



PRESS RELEASE

31 March 2021

Petropavlovsk PLC

Management Update and 2021 Guidance

Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group") today issues its 2021 guidance and provides a management update following the appointment of a new management team led by CEO Denis Alexandrov.

Management Update

Business Review

Following the appointment of Denis Alexandrov as CEO in December 2020 and with the support of the new management team that joined in January of this year, a comprehensive review of the business, its corporate structure, internal controls, operational policies and processes is under way with the aim of delivering greater transparency and operational efficiency and outlining a clear pathway to future growth for the benefit of all stakeholders. The outputs from this review will include:

- Opportunities to simplify the corporate structure, improve management systems, standardise processes and reduce G&A costs. Examples include the streamlining of administrative personnel, reduction of duplicated functions and services within the Group, removal of intermediaries and the cancellation of contracts with certain counterparties. The review has already resulted in immediate cost savings through revised procurement and contracting procedures;
- A new medium-term corporate development strategy delivered by Q3 2021 and followed by the proposal of a dividend policy; and
- Completion of a full management restructuring by the end of Q2 2021, including addressing management oversight and talent gaps within the existing structure and adding critical core competencies that were missing within the management team.

New Management Team

As part of this process of upgrading core internal competencies, the Board of Directors of Petropavlovsk welcomed new members of the management team that will bring a fresh external perspective and help to lead the transformation of the business. This team of experienced professionals brings with it a broad range of competencies that will be critical in the continued development and execution of the Company's strategy. They include a new Chief Operating Officer, Deputy CEO for Corporate Development, and heads of human resources and administration, procurement and logistics, communications, capital construction and investment projects, business transformation, regional affairs, and legal affairs. More information on these new team members and any additional management hires will be added to the corporate website upon completion of the restructuring process.

KPMG Forensic Investigation

In parallel with the management review and as previously announced, KPMG LLP ("KPMG") is conducting a separate forensic audit into certain related-party and other transactions undertaken by the Company and IRC Ltd, the 31.1%-owned iron ore miner listed in Hong Kong, in the three years to August 2020.

The Board will update shareholders on the initial findings of the KPMG led audit which are expected to be completed by the end of Q2 2021.

2021 Outlook and Guidance

Petropavlovsk provided an update on full 2020 sales and production on 26th January 2021. The business review process has already agreed a revised budget for 2021, which includes the following production targets and guidance for capital expenditure:

Gold production

- Total 2021 gold production of 430 – 470koz, comprising of own gold production of 370 – 390koz and third-party gold production of 60 – 80koz.
- *Pioneer*: production will increase compared with FY 2020 output of 119koz driven by higher grades and the commissioning of the 3.6Mtpa flotation plant by the end of Q2 2021 which will allow the Company to begin processing Pioneer's abundant refractory reserves at the POX Hub.
- *Albyn*: production is expected to be lower than FY 2020 production of 127koz due to lower volumes and lower recoveries resulting from the switch to processing ore from the nearby Elginskoye deposit.
- *Malomir*: production in terms of volumes, grades and recoveries is expected to be broadly in line with FY 2020 output of 140koz.
- *Third-party material*: production is expected to be lower than FY 2020 production of 163koz due to reduced volumes of concentrate available for purchase and lower concentrate grades. Management disruption in 2020, prior to the arrival of the new executive team, resulted in the Company missing the crucial annual contracting window to secure sufficient concentrate for 2021 delivery and processing. However, efforts are underway to source additional material to meet the guided range and secure supplies for 2022.

Capex

- Total capex of US\$140m, consisting of sustaining and development capex of US\$120m and exploration spend of c.US\$20m. This compares to capex for FY 2020 of c.US\$118m (unaudited).
- Approximately half of the total 2021 sustaining and development capex spend has been allocated to completing construction of the new Pioneer flotation plant and third flotation line at Malomir.
- Scheduled for launch by the end of Q2 2021, the Pioneer flotation plant will double the Group's capacity to process refractory 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.
- Construction of a third line at the Malomir flotation facility will add a further 1.8Mtpa of capacity from Q3 2022, increasing the Group's combined flotation capacity to 9.0Mtpa.
- In addition to completing these two key projects, the Company has also included spending designed to support future mining activities, including exploration, mining equipment modernisation and work on expanding tailings facilities.
- Significant year on year uplift in exploration spend to c.US\$20m, with a particular focus on exploration in the highly prospective and extensive areas at / around Malomir and Albyn.

Liquidity management

- *Gold pre-pays*: as previously announced, these amounted to US\$63.8m on 31 December 2020. Management intends to settle the pre-pays by year end, converting the gold credit limits currently in place into a standard credit line to support liquidity.

- *US\$500m notes*: work has commenced to refinance the senior notes maturing November 2022 with the aim of reducing the size and cost of servicing debt.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

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.

Enquiries

Please visit www.petropavlovskplc.com or contact:

Petropavlovsk PLC

Patrick Pittaway / Max Zaltsman / Viktoriya Kim

+44 (0) 20 7201 8900

TeamIR@petropavlovskplc.com

Hudson Sandler

Charlie Jack / Katerina Parker / Elfie Kent

+44 (0) 20 7796 4133

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.