



# PRESS RELEASE

26 January 2021

## Petropavlovsk PLC

### Q4 and FY 2020 Sales & Production Report

Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group") today issues its sales and production results and corporate update for the period from 1 October 2020 to 31 December 2020 (the "Period" or "Q4") as well as its full year sales and production results ("FY 2020").

**Mr Denis Alexandrov, CEO said:** *"Faced with several challenges in 2020, and in Q4 in particular, we were still able to deliver a notable 6% year-on-year increase in gold production, slightly below our guidance but broadly in line with market expectations. We also made solid progress on our development projects such as the Pioneer flotation plant and Malomir expansion.*

*The new management team and I have started visiting the mines and conducting a comprehensive review of our operations, management structure, and budget and forecast for 2021. This work will position us to update our guidance on production and capital expenditure targets for the year ahead."*

### Operational Highlights

#### Gold production and sales

- FY 2020 gold production amounted to 548.1koz (FY 2019: 517.3koz) representing an increase of 6.0%, although this was slightly below the guidance range due to lower than expected production from both own mined gold ore and third-party concentrate
  - **Own mined gold** production amounted to 385.6koz in FY 2020 (FY 2019: 471.6koz) with a weak Q4 occurring at all operations for reasons explained below
  - **Third-party concentrate gold** production increased to 162.5koz in FY 2020 (FY 2019: 45.7koz), although this was lower than expected mainly due to logistical issues associated with the COVID-19 pandemic

#### Gold production '000oz

Asset	Q4 2020	Q4 2019	FY 2020	FY 2019
Pioneer	27.9	36.9	119.0	120.4
Malomir	29.4	47.6	140.1	180.3
Albyn	28.2	44.7	126.5	170.9
3rd-party concentrate (POX Hub)	28.0	32.5	162.5	45.7
<b>Total Group</b>	<b>113.5</b>	<b>161.7</b>	<b>548.1</b>	<b>517.3</b>

*Note: Numbers may not add up due to rounding effect*

- FY 2020 gold sales totalled 546.5koz (FY 2019: 514.0koz)
- Average realised gold prices were significantly higher, gaining 33.6% in Q4 2020 and 29.8% in FY 2020 compared to previous periods. There were zero gains or losses from hedging in both Q4 2020 and FY 2020 which compares to small losses in the previous periods

### Average realised gold price in US\$/oz

	Q4 2020	Q4 2019	FY 2020	FY 2019
Average contractual gold price	1,864	1,483	1,748	1,407
Gain or (loss) from hedging	0	(88)	0	(61)
<b>Average realised gold price</b>	<b>1,864</b>	<b>1,395</b>	<b>1,748</b>	<b>1,346</b>

### Pokrovskiy Pressure Oxidation (POX) Hub

- In FY 2020, a total of 245.3kt of refractory gold concentrate was processed through the POX Hub, comprising 144.0kt from Malomir concentrate with an average grade of 29.0g/t and 101.3kt from third-party concentrate with an average grade of 48.4g/t
- Of the 140.1koz of gold produced at Malomir in FY 2020, 122.4koz of gold was recovered from refractory concentrates at the POX Hub with recoveries averaging 91.4% and the balance from non-refractory gold ore
- Of the 162.5koz produced from third-party concentrates in FY 2020, 148.0koz of gold was recovered with recoveries averaging 93.8% and the balance representing gold released from circuit

### Debt Principal and Cash

- Debt principal outstanding as of 31 December 2020 was US\$538.0m (30 September 2020: US\$542.8m), the change relating to further conversion of the US\$125m Convertible Bonds in Q4
- Cash (unaudited) as of 31 December 2020 was US\$35.4m (30 September 2020: US\$68.5m)
- The Company continues to settle the interest-bearing gold prepays which stood at c.US\$63.8m as at 31 December 2020 (US\$72.3m as at 30 September 2020), a net decrease of c.US\$8.5m for the fourth quarter

### Hedging

- Zero cost collars remain with a gold price floor of \$1,600/oz and a cap of \$1,832/oz for 3,500oz maturing every month until December 2021
- Zero cost collars with a RUB:USD price floor of RUB75.00 and a cap in the range of between RUB90.65 and RUB100.00 for US\$7.0m maturing every month until December 2021

### Responsible Business

- In FY 2020, there was a 7% reduction in LTIFR to 1.50 accidents per 1 million hours worked which is in line with the Group's 2020 target to improve or sustain a LTIFR of 1.61. Including contractors, the LTIFR stood at 1.23 in FY 2020
- No fatal accidents occurred during the year either among Petropavlovsk employees or the Company's contractors
- Zero environmental incidents were reported in 2020

Metric	Units	Q4 2020	Q4 2019	FY 2020	FY 2019
LTIFR	Per 1m hours worked	1.56	2.05	1.50	1.61
Environmental incidents	Number	0	0	0	0

*Note: Environmental incidents defined as moderate or serious*

- Two community consultations were organised during H2 2020 to introduce and explain our projects to local residents, NGOs and local authorities with a key focus on environmental safety. The meetings were held with strict compliance with COVID-19 sanitary measures
- In December 2020, Petropavlovsk became a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices

### COVID-19 Update

- No material COVID-19 outbreaks have occurred at our operations so far. 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
- As of 18th January 2021, there have been 10 reported cases among the Group's employees. All affected employees are self-isolating or receiving medical care
- At the time of the reporting, the Group's supply chains remain fully functional

### Development Update

#### Start-up of Pioneer flotation plant and expansion of the flotation facility at Malomir

- As announced, the commissioning of the Pioneer flotation plant is now scheduled for Q2 2021
- Once operational, the new Pioneer flotation plant will double the Group's capacity to process refractory gold ore from its own mines, from 3.6Mtpa (at the existing Malomir flotation plant) to a combined Group total capacity of 7.2Mtpa, thus reducing the POX Hub's reliance on treating low-margin third-party concentrates
- The construction of a third line at the Malomir flotation plant is underway and will further add 1.8Mtpa of capacity from Q1 2022, bringing the combined Group total capacity to 9.0Mtpa

### Corporate Update

- As of the date of this release, the Company has received Conversion Notices in respect of the exercise of conversion rights under the US\$125 million Convertible Bonds amounting to an aggregate of US\$87m (balance remaining of US\$38m), which resulted in the issue of c.644.4m new ordinary shares
- On 20 January 2021, the Company provided a corporate update. In particular, that the Group's mines continue to operate as normal, despite the challenges presented by COVID-19 pandemic. Further, the lack of co-operation that the Group has experienced from a small group of senior employees and ongoing related legal hearings had improved markedly in recent weeks
- On 30 November 2020, the Company announced the appointment of Denis Alexandrov as CEO of the Group
- On 23 November 2020, the Company announced it had appointed KPMG LLP to undertake a forensic investigation into certain transactions undertaken by the Company and its subsidiaries, and IRC Ltd and its subsidiaries, in the three years to August 2020
- On 12 October 2020, the Company announced the appointments of John Smelt as Head of Corporate Affairs from 19 October 2020 and Dorcas Murray as Company Secretary from 2 November 2020

### Operations Report

#### Pioneer

*Pioneer is currently focused on mining non-refractory ores from several conventional open pits and underground operations. The construction of new flotation facilities at Pioneer will lead to a transition, starting in Q2 2021, from mining non-refractory to mainly refractory ores which will be concentrated ahead of processing at the POX Hub.*

<b>PIONEER</b>	<i>Units</i>	<b>Q4 2020</b>	Q4 2019	<b>FY 2020</b>	FY 2019
<b>Mining operations</b>					
Total material moved	<i>m3 '000</i>	<b>4,863</b>	4,324	<b>19,884</b>	19,042
Ore mined	<i>t '000</i>	<b>836</b>	1,720	<b>3,145</b>	3,795
Average grade	<i>g/t</i>	<b>1.15</b>	0.92	<b>1.00</b>	0.97
Gold content	<i>oz. '000</i>	<b>30.8</b>	50.8	<b>101.1</b>	118.6
<b>Processing operations (RIP plant)</b>					
Ore milled	<i>t '000</i>	<b>1,327</b>	1,344	<b>5,410</b>	5,707
Average grade	<i>g/t</i>	<b>0.79</b>	0.97	<b>0.81</b>	0.78
Gold content	<i>oz. '000</i>	<b>33.6</b>	42.0	<b>140.0</b>	143.5
Recovery	<i>%</i>	<b>83.0</b>	81.1	<b>84.6</b>	81.7
Gold recovered	<i>oz. '000</i>	<b>27.9</b>	34.1	<b>118.4</b>	117.2
<b>Gold production (doré)</b>	<b><i>oz. '000</i></b>	<b>27.9</b>	36.9	<b>119.0</b>	120.4

*Note: Numbers may not add up due to fluctuation of gold in circuit and gold production includes a small amount of gold recovered from heap leach pads stacked before 2019*

Due to the delay in the commissioning of the flotation circuit (mentioned above), the planned processing of refractory ore in Q4 was replaced by non-refractory ore with slightly lower grades but with higher recoveries. As a result, Pioneer produced 27.9koz from material grading 0.79g/t with recoveries of 83.0%

In FY 2020, Pioneer processed non-refractory ore from both open pit and underground mining operations to produce 119koz from material grading 0.81g/t with recoveries of 84.6%

2020 production was less than expected mainly due to delays caused by underground contractors and the COVID-19 pandemic in the preparation of underground mining of high grade ore at the Andreevskaya ore zone, which was due to start-up in Q4 2020 but which has now been delayed to Q1 2021

## **Malomir**

*Malomir is a conventional open-pit mine and underground operation transitioning towards mainly refractory ore processing using the onsite flotation plant. The resulting concentrate is shipped for processing to the POX Hub. The Malomir deposit has extensive refractory reserves and resources and both near-mine and surrounding areas are considered highly prospective for the discovery of further refractory gold ounces.*

	<i>Units</i>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>
<b>Mining Operations</b>					
Total material moved	<i>m3 '000</i>	<b>2,290</b>	2,020	<b>9,867</b>	7,658
Non-refractory ore mined:	<i>t '000</i>	<b>87</b>	85	<b>423</b>	413
Average grade	<i>g/t</i>	<b>2.65</b>	2.81	<b>2.24</b>	3.96
Gold content	<i>oz. '000</i>	<b>7.4</b>	7.6	<b>30.5</b>	52.6
Refractory ore mined:	<i>t '000</i>	<b>746</b>	1,262	<b>4,128</b>	5,282
Average grade	<i>g/t</i>	<b>1.26</b>	1.17	<b>1.16</b>	1.11
Gold content	<i>oz. '000</i>	<b>30.2</b>	47.5	<b>153.9</b>	189.1
<b>Malomir Processing Operations</b>					
<b>Resin-in-pulp (RIP plant), non-refractory ores</b>					
Ore milled	<i>t '000</i>	<b>95</b>	82	<b>414</b>	536
Average grade	<i>g/t</i>	<b>2.69</b>	2.85	<b>2.23</b>	3.38
Gold content	<i>oz. '000</i>	<b>8.2</b>	7.5	<b>29.7</b>	58.2
Recovery	<i>%</i>	<b>77.8</b>	77.7	<b>77.1</b>	78.7
Gold recovered	<i>oz. '000</i>	<b>6.4</b>	5.8	<b>22.9</b>	45.9

<b>Flotation plant, refractory ores</b>					
Ore milled	<i>t '000</i>	<b>990</b>	997	<b>3,874</b>	3,762
Average grade	<i>g/t</i>	<b>1.22</b>	1.33	<b>1.26</b>	1.15
Gold content	<i>oz. '000</i>	<b>38.9</b>	42.5	<b>157.1</b>	139.3
Recovery	<i>%</i>	<b>82.9</b>	87.7	<b>84.2</b>	87.1
Concentrate yield	<i>%</i>	<b>3.7</b>	3.8	<b>3.7</b>	3.5
Concentrate produced	<i>t '000</i>	<b>36</b>	37	<b>143</b>	133
Grade	<i>g/t</i>	<b>27.5</b>	31.0	<b>28.8</b>	28.4
Gold content	<i>oz. '000</i>	<b>32.3</b>	37.3	<b>132.3</b>	121.4
<b>POX Plant (Malomir concentrate)</b>					
Concentrate treated	<i>t '000</i>	<b>33</b>	44	<b>144</b>	155
Average grade	<i>g/t</i>	<b>27.5</b>	31.0	<b>29.0</b>	30.0
Gold in concentrate	<i>oz. '000</i>	<b>28.7</b>	43.7	<b>133.9</b>	149.0
Recovery	<i>%</i>	<b>91.1</b>	92.2	<b>91.4</b>	88.6
Gold recovered	<i>oz. '000</i>	<b>26.2</b>	40.3	<b>122.4</b>	132.0
<b>Total gold production (doré)</b>	<b>oz. '000</b>	<b>29.4</b>	<b>47.6</b>	<b>140.1</b>	<b>180.3</b>

*Note: Numbers may not add up due to fluctuation of gold in circuit*

Malomir predominantly treated refractory ore in FY 2020 with performance largely in-line with expectations. In total, c.4.1Mt of refractory ore grading 1.16g/t was mined with 122.4koz gold recovered from processing at the POX Hub. POX plant recovery rates for Malomir concentrate were 91.4%, in-line with expectations and project design rates

Mining of non-refractory ore was largely from underground operations with some non-refractory gold mined from the Magnetitovoye open pit. In total, 423kt of non-refractory ore was mined grading 2.24g/t with 22.9koz gold recovered from the RIP plant. Underground mining occurred at the deeper levels of the Quartzitovoye deposit where the complex configuration of ore body led to increased dilution which negatively affected mined grades in both Q4 and through FY 2020

## **Albyn**

*The Albyn deposit effectively ceased operating in Q3 2020 and its processing facilities will be used to treat ore from the nearby Elginskoye satellite deposit, which will replace the Albyn pit as the main source of non-refractory ore from 2021, and potentially from the earlier-stage Unglichikanskoye deposit in the future. Both these licences are owned 75% through TEMI LLC.*

*As of 31/12/2019, these deposits contained JORC Measured, Indicated and Inferred Mineral Resources of 3.93Moz Au which include 2.32Moz of JORC Proved and Probable Ore Reserves.*

	<i>Units</i>	<b>Q4 2020</b>	Q4 2019	<b>FY 2020</b>	FY 2019
<b>Mining Operations</b>					
Total material moved	<i>m3 '000</i>	<b>535</b>	3,123	<b>9,451</b>	12,465
Ore mined	<i>t '000</i>	<b>87</b>	1,879	<b>2,338</b>	6,222
Average grade	<i>g/t</i>	<b>0.64</b>	1.27	<b>0.87</b>	1.22
Gold content	<i>oz. '000</i>	<b>1.8</b>	76.8	<b>65.1</b>	243.5
<b>Processing operations (RIP Plant)</b>					
Ore milled	<i>t '000</i>	<b>922</b>	1,091	<b>4,368</b>	4,602
Average grade	<i>g/t</i>	<b>0.99</b>	1.34	<b>0.95</b>	1.22
Gold content	<i>oz. '000</i>	<b>29.2</b>	47.0	<b>132.8</b>	180.2
Recovery	<i>%</i>	<b>93.8</b>	93.9	<b>93.9</b>	93.9

Gold recovered	oz. '000	<b>27.4</b>	44.2	<b>124.8</b>	169.3
<b>Total gold production (doré)</b>	<b>oz. '000</b>	<b>28.2</b>	44.7	<b>126.5</b>	170.9

Note: Numbers may not add up due to fluctuation of gold in circuit

As anticipated, Albyn's performance was lower in 2020 than in 2019 due to the depletion of the Albyn deposit and transition to mining the satellite deposit at Elginskoye. In addition, a delay in obtaining an official permit for treating Elginskoye ore at the Albyn processing plant meant that more low grade stockpiled ore was treated in H2 2020 than anticipated, which caused FY 2020 production to decrease further than had been expected. The official permit was received in late December, so this issue has been resolved

In Q4, a total of 922kt of ore grading 0.99g/t was processed at the Albyn plant to produce 28.2koz of gold with the lower grades reflecting the processing of stockpiles

In FY 2020, a total of c.4.4Mt of ore grading 0.95g/t was processed to produce 126.5koz of gold reflecting a mix of mined and, increasingly, stockpiled ores in H2 2020

### Third-party concentrate (POX Hub)

Third-party concentrate processing is a temporary solution that optimises unused POX Hub capacity which allows the Group to demonstrate production potential of the POX Hub and improve Group cash flow

	Units	Q4 2020	Q4 2019	FY 2020	FY 2019
<b>POX Plant (third-party concentrates)</b>					
Concentrate treated	t '000	<b>23.0</b>	19.5	<b>101.3</b>	32.5
Avg. grade	g/t	<b>37.2</b>	71.8	<b>48.4</b>	61.6
Gold in concentrate	oz. '000	<b>27.5</b>	45.1	<b>157.8</b>	64.5
Recovery	%	<b>92.7</b>	94.9	<b>93.8</b>	94.9
Gold recovered	oz. '000	<b>25.5</b>	42.8	<b>148.0</b>	61.2
<b>Gold production (doré)</b>	<b>oz. '000</b>	<b>28.0</b>	32.5	<b>162.5</b>	45.7

Note: Numbers may not add up due to fluctuation of gold in circuit

In Q4, the Company processed 23.0kt of third-party concentrate grading 37.2g/t to produce 28.0koz of gold. In FY 2020, the Company processed 101.3kt of third-party concentrate grading 48.4g/t to produce 162.5koz of gold. Production in both periods was negatively affected by logistics caused by the COVID-19 pandemic which limited the quantity of third-party concentrates that could be supplied to the POX Hub

FY 2020 gold production benefitted from a release of gold in circuit reflecting the processing of high grade material at the end of 2019 from which gold was produced in 2020

### 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.8.2Moz 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.petropavlovskplc.com](http://www.petropavlovskplc.com) or contact:

### **Petropavlovsk PLC**

Patrick Pittaway / Max Zaltsman / Viktoriya Kim

+44 (0) 20 7201 8900

[TeamIR@petropavlovskplc.com](mailto:TeamIR@petropavlovskplc.com)

### **Hudson Sandler**

Charlie Jack / Katerina Parker / Elfie Kent

+44 (0) 20 7796 4133

[Petropavlovsk@hudsonsandler.com](mailto:Petropavlovsk@hudsonsandler.com)

### **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, 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 does not form part of this announcement.*