group of 17 individuals during the period (six months ended 30 June 2019: 12 and year ended 31 December 2019: 14), including Executive and Non-Executive Directors of the Company and members of senior management, are those having authority and responsibility for planning, directing and controlling the activities of the Group.

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	US$'000	US$'000	US$'000
Wages and salaries	**2,255**	2,048	5,794
Pension costs	**38**	32	62
Share-based compensation	**91**	90	157
	2,384	2,170	6,013

22. Analysis of Net Debt◆

	At 1 January 2020 US$'000	Net cash movement US$'000	Exchange movement US$'000	Non-cash changes US$'000	At 30 June 2020 US$'000
Cash and cash equivalents	**48,153**	**27,468**	**(2,163)**	**-**	**73,458**
Borrowings	**(609,463)**	**25,468** (a)	**-**	**(27,441)** (b)	**(611,436)**
Net Debt◆	**(561,310)**	**52,936**	**(2,163)**	**(27,441)**	**(537,978)**
Lease liabilities	**(13,178)**	**2,053**	**769**	**5,739**	**(4,617)**
Conversion option (c)	**(46,313)**	**-**	**-**	**(122,248)**	**(168,561)**
	(620,801)	**54,989**	**(1,394)**	**(143,950)**	**(711,156)**

(a) Being US$25.5 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows.
(b) Being accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7).
(c) Notes 16, 18.

	At 1 January 2019 US$'000	Net cash movement US$'000	Exchange movement US$'000	Non-cash changes US$'000	At 30 June 2019 US$'000
Cash and cash equivalents	26,152	10,656	2,330	-	39,138
Borrowings	(594,177)	24,813 (d)	-	(27,185) (e)	(596,549)
Net Debt◆	(568,025)	35,469	2,330	(27,185)	(557,411)
Lease liabilities	(1,739)	789	(454)	(4,822)	(6,226)
Conversion option (f)	(2,411)	-	-	(9,218)	(11,629)
Call option over Company's shares	(1,136)	2,215	-	(1,079)	-
	(573,311)	38,473	1,876	(42,304)	(575,266)

(d) Being US$24.8 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows.
(e) Being accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7).
(f) Notes 16, 18.

	At 1 January 2019 US$'000	Net cash movement US$'000	Exchange movement US$'000	Non-cash changes US$'000	At 31 December 2019 US$'000
Cash and cash equivalents	26,152	19,630	2,371	-	48,153
Borrowings	(594,177)	38,128 (g)	-	(53,414) (h)	(609,463)
Net Debt◆	(568,025)	57,758	2,371	(53,414)	(561,310)
Lease liabilities	(1,739)	1,879	(570)	(12,748)	(13,178)
Conversion option (i)	(2,411)	-	-	(43,902)	(46,313)
Call option over Company's shares	(1,136)	2,215	-	(1,079)	-
	(573,311)	61,852	1,801	(111,143)	(620,801)

(g) Being US$50.7 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows, and US$12.6 million net cash inflow from the issue of US$125 million Convertible Bonds and the repurchase of the outstanding US$100 million convertible bonds (note 18).
(h) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7).
(i) Notes 16, 18.

23. Capital commitments

At 30 June 2020, the Group had entered into contractual commitments in relation to the acquisition of property, plant and equipment amounting to US$9.7 million (30 June 2019: US$6.6 million, 31 December 2019: US$10.7 million) including US$5.8 million in relation to Pioneer Flotation project (30 June 2019: nil, 31 December 2019: US$7.4 million) and US$2.7 million in relation to POX Hub project (30 June 2019: US$5.1 million, 31 December 2019: US$2.5 million).

24. Subsequent events

◆ Net debt is an Alternative Performance Measure (APM), which is not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative performance Measures (APMs)" section for further information about our APMs.

Partial conversion of US$125 million Convertible Bonds
During the period after 30 June 2020, the Company has received Conversion Notices in respect of the exercise of conversion rights under the US$125 million Convertible Bonds (note 18). The principal amount of the Convertible Bonds in respect of which the Conversion Notices have been served amounted to an aggregate of US$86.8 million, which, at a fixed exchange price of US$0.1350 per ordinary share, resulted in the issue and allotment of an aggregate of 642,962,951 new ordinary shares.

Other
Included in note 2 under the Going Concern section are details of the events that followed the requisitioned general meeting held on 10 August 2020 relating to the certain material subsidiaries based in Russia. An estimate of the financial impact of the events outlined in note 2 cannot be made.

25. Reconciliation of non-GAAP measures

	Six months ended 30 June 2020 US$'000	Six months ended 30 June 2019 (restated) US$'000	Year ended 31 December 2019 US$'000
(Loss)/profit for the period	**(21,994)**	3,926	25,693
Add/(less):			
Net impairment losses/(impairment reversals) on financial instruments	**1,274**	(33,093)	(30,797)
Investment and other finance income	**(3,962)**	(4,939)	(8,826)
Interest expense	**33,383**	25,979	59,854
Net other finance losses	**98,893**	7,407	42,190
Foreign exchange (gains)/losses	**(26,710)**	14,022	20,808
Taxation	**38,542**	3,233	27,246
Depreciation	**64,660**	69,152	137,775
Reversal of impairment of mining assets and in-house service	**-**	-	(52,159)
Reversal of impairment of ore stockpiles	**(15)**	(823)	(2,778)
(Reversal of impairment)/impairment of gold in circuit	**(38)**	(101)	142
Share in results of associates [(a)]	**8,615**	13,715	45,699
Underlying EBITDA♦	**192,648**	98,478	264,847

(a) *Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains/losses, taxation, depreciation and impairment/reversal of impairment recognised by the associate and impairment recognised against investment in the associate (note 12).*

♦ Underlying EBITDA is an Alternative Performance Measure (APM), which is not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.

The Use and Application of Alternative Performance Measures (APMs)

Throughout this Half Year Report, when discussing the Group's financial performance, reference is made to APMs.

Each of the APMs is defined and calculated by the Group and as such they are non-IFRS measures because they may include or exclude certain items that an IFRS measure ordinarily would or would not take into account. APMs should not be regarded as an alternative or substitute for the equivalent measures calculated and presented in accordance with IFRS but instead should be seen as additional information provided to investors to enable the comparison of information between different reporting periods of the Group.

Although the APMs used by the Group may be calculated in a different manner and defined differently by other peers in the precious metals mining sector (despite being similar in title), they are nonetheless relevant and commonly used measures for the industry in which Petropavlovsk operates. These and similar measures are used widely by certain investors, analysts and other interested parties as supplemental measures of financial performance.

Some of the APMs form part of the Group's Key Performance Indicators (KPIs), which are used to monitor progress and performance against strategic objectives and to benchmark the performance of the business each year.

A discussion of the relevance of each APM as well as a description of how they are calculated is set out below, with reconciliation to IFRS equivalents from the consolidated IFRS financial statements (Consolidated Statement of Profit or Loss (SPL), Consolidated Statement of Financial Position (SFP), Consolidated Statement of Cash Flows (SCF) and the notes to the consolidated IFRS financial statements).

Total Cash Costs (TCC)

Definition
The total cash cost per ounce is the cost of producing and selling an ounce of gold from the Group's three hard-rock operations and processing and selling an ounce of gold by treatment of third party sourced refractory concentrate at the POX Hub.

Calculation
TCC are calculated by the Group as *operating cash costs* less co-product revenue. TCC per oz are calculated as total cash costs divided by the ounces of gold sold. TCC per oz are presented on a segment basis.

Operating cash costs are defined by the Group as *operating cash expenses* plus refinery and transportation costs, other taxes and mining tax. This also equates to the Group's segment result as reported under IFRS plus each segment's share of results of associates, loss/gain on disposal of subsidiaries, impairment of ore stockpiles, gold in circuit and flotation concentrate, impairment of exploration and evaluation assets, impairment of mining assets, impairment of non-trading loans, central administration expenses, depreciation minus each segment's revenue from external customers, reversal of impairment of ore stockpiles and gold in circuit, reversal of impairment of mining assets and in-house service. Operating cash costs are presented on a segment basis.

Operating cash expenses are defined by the Group as the total of staff costs, materials, fuel, electricity, other external services, other operating expenses, and the movement in ore stockpiles, work in progress, bullion in process and flotation concentrate attributable to gold production. The main cost drivers affecting *operating cash expenses* are stripping ratios, production volumes of ore mined / processed, recovery rates, cost inflation and fluctuations in the rouble to US dollar exchange rate.

Other companies may calculate this measure differently.

Relevance
The Group closely monitors its current and projected costs to track and benchmark the ongoing efficiency and effectiveness of its operations. This monitoring includes analysing fluctuations in the components that operating cash costs and cost per tonne mined and processed to identify where and how efficiencies may be made.

Reconciliation

The tables below provide a reconciliation between operating expenses and total cash costs to calculate the cash cost per ounce sold for relevant periods.

H1 2020	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$' 000	Total US$'000
Operating expenses	**SPL**					**378,440**
Deduct:						
Foreign exchange gains	**note 6**					**26,710**
Depreciation	**note 6**					**(64,660)**
Reversal of impairment of ore stockpiles	**note 6**					**15**
Reversal of impairment of gold in circuit	**note 6**					**38**
Central administration expenses	**note 6**					**(20,671)**
Operating cash costs	**note 4**	**199,104**	**65,529**	**42,560**	**12,679**	**319,872**
Deduct:						
Corporate and other segment	**note 4**				**(12,679)**	**(12,679)**
Deduct: silver revenue	**note 4**	**-**	**-**	**-**	**-**	**-**
Total Cash Costs		**199,104**	**65,529**	**42,560**	**-**	**307,193**
Total ounces sold	oz	**158,844**	**81,726**	**71,785**		**312,354**
Total Cash Cost per ounce sold	**US$/oz**	**1,253**	**802**	**593**		**983**

H1 2019 (restated)	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$' 000	Total US$'000
Operating expenses	**SPL**					**294,910**
Deduct:						
Foreign exchange losses	**note 6**					**(14,022)**
Depreciation	**note 6**					**(69,152)**
Reversal of impairment of ore stockpiles	**note 6**					**823**
Reversal of impairment of gold in circuit	**note 6**					**101**
Central administration expenses	**note 6**					**(21,953)**
Operating cash costs	**note 4**	**55,778**	**74,779**	**44,262**	**15,888**	**190,707**
Deduct:						
Corporate and other segment	**note 4**				**(15,888)**	**(15,888)**
Deduct: silver revenue	**note 4**	**(334)**	**(221)**	**(96)**	**-**	**(651)**
Total Cash Costs		**55,444**	**74,558**	**44,166**	**-**	**174,168**
Total ounces sold	oz	**52,805**	**92,938**	**79,288**		**225,031**
Total Cash Cost per ounce sold	**US$/oz**	**1,050**	**802**	**557**		**774**

FY2019	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$' 000	Total US$'000
Operating expenses	**SPL**					**590,853**
Deduct:						
Foreign exchange losses	**note 6**					**(20,808)**
Depreciation	**note 6**					**(137,775)**
Reversal of impairment of mining assets and in-house service	**note 6**					**52,159**
Reversal of impairment of ore stockpiles	**note 6**					**2,778**
Impairment of gold in circuit	**note 6**					**(142)**
Central administration expenses	**note 6**					**(52,527)**
Operating cash costs	**note 4**	**170,349**	**135,427**	**80,017**	**48,745**	**434,538**
Deduct:						
Corporate and other segment	**note 4**				**(48,745)**	**(48,745)**
Deduct: silver revenue	**note 4**	**(464)**	**(267)**	**(146)**	**-**	**(877)**
Total Cash Costs		**169,885**	**135,160**	**79,871**	**-**	**384,916**
Total ounces sold	oz	**163,398**	**179,791**	**170,817**		**514,005**
Total Cash Cost per ounce sold	**US$/oz**	**1,040**	**752**	**468**		**749**

All in Sustaining Costs (AISC)

Definition

AISC includes both operating and capital costs required to sustain gold production on an ongoing basis, over and above the direct mining and selling costs shown by TCC.

Calculation

AISC are calculated by the Group as TCC plus/(minus) impairment/(reversal of impairment) of ore stockpiles, gold in circuit and flotation concentrate, central administration expenses, plus sustaining capitalised stripping, close-down and site restoration, sustaining capital and exploration expenditure and payments under sustaining leases. This is then divided by the ounces of gold sold. AISC are presented on a segment basis.

AISC are calculated in accordance with guidelines for reporting AISC as published by the World Gold Council in June 2013. Other companies may calculate this measure differently.

Relevance
AISC allows for a better understanding of the true cost of producing gold once key components such as central admin costs and the cost of sustaining capital and exploration expenditure are taken into account. Management uses this measure to monitor the performance of our assets and their ability to generate positive cash flows.

Reconciliation
The tables below provide a reconciliation between total cash costs and all-in sustaining costs to calculate all-in sustaining cost per ounce sold for relevant periods.

H1 2020	**Ref**	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$' 000**	**Total US$'000**
Total cash costs		**199,104**	**65,529**	**42,560**	**-**	**307,193**
Add:						
Reversal of impairment of ore stockpiles	**note 6**	**-**	**(15)**	**-**	**-**	**(15)**
Reversal of impairment of gold in circuit	**note 6**	**-**	**(38)**	**-**	**-**	**(38)**
Central administration expenses	**note 6**	**10,512**	**5,409**	**4,750**	**-**	**20,671**
Capitalised stripping	**note 11**	**12,995**	**10,713**	**-**	**-**	**23,708**
Site restoration costs		**629**	**-**	**57**	**-**	**686**
Sustaining exploration expenditures		**362**	**-**	**158**	**-**	**520**
Sustaining Capital Expenditures		**12,393**	**10,645**	**3,174**	**-**	**26,212**
Sustaining Lease		**149**	**1,047**	**857**	**-**	**2,053**
All-in Sustaining costs		**236,144**	**93,290**	**51,556**	**-**	**380,990**
Total ounces sold	oz	**158,844**	**81,726**	**71,785**	**-**	**312,354**
All-in Sustaining costs per ounce sold	**US$/oz**	**1,487**	**1,141**	**718**	**-**	**1,220**

H1 2019 (restated)	**Ref**	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$' 000**	**Total US$'000**
Total cash costs		**55,444**	**74,558**	**44,166**	**-**	**174,168**
Add:						
Impairment/(reversal of impairment) of ore stockpiles	**note 6**	**3,136**	**-**	**(3,959)**	**-**	**(823)**
Reversal of impairment of gold in circuit	**note 6**	**(101)**	**-**	**-**	**-**	**(101)**
Central administration expenses	**note 6**	**5,151**	**9,067**	**7,735**	**-**	**21,953**
Capitalised stripping		**2,554**	**2,333**	**-**	**-**	**4,887**
Site restoration costs		**105**	**114**	**306**	**-**	**525**
Sustaining exploration expenditures		**2,126**	**1,204**	**69**	**-**	**3,399**
Sustaining Capital Expenditures		**11,130**	**6,900**	**9,619**	**-**	**27,649**
All-in Sustaining costs		**79,545**	**94,176**	**57,936**	**-**	**231,657**
Total ounces sold	oz	**52,805**	**92,938**	**79,288**	-	**225,031**
All-in Sustaining costs per ounce sold	**US$/oz**	**1,506**	**1,013**	**731**	**-**	**1,029**

FY2019	**Ref**	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$' 000**	**Total US$'000**
Total cash costs		**169,885**	**135,160**	**79,871**	**-**	**384,916**
Add:						
Impairment/(reversal of impairment) of ore stockpiles	**note 6**	**664**	**517**	**(3,959)**	**-**	**(2,778)**
Impairment/(reversal of impairment) of gold in circuit	**note 6**	**(101)**	**243**	**-**	**-**	**142**
Central administration expenses	**note 6**	**16,698**	**18,373**	**17,456**	**-**	**52,527**
Capitalised stripping		**14,454**	**12,653**	**-**	**-**	**27,107**
Site restoration costs		**210**	**229**	**614**	**-**	**1,053**
Sustaining exploration expenditures		**3,983**	**77**	**29**	**-**	**4,089**
Sustaining Capital Expenditures		**16,883**	**16,467**	**23,893**	**-**	**57,243**
All-in Sustaining costs		**222,676**	**183,719**	**117,904**	**-**	**524,299**
Total ounces sold	oz	**163,398**	**179,791**	**170,817**	-	**514,005**
All-in Sustaining costs per ounce sold	**US$/oz**	**1,363**	**1,022**	**690**	**-**	**1,020**

All in Costs (AIC)

Definition

AIC comprises of AISC as well as capital expenditures for major growth projects or enhancement capital for significant improvements at existing operations.

Calculation

AIC are calculated by the Group as AISC plus non-sustaining capitalised stripping (when the resulting ore production phase is more than five years), non-sustaining exploration and capital expenditure, (reversal of impairment)/impairment of refractory ore stockpiles and payments under non-sustaining leases. This is then divided by the ounces of gold sold. AIC are presented on a segment basis.

AIC is calculated in accordance with guidelines for reporting AIC as published by the World Gold Council in June 2013. Other companies may calculate this measure differently.

Relevance

AIC reflect the costs of producing gold over the life-cycle of a mine.

Reconciliation

The tables below provide a reconciliation between all-in sustaining costs and all-in costs to calculate all-in cost per ounce sold for relevant periods.

H1 2020	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$' 000	Total US$'000
All-in sustaining costs		236,144	93,290	51,556	-	380,990
Add:						
Exploration expenditure		-	1,289	3,359	-	4,648
Capital expenditure		16,075	-	12,103	-	28,178
All-in costs		252,219	94,579	67,018	-	413,816
Total ounces sold	oz	158,844	81,726	71,785	-	312,354
All-in costs per ounce sold	**US$/oz**	1,588	1,157	934	-	1,325

H1 2019	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$' 000	Total US$'000
All-in sustaining costs		79,545	94,176	57,936	-	231,657
Add:						
Exploration expenditure		608	266	3,921	-	4,795
Capital expenditure		3,406	5,762	-	-	9,168
All-in costs		83,559	100,204	61,857	-	245,620
Total ounces sold	oz	52,805	92,938	79,288	-	225,031
All-in costs per ounce sold	**US$/oz**	1,582	1,078	780	-	1,091

FY2019	Ref	Pioneer US$'000	Pokrovskiy US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Total US$'000
All-in Sustaining Costs		222,676	-	183,719	117,904	-	524,299
Add:							
Exploration expenditure		691	-	1,095	8,350	-	10,136
Capital Expenditure		22,169	-	10,190	-	-	32,359
All-in costs		245,536	-	195,004	126,254	-	566,794
Total ounces sold	oz	163,398	-	179,791	170,817	-	514,005
All-in costs per ounce sold	**US$/oz**	1,503	-	1,085	739	-	1,103

Average Realised Gold Sales Price

Definition

The average realised gold sales price is the mean price at which the Group sold its gold production output throughout the reporting period, including the realised effect of cash flow hedge contracts during the period.

Calculation

The average realised gold sales price is calculated by dividing total revenue received from gold sales (including the realised effect of any hedging contracts) by the total quantity of gold sold during the period. Other companies may calculate this measure differently.

Relevance
As gold is the key commodity produced and sold by the Group, the average realised gold sales price is a key driver behind the Group's revenues and profitability.

Reconciliation
The average realised gold price has been calculated as set out in the table below.

	Ref		H1 2020	H1 2019	FY2019
Gold revenue	note 4	US$' 000	**512,335**	**289,388**	691,697
Gold sold		ounces	**312,354**	**225,031**	514,005
Average realised gold price		US$/oz	**1,640**	**1,286**	1,346

Capital Expenditure (CAPEX)

Definition
CAPEX is the investment required by the Group to explore and develop its gold assets and keep current plants and other equipment at its gold mines in good working order.

Calculation
CAPEX represents cash flows used in investing activities, namely Purchases of property, plant and equipment and Expenditure of exploration and evaluation assets.

Relevance
Capital expenditure is necessary in order not only to maintain but also to develop and grow the business. Capex requirements need to be balanced in line with the Group's strategy and provide an optimal allocation of the Group's funds.

Reconciliation
The table below provides a reconciliation between capital expenditure and cash flows used in investing activities.

	Ref	H1 2020 US$' 000	H1 2019 (restated) US$' 000	FY2019 US$' 000
Purchase of property, plant and equipment	SCF	**78,618**	**44,969**	120,798
Expenditure on exploration and evaluation assets	SCF	**4,648**	**4,929**	10,136
Less:				
Capitalised stripping	note 11	**(23,708)**	**(4,887)**	(27,107)
Total Capital Expenditure		**59,558**	**45,011**	103,827

Net Debt

Definition
Net Debt shows how indebted a company is after total debt and any cash (or its equivalent) are netted off against each other.

Calculation
Net Debt is calculated as the sum of current borrowings and non-current borrowings less cash and cash equivalents. Other companies may calculate this measure differently.

Relevance
Management considers Net Debt a key measure of the Company's leverage and its ability to repay debt as well showing what progress is being made in strengthening the statement of financial position. The measure is also widely used by various stakeholders.

Reconciliation

The table below provides calculation of net debt at relevant reporting dates.

	Ref	**30 June 2020 US$'000**	31 December 2019 US$'000
Cash and cash equivalents	SFP	**73,458**	48,153
Borrowings	SFP	**(611,436)**	(609,463)
Net debt		**(537,978)**	(561,310)

Underlying EBITDA

Definition

EBITDA is a common measure used to assess profitability without the impact of different financing methods, tax, asset depreciation and amortisation of intangibles and items of an exceptional / non-recurring nature, or those that could make comparison of results from prior periods less meaningful.

Calculation

Underlying EBITDA is calculated as profit/(loss) for the period before financial income, financial expenses, foreign exchange gains and losses, fair value changes, taxation, depreciation, impairment charges/reversal of impairment. Other companies may calculate this measure differently.

Relevance

Underlying EBITDA is an indicator of the Group's ability to generate operating cash flows, which are the source of funding for the Group's working capital requirements, capital expenditure and debt service obligations. The measure is also widely used by various stakeholders.

Reconciliation

The tables below provide reconciliations between net profit and Underlying EBITDA as well as reconciliation between operating profit and Underlying EBITDA for relevant periods.

	Ref	**H1 2020 US$'000**	H1 2019 (restated) US$'000	FY2019 US$'000
(Loss)/profit for the period	SPL	**(21,994)**	3,926	25,693
Add/(less):				
Net impairment losses/(impairment reversals) on financial instruments		**1,274**	(33,093)	(30,797)
Investment and other finance income	SPL	**(3,962)**	(4,939)	(8,826)
Interest expense	SPL	**33,383**	25,979	59,854
Net other finance losses	SPL	**98,893**	7,407	42,190
Foreign exchange (gains)/losses	note 6	**(26,710)**	14,022	20,808
Taxation	SPL	**38,542**	3,233	27,246
Depreciation	note 6	**64,660**	69,152	137,775
Reversal of impairment of ore stockpiles	note 6	**(15)**	(823)	(2,778)
(Reversal of impairment)/ impairment of gold in circuit	note 6	**(38)**	(101)	142
Reversal of impairment of mining assets and in-house service	note 6	**-**	-	(52,159)
Share in results of associates [(a)]	note 12	**8,615**	13,715	45,699
Underlying EBITDA		**192,648**	98,478	264,847

H1 2020	Ref	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$'000**	**Consolidated US$'000**
Operating profit	SPL					**146,136**
Foreign exchange gains	note 6					**(26,710)**
Segment result	note 4	**36,287**	**46,987**	**58,386**	**(22,234)**	**119,426**
Add/ (less):						
Depreciation	notes 4,6	**22,987**	**23,941**	**16,607**	**1,125**	**64,660**
Reversal of impairment of ore stockpiles	notes 4,6	**-**	**(15)**	**-**	**-**	**(15)**
Reversal of impairment of gold in circuit	notes 4,6	**-**	**(38)**	**-**	**-**	**(38)**
Share in results of associates [(a)]	note 12				**8,615**	**8,615**
Underlying EBITDA		**59,274**	**70,875**	**74,993**	**(12,494)**	**192,648**

H1 2019 (restated)	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Consolidated US$'000
Operating profit	SPL					**2,513**
Foreign exchange losses	note 6					**14,022**
Segment result	note 4	**(12,256)**	**22,138**	**37,762**	**(31,109)**	**16,535**
Add/ (less):						
Depreciation	notes 4,6	**21,645**	**22,750**	**24,104**	**652**	**69,152**
Impairment/ (reversal of impairment) of ore stockpiles	notes 4,6	**3,136**	**-**	**(3,959)**	**-**	**(823)**
Reversal of impairment of gold in circuit	notes 4,6	**(101)**	**-**	**-**	**-**	**(101)**
Share in results of associates [(a)]	note 12				**13,715**	**13,715**
Underlying EBITDA		**12,424**	**44,888**	**57,907**	**(16,742)**	**98,478**

FY2019	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Consolidated US$'000
Operating profit	SPL					**115,360**
Foreign exchange losses	note 6					**20,808**
Segment result	note 4	**54,275**	**56,896**	**105,083**	**(80,086)**	**136,168**
Add/ (less):						
Depreciation	notes 4,6	**41,225**	**46,549**	**48,144**	**1,857**	**137,775**
Reversal of impairment of mining assets and in-house service	notes 4,6	**(42,755)**	**-**	**-**	**(9,404)**	**(52,159)**
Impairment/(reversal of impairment) of ore stockpiles	notes 4,6	**664**	**517**	**(3,959)**	**-**	**(2,778)**
Impairment/(reversal of impairment) of gold in circuit	notes 4,6	**(101)**	**243**	**-**	**-**	**142**
Share in results of associates [(a)]	note 12				**45,699**	**45,699**
Underlying EBITDA		**53,308**	**104,205**	**149,268**	**(41,934)**	**264,847**

(a) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognised by an associate and impairment recognised against investment in the associate.