



PETROPAVLOVSK

## PRESS RELEASE

20 April 2021

### Petropavlovsk PLC

#### Q1 2021 Production and Sales Report

Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group") today issues its sales and production results for the period from 1 January 2021 to 31 March 2021 (the "Period" or "Q1").

**Mr Denis Alexandrov, CEO said:** *"Gold production from our own ore in Q1 2021 was broadly in line with Q4 2020 and keeps us on track to meet our guidance of 430 - 470koz for the year. Quarterly output was reduced year-on-year due to lower production from Albyn, where mining has moved to the nearby Elginskoye deposit, and as a result of processing lower volumes and grades of third-party concentrates at our POX hub. In the second half of the year, we anticipate higher output at Pioneer, following the commissioning of its new flotation plant in Q2, and a potential increase in third-party material.*

*I continue to work with the new management team on our extensive business review that we hope will lay the foundations for the Company's future growth. This review has already delivered a revised management structure that is nearing completion. It will also evaluate the Group's development strategy that we expect to complete in Q3 2021, with the results to be shared later in the year."*

#### Operational Highlights

##### Gold Production and Sales

- Q1 2021 total gold production of 95.6koz, a decrease of 49% compared to Q1 2020 (186.2koz)
- Own mined gold** production amounted to 82.4koz in Q1 2021 (Q1 2020: 102.0koz) with marginally higher Malomir production offset by reduced output at Albyn and Pioneer
- 3rd-party concentrate gold** production decreased to 13.2koz in Q1 2021 (Q1 2020: 84.2koz) due to expected lower volumes of concentrate available for purchase and lower grades in the concentrates supplied

##### Gold production '000oz

Asset	Q1 2021	Q1 2020
Pioneer	24.1	26.4
Malomir	36.0	35.2
Albyn	22.3	40.4
3rd-party concentrate (POX Hub)	13.2	84.2
<b>Total Group</b>	<b>95.6</b>	186.2

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

- Q1 2021 gold sales totalled 95.6koz (Q1 2020: 162.5koz)
- Average realised gold price** for the period was 14% higher at US\$1,789/oz, with no gains or losses from hedging in Q1 2021 (Q1 2020: US\$1,570/oz)

## 2021 Guidance

- As announced on 31 March 2021, the Company expects total 2021 gold production of 430 - 470koz, comprising own gold production of 370 - 390koz and gold production from 3rd-party concentrate of 60 - 80koz

## Pokrovskiy Pressure Oxidation (POX) Hub

- In Q1 2021, a total of 51.8kt of refractory gold concentrate was processed through the POX Hub, comprising 32.9kt from Malomir concentrate with an average grade of 28.5g/t and 18.9kt from 3rd-party concentrate with an average grade of 30.1g/t
- Of the 36.0koz of total gold production at Malomir in Q1 2021, 28.0koz was recovered from processing refractory concentrates at the POX Hub with recoveries averaging 92.9% and the balance from non-refractory gold ore
- The processing of 3rd-party refractory concentrates yielded total gold production of 13.2koz

## Debt Principal and Cash

- Debt principal outstanding as of 31 March 2021 was US\$538m (31 December 2020: US\$538.0m)
- Cash (unaudited) as of 31 March 2021 was US\$7.5m (31 December 2020: US\$35.4m) with the cash balance decline explained by the fact that a portion of March gold proceeds was received in early April
- The Company continues to settle the interest-bearing gold prepays which stood at c.US\$53.3m as at 31 March 2021 (US\$63.8m as at 31 December 2020), a net decrease of c.US\$10.5m for the period. The Company plans to fully settle the gold prepays by the end of the year with the intention that future liquidity needs will be met through more flexible credit facilities on better terms
- The Company has already secured a revolving credit facility (RCF) with Gazprombank for c.US\$66m at a rate of 3.5-4.5%, which is significantly lower cost than existing borrowings. The Company intends to increase that amount going forward

## Hedging

- Zero cost collars remain with a gold price floor of US\$1,600/oz and a cap of US\$1,832/oz for 3,500koz 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

- No fatal accidents occurred at Petropavlovsk's operations, neither among the Company's employees nor contractors
- An increase in number of accidents and, consequently, LTIFR during the period is partially attributable to an improved methodology, reflecting an enhanced accident classification system. The availability of robust data and accurate record keeping are the first steps towards the improvement of health and safety reporting and is in alignment with international best practices
- In April 2021, the company appointed a group Deputy CEO for Health & Safety, Mr Roman Dertinov, who brings a wealth of experience in both major Russian and international companies
- Zero environmental incidents were reported in Q1 2021

Metric	Units	Q1 2021	Q1 2020
LTIFR	Per 1m hours worked	2.01	0.98
Environmental incidents	Number	0	0

Note: Environmental incidents defined as moderate or serious

- A community consultation was organised at Ekimchan village to introduce and explain our projects to local residents, NGOs and local authorities, with a key focus on environmental safety. The meetings were held in strict compliance with COVID-19 sanitary measures

### COVID-19 Update

- No material COVID-19 outbreaks have occurred at our operations so far this year. The Company continues to implement strict quarantine and safety measures at all its operations
- As of 31 March 2021, there have been 56 reported cases among the Group's employees this year. All affected employees are self-isolating or receiving medical care
- In March 2021, the Company launched a campaign to encourage and assist employees to take advantage of the Russian government's free vaccination programme
- 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 Malomir flotation facility

- As previously announced, the commissioning of the Pioneer flotation plant is 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 3rd-party concentrates
- The construction of a third line at the Malomir flotation plant is underway and will add an additional 1.8Mtpa of flotation capacity from Q3 2022, bringing the total combined Group capacity to 9.0Mtpa

### Corporate Update

- On 30 June 2020, the Company (acting through its then board of directors, the majority of whom were not re-elected by shareholders at the annual general meeting held later that day) announced that it had asked the Takeover Panel to investigate whether a concert party including the Company's largest shareholder, Joint Stock Company Uzhuralzoloto Group of Companies ("UGC"), had acted in breach of Rule 9 of the Takeover Code. The Company has been informed by the Takeover Panel (acting through the Panel Executive) that, based on the information currently available to the Panel Executive, there is insufficient evidence to conclude that UGC was acting in concert with any other shareholder of the Company at the time when it acquired its interest in the Company and/or converted its convertible bonds into ordinary shares of the Company. In the light of this, the Company was informed that the Panel Executive concluded that there is currently no obligation for UGC to make an offer for the Company under Rule 9.1 of the Takeover Code
- As at the date of this release, the Company has received Conversion Notices in respect of the exercise of conversion rights under the US\$125m 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
- The Company continues to work on refinancing the US\$500m senior notes maturing in November 2022 with the aim of reducing the size and cost of servicing debt
- The Company continues to explore options that would relieve it of the loan guarantee it currently provides on IRC's behalf while realising a value for its IRC stake that is fair to its shareholders

### IRC Results Highlights

IRC is a vertically integrated iron ore concentrate producer in the Russian Far East, listed on the Hong Kong Stock Exchange (ticker: 1029.HK). Petropavlovsk is a major IRC shareholder (31.1%) and acts as guarantor for IRC's \$240m loan facility with Gazprombank. In accordance with IAS 28, IRC is treated as an investment in associate.

The following selected summary is based on the IRC Annual Results for the year ended 31 December 2020, which were published on 30 March 2021.

### Financial Highlights

- Revenue increased by 26.8% to US\$224.6m (2019: US\$177.2m)
- EBITDA excluding non-recurring items and FX improved to US\$79.7m (2019: US\$33.3m)
- Maiden underlying profit of US\$24.2m (2019: Loss of US\$21.0m)
- Profit attributable to shareholders amounted to US\$100.6m (2019: Loss of US\$38.7m)
- Cash balance increased to US\$20.4m (31 December 2019: US\$4.3m)

### Operating Highlights

- K&S improved its production rate to 87% capacity (2019: 79%)
- Production volumes increased by 10.1% to 2,748kt (2019: 2,497kt)
- Sales increased by 4.6% to 2,577kt (2019: 2,464kt); growth in volume could have been further improved if not for railway logistic issues in December 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>Q1 2021</b>	<b>Q1 2020</b>
<b>Mining operations</b>			
Total material moved	<i>m3 '000</i>	<b>4,720</b>	4,573
Ore mined	<i>t '000</i>	<b>1,085</b>	841
Average grade	<i>g/t</i>	<b>1.02</b>	0.94
Gold content	<i>oz. '000</i>	<b>35.4</b>	25.3
<b>Processing operations (RIP plant)</b>			
Ore milled	<i>t '000</i>	<b>1,314</b>	1,316
Average grade	<i>g/t</i>	<b>0.67</b>	0.78
Gold content	<i>oz. '000</i>	<b>28.2</b>	32.8
Recovery	<i>%</i>	<b>80.6</b>	87.3
Gold recovered	<i>oz. '000</i>	<b>22.7</b>	28.6
<b>Total gold production (doré)</b>	<b><i>oz. '000</i></b>	<b>24.1</b>	26.4

*Note: numbers may not add up due to fluctuation of gold in circuit and / or rounding.*

In Q1 2021, Pioneer processed non-refractory ore from both open pit and underground mining operations to produce 24.1koz from ore with an average grade of 0.67g/t and recoveries of c.81%, in line with expectations. The lower grade of ore processed relative to mined grades reflects the impact of stockpiling higher grade refractory gold ores ahead of the start-up of the flotation plant Pioneer as well as a lower proportion of high grade non-refractory ore from underground mining versus Q1 2020. The lower recoveries seen during the period were a reflection of a higher proportion of transitional (semi non-refractory) ore in the processed blend.

Capital development work for underground mining of high grade ore at the Andreevskaya ore zone continued during the period. Mining at Andreevskaya is now scheduled to commence by mid-June of this year.

## 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.

<b>MALOMIR</b>	<i>Units</i>	<b>Q1 2021</b>	<b>Q1 2020</b>
<b>Mining operations</b>			
Total material moved	<i>m3 '000</i>	<b>2,273</b>	2,211
Non-refractory ore mined:	<i>t '000</i>	<b>110</b>	84
Average grade	<i>g/t</i>	<b>1.89</b>	1.93
Gold content	<i>oz. '000</i>	<b>6.7</b>	5.2
Refractory ore mined:	<i>t '000</i>	<b>1,176</b>	1,261
Average grade	<i>g/t</i>	<b>1.17</b>	1.12
Gold content	<i>oz. '000</i>	<b>44.2</b>	45.6
<b>Resin-in-pulp (RIP plant), non-refractory ores</b>			
Ore milled	<i>t '000</i>	<b>110</b>	101
Average grade	<i>g/t</i>	<b>2.18</b>	1.81
Gold content	<i>oz. '000</i>	<b>7.7</b>	5.9
Recovery	<i>%</i>	<b>71.9</b>	70.3
Gold recovered	<i>oz. '000</i>	<b>5.5</b>	4.1
<b>Flotation plant (refractory ores)</b>			
Ore milled	<i>t '000</i>	<b>958</b>	969
Average grade	<i>g/t</i>	<b>1.26</b>	1.28
Gold content	<i>oz. '000</i>	<b>38.8</b>	40.0
Recovery	<i>%</i>	<b>83.2</b>	86.9
Concentrate yield	<i>%</i>	<b>3.7</b>	3.7
Concentrate produced	<i>t '000</i>	<b>35.5</b>	36.0
Average grade	<i>g/t</i>	<b>28.2</b>	30.3
Gold content	<i>oz. '000</i>	<b>32.3</b>	34.7
<b>POX Plant (Malomir concentrate)</b>			
Concentrate treated	<i>t '000</i>	<b>32.9</b>	38.0
Average grade	<i>g/t</i>	<b>28.5</b>	30.1
Gold in concentrate	<i>oz. '000</i>	<b>30.1</b>	37.1
Recovery	<i>%</i>	<b>92.9</b>	91.5
Gold recovered	<i>oz. '000</i>	<b>28.0</b>	33.9
<b>Total gold production (doré)</b>	<b><i>oz. '000</i></b>	<b>36.0</b>	35.2

*Note: numbers may not add up due to fluctuation of gold in circuit and / or rounding.*

Malomir predominantly treated refractory ore in Q1 2021 with performance largely in-line with expectations. In total, 1,176kt of refractory ore with an average grade of 1.17g/t was mined with 28.0koz of gold recovered from processing at the POX Hub. The POX plant recovery rates for Malomir concentrate were 92.9%, 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, 110kt of non-refractory ore was mined at an average grade of 1.89g/t with 5.5koz gold recovered from the RIP plant. Underground mining occurred at the deeper levels of the Quartzitovoye deposit where the complex configuration of the ore body led to increased dilution, which has negatively affecting mined grades since early last year.

## Albyn

The Albyn processing facility is currently being used to treat ore from the nearby Elginskoye satellite deposit, which replaced the Albyn pit as the main source of non-refractory ore starting from 2021. Albyn could also potentially treat ore from the earlier-stage Unglichikanskoye deposit in the future. Both of 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.

ALBYN	Units	Q1 2021	Q1 2020
<b>Mining operations</b>			
Total material moved	m3 '000	3,197	3,353
Ore mined	t '000	3,338	1,293
Average grade	g/t	0.95	1.06
Gold content	oz. '000	102.0	43.9
<b>Processing operations (RIP plant)</b>			
Ore milled	t '000	792	1,152
Average grade	g/t	0.96	1.16
Gold content	oz. '000	24.5	42.9
Recovery	%	88.3	94.0
Gold recovered	oz. '000	21.6	40.3
<b>Total gold production (doré)</b>	<b>oz. '000</b>	<b>22.3</b>	<b>40.4</b>

Note: numbers may not add up due to fluctuation of gold in circuit and / or rounding, Data shown on a consolidated basis.

Following the depletion of the Albyn deposit late last year, the Albyn plant saw reduced output in Q1 2021 due to the switch to processing ore from the nearby Elginskoye deposit which is harder to mill and where recoveries in the RIP plant are lower than for Albyn ore.

In Q1 2021, a total of 792kt of ore at 0.96g/t was processed at the Albyn plant to produce 22.3koz of gold.

Given the uneven distribution of non-refractory and refractory ore at Elginskoye and the fact that refractory ore cannot be treated efficiently at the Albyn plant, some material is being stockpiled leading to a lower volume of ore processed at Albyn than is mined at Elginskoye. Further exploration and metallurgical studies are planned at Elginskoye in 2021 to complete full-scale metallurgical mapping of the deposit and to convert resources to reserves. This work will likely result in updated production plans.

## 3rd-party concentrate (POX Hub)

3rd-party concentrate processing is a temporary solution that optimises unused POX Hub capacity, which allows the Group to demonstrate the production potential of the POX Hub and improve Group cash flow

3RD PARTY CONCENTRATE	Units	Q1 2021	Q1 2020
<b>POX plant</b>			
Concentrate treated	t '000	18.9	35.0
Average grade	g/t	30.1	72.3
Gold in concentrate	oz. '000	18.3	81.3
Recovery	%	93.4	94.2
Gold recovered	oz. '000	17.0	76.5
<b>Total gold production (doré)</b>	<b>oz. '000</b>	<b>13.2</b>	<b>84.2</b>

Note: numbers may not add up due to fluctuation of gold in circuit and / or rounding

In Q1 2021, the Company processed 18.9kt of 3rd-party concentrate at an average grade of 30g/t to produce 13.2koz of gold. Production was down year-on-year due to lower availability of 3rd-party concentrate for processing and lower grades in the concentrate that was supplied. Production was also negatively affected by the build-up of gold in circuit during the quarter.

## 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.8.3Moz 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

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*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.*