

PETROPAVLOVSK 2010 LIMITED

Annual Report and Audited Financial Statements
for the year ended 31 December 2020

Registered Number: 104830

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PETROPAVLOVSK 2010 LIMITED
Directors and Advisers

Directors

Natalia Buynova (resigned 14.08.2020)
Anna Karolina Subczynska-Samberger (resigned 17.03.2020)
Alfiya Samokhvalova (resigned 14.09.2020)
Marianna Danylenko (appointed 17.03.2020, resigned 11.08.2020)
Charlotte Bertha Elizabeth Phillips (appointed 21.08.2020, resigned 14.09.2020)
Dilara Mukhomedzhanova (appointed 14.09.2020, resigned 04.01.2021)
James William Cameron Jr (appointed 14.09.2020)
John Casterton Smelt (appointed 14.01.2021)
Dorcas Anne Helen Murray (appointed 14.01.2021)

Company Secretary

Ocorian Secretaries (Jersey) limited

Registered Office

26 New Street
St Helier
JE2 3RA
Jersey

Independent Auditor

MHA MacIntyre Hudson
2 London Wall Place
London
EC2Y 5AU
United Kingdom

PETROPAVLOVSK 2010 LIMITED

Directors' Report

The Directors present their report on the affairs of Petropavlovsk 2010 Limited (the "Company"), together with the financial statements and auditor's report for the year ended 31 December 2020.

Review of Activities

These financial statements have been prepared for the year ended 31 December 2020.

The Company is a wholly-owned subsidiary of Petropavlovsk PLC. The main activities of the Company are to raise funds, through the issue of convertible bonds, to support the activities of Petropavlovsk PLC and its subsidiaries (Petropavlovsk PLC group). The Company will continue with its current main activities in the foreseeable future.

The Company had no employees for the year ended 31 December 2020, as it is believed that the Directors have the necessary skills and knowledge to fulfil the aimed activities of the Company.

The Company does not have any social and community issues or environmental matters due to the scope of its activities. The information relevant to the Petropavlovsk PLC group's subsidiaries is disclosed in the Petropavlovsk PLC 2020 Report and Accounts which are available at www.petropavlovskplc.com

The Company's Directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

No dividend was paid during the year (2019: no dividend was paid during the year).

No charitable or political donations were made during the year.

The Directors are not aware of any significant events since the balance sheet date.

Going Concern Basis

The Directors have considered the use of the going concern basis in the preparation of the financial statements and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationship with its ultimate parent company and subsidiaries of Petropavlovsk PLC Group. The directors have also considered the potential impacts of COVID-19, with further details set out in note 12.

The Company has received a letter of financial support from Petropavlovsk PLC for a one year period from the date when these financial statements are authorised and issued. Further details are set out in note 2 to the financial statements.

Results

The loss for the year amounted to US\$8,769 thousand (2019: loss of US\$1,335 thousand).

Directors

The Directors, who served during the year and up to the date of signing, were as follows:

Natalia Buynova (resigned 14.08.2020)

Anna Karolina Subczynska-Samberger (resigned 17.03.2020)

Alfiya Samokhvalova (resigned 14.09.2020)

Marianna Danylenko (appointed 17.03.2020, resigned 11.08.2020)

Charlotte Bertha Elizabeth Phillips (appointed 21.08.2020, resigned 14.09.2020)

Dilara Mukhomedzhanova (appointed 14.09.2020, resigned 04.01.2021)

James William Cameron Jr (appointed 14.09.2020)

John Casterton Smelt (appointed 14.01.2021)

Dorcas Anne Helen Murray (appointed 14.01.2021)

PETROPAVLOVSK 2010 LIMITED
Directors' Report

(continued)

Directors' indemnities

The Company has not made any qualifying third-party indemnity provisions for the benefit of its Directors during the period or which remain in force at the date of this report other than the Directors' and Officers' insurance policy maintained by Petropavlovsk PLC.

Petropavlovsk PLC Group – Board of Directors changes

The Annual General Meeting of the Shareholders the following directors were not elected or re-elected, as appropriate: executive directors, Dr Maslovskiy and Mr Kotlyarov, and five independent non-executive directors, Messrs Jenkins, Hackett, Kenyon-Slaney, McCutcheon and Ms Fiona Paulus. Accordingly, these individuals stepped down from the board of Petropavlovsk PLC on 30 June 2020, together with Sir Roderic Lyne, the Non-Executive Chairman who had announced his intention to retire in May 2020.

The board of Petropavlovsk PLC at that time resolved to appoint a number of 'temporary' directors with effect from close of the AGM on 30 June 2020, namely Mr Peter Hambro (Non-Executive Chairman), Dr Alfiya Samokhvalova (executive director/CEO), Mr Jonathan Martin Smith and Ms Angelica Phillips (independent non-executive directors). Mr Martin Smith was appointed to the board of Petropavlovsk PLC as an additional independent non-executive director with effect from 1 July 2020. The election of the 'temporary' directors (including Mr Martin Smith) was not approved by shareholders at the Requisitioned General Meeting (RGM) on 10 August 2020 and these directors stood down from close of the RGM.

Mr James W. Cameron, Jr. was appointed as Chairman of the board of Petropavlovsk PLC and Ms Charlotte Philipps as Senior Independent Director on 14 August 2020. Mrs Katia Ray, independent non-executive director, resigned on 23 August 2020 for personal reasons and Mr Malay Mukherjee, independent non-executive director, was appointed on the same day. Mr Denis Alexandrov, executive director and CEO was appointed on 1 December 2020. Mikhail Irzhevsky and Evgenii Potapov, independent non-executive directors, joined the board of Petropavlovsk PLC after the end of the financial year 2020.

Auditor

Each of the persons who is a Director of the Company at the date of approval of this report confirms:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

An audit tender process was undertaken by Petropavlovsk Plc Group in late 2020. MHA MacIntyre Hudson were appointed as the auditor of the Petropavlovsk PLC Group in September 2020 for the audit of the consolidated financial statements for the year ended 31 December 2020 and the audit of the Company's financial statements. Following the signing of the consolidated financial statements for Petropavlovsk Plc, MHA MacIntyre Hudson were formally reappointed at the Group's AGM in June 2021.

Corporate Governance and Internal Control

During the year under review, the Directors of the Company had overall responsibility for establishing and maintaining an adequate system of internal controls over financial reporting.

The system of internal control is designed to manage rather than eliminate risk. In pursuing these objectives, internal control can provide reasonable assurance against material misstatement or loss.

As a subsidiary undertaking of Petropavlovsk PLC, the Company's governance framework and system of internal controls is determined in accordance with the systems in place across the whole of the Petropavlovsk group of companies. Further details are set out in the annual report for Petropavlovsk PLC for the year ended 31 December 2020. The annual report is publicly available at www.petropavlovskplc.com

PETROPAVLOVSK 2010 LIMITED
Directors' Report

PRINCIPAL RISKS AND UNCERTAINTIES

In common with all businesses, the Company recognises certain risk factors that are both external and internal to the Company.

The following highlights some of the particular risks but is not intended to be an extensive analysis of all risks affecting the business. Some risks may be unknown to the Company and other risks, currently regarded as immaterial, could turn out to be material. All of them have a potential to impact the Company's business adversely. The Board has approved that the Company manages the majority of these risks by utilising the resources and processes developed and operated within Petropavlovsk group as whole. The Board has also considered the impact of COVID-19 on each of the Company's principal risks as set out below:

FINANCIAL RISKS

Financial risk management

The Company finances its operations through bonds. The Group's central treasury department manages liquidity, interest rate and foreign exchange risk centrally within limits set by the Chief Financial Officer of the group.

- Credit risk

The key risk affecting the Company is the ability of Petropavlovsk 2010 Limited to meet repayments as they fall due.

The Company manages its credit risk by assessing Petropavlovsk 2010 Limited budgeted cash flows and long-term forecasts, related assumptions and available debt facilities.

Given the above, the Directors consider the Company's exposure to credit risk to be acceptable.

- Interest rate risk

The Company is not exposed to interest rate risk as the interest rates on its guaranteed secured bonds and loans to Petropavlovsk 2010 Limited are fixed.

- Liquidity risk

The Company is not exposed to significant liquidity risk as it performs limited operations. The liabilities it has to meet are in relation to the bonds in issue, which is predicated on Petropavlovsk Plc meeting its obligations to the Company. This is mitigated to a large extent by the high level of predictability over contract revenues and the credit worthiness of the main customer. Therefore liquidity risk is considered to be minimal.

- Foreign exchange risk

The Company is not exposed to foreign currency risk as the Company operates solely in US dollars and at each reporting date all financial assets and financial liabilities are denominated in US dollars.

Approval

PETROPAVLOVSK 2010 LIMITED
Directors' Report

This report was approved by the Board of Directors of Petropavlovsk 2010 Limited and signed on its behalf by:

A handwritten signature in blue ink, appearing to be 'Dorcas Anne Helen Murray', written over the printed name.

Dorcas Anne Helen Murray
Director

9 August 2021

PETROPAVLOVSK 2010 LIMITED
Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; , subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed Petropavlovsk 2010 Limited on its behalf by:



Dorcas Anne Helen Murray
Director

9 August 2021

Independent Auditor's Report to the Members of Petropavlovsk 2010 Limited

For the purpose of this report, the terms “we” and “our” denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Petropavlovsk 2010 Limited (“the Company”). For the purposes of the table on pages 8 to 10 that sets out the key audit matters and how our audit addressed the key audit matters, the terms “we” and “our” refer to MHA MacIntyre Hudson and/or our component teams. The relevant legislation governing the Company is the Companies (Jersey) Law 1991.

Opinion

We have audited the financial statements of Petropavlovsk 2010 Limited.

The financial statements that we have audited comprise:

- Balance sheet as at 31 December 2020.
- Profit and loss account for the year then ended.
- Statement of Changes In Equity for the year then ended.
- Notes 1 to 12 of the financial statements, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 (Financial Reporting Standard 101) ‘Reduced Disclosure Framework’ (United Kingdom Generally Accepted Accounting Practice) as issued by the Financial Reporting Council.

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2020 and the Company’s loss for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Our opinion is consistent with our reporting to the Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis

Independent Auditor’s Report to the Members of Petropavlovsk 2010 Limited

of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Company’s operations and specifically its business model.
- The evaluation of how those risks might impact on the Company’s available financial resources.
- Where additional resources may be required the reasonableness and practicality of the assumptions made by the Directors’ when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including obtaining a letter of support from the Parent Company (Petropavlovsk plc) and consideration of the ability of the parent to provide such support.
- Solvency considerations including examination of budgets and forecasts and their basis of preparation.
- Viability assessment including consideration of reserve levels and business plans.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality	2020	2019	2020 Rationale
Overall	\$1,104,700	\$3,380,000	1% of total assets
Performance	\$773,290	\$2,366,000	60% of overall materiality
Trivial	\$55,235	\$191,000	Threshold for reporting to those charged with governance

Key Audit Matters

- Valuation of intercompany balances, including future cash flows
- Completeness and accuracy of the accounting for the conversion of bonds and related transactions with Petropavlovsk plc

First year transition

We developed a detailed audit transition plan, designed to deliver an effective transition from the Company’s predecessor auditor, Deloitte LLP (“Deloitte”). Our audit planning and transition commenced in September 2020, following our appointment. Our transition activities included (but were not limited to) meeting relevant partners and senior staff from Deloitte, reviewing the Board meeting minutes, and reviewing Deloitte’s 2019 audit work papers. Our transition focused on obtaining an understanding of the Company’s system of internal control, evaluating the Company’s accounting policies and areas of accounting judgement, and meeting with management.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters

Independent Auditor’s Report to the Members of Petropavlovsk 2010 Limited

which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team and, as required for public interest entities, our results from those procedures. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of intercompany balances, including future cash flows

Key audit matter description	There is a risk that the intercompany balances receivable are not recoverable and will not generate future cash flows that will allow for the servicing of the external debt.
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How the scope of our audit responded to the key audit matter	We have obtained loan agreements for the main intercompany balances.
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We have obtained counterparty confirmation of the balance at the year end and considered the balance post year end.

We have reviewed the nature of the balances and past history of recoverability. This includes reviewing Expected Credit Loss calculations and assessing the appropriateness of the assumptions included therein.

We have obtained a going concern assessment for the counterparty to the balance and reviewed management’s assumptions and conclusions in order to assess the ability of the counterparty to settle the debt.

Key Observations	We are satisfied that the valuation of intercompany balances are appropriately stated and disclosed in the financial statements.
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Completeness and accuracy of the accounting for the conversion of bonds and related transactions with Petropavlovsk plc

Key audit matter description	There is a risk that the accounting for the conversion of the bonds held by the Company is not complete or accurate and the associated impact of these transactions on the intercompany balances held with Petropavlovsk plc are not accounted for correctly.
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How the scope of our audit responded to the key audit matter	We have obtained the overall bond agreement and reviewed and assessed the conversion rights and process to convert.
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We have obtained confirmation of the conversions that occurred in the year by obtaining bond conversion notices and board minute approvals for the conversions.

We confirmed the conversion of the bond into preference shares of the Company occurred as expected, with these preference shares then exchanged by the bond holders for Petropavlovsk plc shares.

Independent Auditor's Report to the Members of Petropavlovsk 2010 Limited

We confirmed that these preference shares at 31 December 2020 were held by Petropavlovsk plc.

We assessed the financial position of the Company at the year end and the remaining liabilities are consistent with the legal agreements in place.

We agreed the subsequent impairment of the associated receivable due from Petropavlovsk plc to management's assessment of recoverability and anticipated expected credit loss resulting from the post year end waiver of this balance.

We considered the treatment of the expected credit loss arising in light of the subsidiary/parent relationship and challenged management whether this was a reserves or profit and loss transaction.

Key Observations

We are concur with managements accounting treatment of the transactions and that they are appropriately disclosed in the financial statements.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work, and evaluating the results.

Materiality in respect of the Company was set at \$1,104,700 which was determined based on 1% of total assets (2019: materiality: \$3,380,000). Total assets were chosen as the appropriate benchmark as the Company is reliant upon the recoverability of these balances to service the external debt, which finances the wider Petropavlovsk Group.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Company was set at \$773,290 (2019: \$2,366,000) which represents 60% of the above materiality levels (2019: 70%).

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

Independent Auditor's Report to the Members of Petropavlovsk 2010 Limited

We agreed to report any corrected or uncorrected adjustments exceeding \$55,235 to the Board as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Reporting on other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion of the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Directors report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received by branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Petropavlovsk 2010 Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias.
- Challenging assumptions and judgements made by management in their significant accounting estimates.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Other requirements

We were appointed by the Directors on 21 September 2020. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard and we remain independent of the Company in conducting our audit.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the Members of Petropavlovsk 2010 Limited

MHA MacIntyre Hudson

Rakesh Shaunak FCA
(Senior Statutory Auditor)

for and on behalf of MHA MacIntyre Hudson
Statutory Auditor

London

10 August 2021

PETROPAVLOVSK 2010 LIMITED
Profit and Loss Account
For the year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Net operating expense	3	(19,371)	(15,486)
Operating loss		(19,371)	(15,486)
Finance income	4	22,665	27,135
Finance expense	4	(12,063)	(12,984)
(Loss)/Profit on ordinary activities before taxation		(8,769)	(1,335)
Taxation	6	-	-
(Loss)/Profit for the year		(8,769)	(1,335)

There was no other comprehensive income arising in either year.

All results relate to continuing activities.

The accompanying notes are an integral part of these financial statements.

PETROPAVLOVSK 2010 LIMITED

Balance Sheet

As at 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Current assets			
Debtors: due within one year	7	74,025	71,618
Debtors: due after one year	7	36,446	119,846
Total current assets		110,471	191,464
Creditors: amounts falling due within one year	8	(12,620)	(9,788)
Net current assets		97,851	181,676
Creditors: amounts falling due after more than one year	8	(121,030)	(109,086)
Net (liabilities) / assets		(23,179)	72,590
Capital and Reserves			
Share capital	9	-	-
Share premium account		310,500	310,500
Other reserves		12,775	12,775
Profit and loss account		(346,454)	(250,685)
Shareholders' (deficit) / funds		(23,179)	72,590

The financial statements of Petropavlovsk 2010 Limited, registered number 104830 were approved by the Board of Directors and authorised for issue on 9 August 2021 and signed on their behalf by



Dorcas Anne Helen Murray
Director

9 August 2021

PETROPAVLOVSK 2010 LIMITED
Statement of changes in equity
For the year ended 31 December 2020

	Share capital US\$'000	Share premium US\$'000	Other reserves US\$'000	Profit and loss account US\$'000	Total US\$'000
At 1 January 2019	-	-	-	(248,013)	(248,013)
Conversion of preference shares ^(a)		310,500		(1,337)	309,163
Contribution from a parent company ^(b)			12,775		12,775
Total comprehensive loss for the year	-	-	-	(1,335)	(1,335)
At 1 January 2020	-	310,500	12,775	(250,685)	72,590
Total comprehensive loss for the year	-	-	-	(8,769)	(8,769)
Transaction with parent company ^(c)	-	-	-	(87,000)	(87,000)
At 31 December 2020	-	310,500	12,775	(346,454)	(23,179)

(a) On 26 June 2019, in accordance with the Shareholder's resolution, the Company approved that the existing 3,105 issued redeemable preference shares of US\$0.01 each are consolidated and subdivided into 24.75169 redeemable preference shares of US\$1.25446 each and thereafter converted into 24.75169 redeemable preference shares of GBP1.00 each, and thereafter converted into 24.75169 ordinary shares of GBP1.00 each in the capital of the Company.

(b) On 03 July 2019 the Company issued the US\$125 million Convertible Bonds due on 03 July 2024 which are guaranteed by Petropavlovsk PLC and, subject to certain conditions, convertible into fully paid ordinary shares of Petropavlovsk PLC with an initial exchange price of US\$0.1350, subject to customary adjustment provisions. The Company has recognised the conversion option in equity, and its value has been determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is not subsequently re-measured. The provision of the conversion option by Petropavlovsk PLC has been recognised as a capital contribution from that entity.

(c) Provision for impairment against the receivable due from the parent, for which settlement was not expected as at the balance sheet date and was formally waived by the Company after the balance sheet date.

PETROPAVLOVSK 2010 LIMITED
Notes to the Financial Statements
For the year ended 31 December 2020

General information

Petropavlovsk 2010 Limited (the Company) was incorporated in Jersey on 18 January 2010.

At 31 December 2020, the Company's ultimate parent and controlling entity was Petropavlovsk PLC (note 11). Petropavlovsk PLC and its subsidiaries are hereinafter referred to as the "Petropavlovsk PLC group".

Summary of significant accounting policies

Basis of preparation

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and in accordance with the companies (Jersey) Law 1991.

A summary of the principal accounting policies is set out below. These accounting policies have been applied consistently throughout the reporting period and the preceding reporting period. Information on new and revised standards and interpretations that were adopted for the current reporting period are included in the consolidated financial statements, which are publicly available (note 11).

The Company is a wholly-owned subsidiary of the Petropavlovsk PLC group and is included in its consolidated financial statements, which are publicly available (note 11).

Going concern

The Directors have reviewed the Company's financial position as at 31 December 2020, cash flow forecasts and operating projections as part of their consideration of going concern. As at 31 December 2020, the Company has net current assets of US\$97,851 thousand (2019: US\$181,676 thousand) but acknowledges that it has net liabilities of US\$23,179 thousand (2019: net assets US\$72,590 thousand).. The operating projections are primarily subject to the financing activity with the parent company and subsidiaries of the Petropavlovsk PLC group, and such arrangements should allow the Company to generate sufficient cash flows to cover its ongoing expenses. The Company has also received a letter of financial support from Petropavlovsk PLC for a one year period from the date when these financial statements are authorised and issued.

As explained in consolidated accounts of Petropavlovsk PLC, the group performed an assessment of the forecast cash flows for the period of at least 12 months from the date of approval of the 2020 Annual Report and Accounts. As at 31 December 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 May 2022. 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 3rd-party concentrate through POX facilities is approximately 10% lower than projected and oxide gold production from underground operations at Pioneer and Malomir approximately 10% lower than projected;
- Delayed commissioning of Pioneer flotation by six weeks in 2021 and of the Malomir third flotation line by three months in 2022 with relevant reduction of processing volumes; and
- Russian Rouble: US Dollar exchange rate that is approximately 10% stronger than the average of the market consensus forecasts.

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This layered stressed case indicates that mitigating actions will be required to be taken in order to ensure sufficient liquidity for the relevant period to May 2022, including items within the control of the management, such as cost cutting, timing of capital expenditure and working capital management. In April 2021, the group also secured RUB5 billion (an equivalent of approximately US\$67 million) revolving credit facility with Gazprombank valid until May 2022 which will be used to cover liquidity needs as and when required. In selecting these scenarios, the directors have also considered the potential impacts of Covid-19.

As at 31 December 2020, the group has guaranteed the outstanding amounts IRC owed to Gazprombank. The outstanding loan principal was US\$203.9 million as at 31 December 2020 and the facility is subject to an initial US\$160 million guarantee by the group. The assessment of whether there is any material uncertainty that IRC will be able to repay this facility as it falls due is another key element of the group's 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. If a missed repayment under debt or guarantee obligations occurs which, if not remedied by the group, would result in events of default which, through cross-defaults and cross accelerations, could cause all other group's debt arrangements to become repayable on demand.

Nevertheless, after making enquiries and considering the uncertainties, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing the accounts. In view of the above, the Directors continue to adopt the going concern basis in preparing these financial statements.

Foreign currencies

The functional and presentation currency of the Company is the US Dollar, and the financial statements have been rounded to the nearest thousand. Transactions denominated in other currencies, including the issue of shares, are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities that are denominated in other currencies are retranslated at the rates prevailing on the balance sheet date. Upon settlement monetary assets and liabilities are re-translated at the rate ruling on the settlement date. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

The rates of exchange used to translate monetary assets and liabilities denominated in foreign currencies into US Dollars are set out below.

	31 December 2020	31 December 2019
GB Pounds Sterling (GBP:US\$)	0.73	0.75

Financial assets and liabilities

Financial assets are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Financial liabilities are measured on initial recognition at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company recognises an impairment loss in profit and loss account with a corresponding adjustment to carrying amount of financial assets.

Finance income and expense

Interest is accounted for on the accruals basis under the effective interest method.

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Taxation including deferred taxation

Full provision is made for deferred taxation on taxable temporary differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

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

When preparing these financial statements in accordance with the accounting policies as set out in note 2, the Directors necessarily make judgements and estimates that can have a significant impact on the financial statements. These judgements and estimates are based on Directors' best knowledge of the relevant facts and circumstances and previous experience. Actual results may differ from these estimates under different assumptions and conditions (please see note 3 to the consolidated financial statements of Petropavlovsk PLC for details).

The company has no critical accounting judgements and one key source of estimation uncertainty in relation to estimation of the expected credit losses associated with the amounts due from Petropavlovsk PLC and Petropavlovsk PLC group entities.

3 Net operating expense

	2020	2019
	US\$'000	US\$'000
Debt extinguishment loss (gain) ^(a)	9,536	-
Impairment charge ^(b)	9,835	15,486
Operating expense	19,371	15,486

^(a) During the year loans were redeemed in exchange for \$87m in Preference shares upon which losses of \$9.5m were recognised.

^(b) Revaluation of expected credit losses which resulted in additional loss in the year.

The Company had no employees for the year ended 31 December 2020 (none in the year ended 31 December 2019).

AUDITOR'S REMUNERATION

The auditor's remuneration has been borne by the Company's parent undertaking. Total audit fees for the Group amounted to US\$3,008 thousand in 2020. The 2019 audit fees were charged by the predecessor auditor and amounted to US\$1,456 thousand for Petropavlovsk PLC and its subsidiaries.

There were no non-audit fees charged in the current or prior period.

4 Finance (income)/expense

	2020	2019
	US\$'000	US\$'000
Interest earned on amounts lent to a subsidiary of Petropavlovsk PLC group	(13,093)	(13,057)
Interest earned on amounts lent to Petropavlovsk PLC	(9,572)	(14,078)
Finance income	(22,665)	(27,135)
Interest payable on convertible bonds	9,231	12,984
Interest payable on Preference Shares	2,832	-
Finance expense	12,063	12,984

Interest is calculated under the effective interest method.

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5 Directors' emoluments

The Directors received no emoluments in respect of their services as Directors of the Company for the year ended 31 December 2020. Their remuneration in respect of their roles as Directors of Petropavlovsk PLC is set out in the Directors' Remuneration report in the annual report for Petropavlovsk PLC for the year ended 31 December 2020. The annual report is publicly available at www.petropavlovskplc.com

6 Taxation	2020 US\$'000	2019 US\$'000
Total tax	-	-

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2020 US\$'000	2019 US\$'000
(Loss)/Profit on ordinary activities before tax	(8,769)	(1,335)
Tax (credit)/charge at the UK corporation tax rate of 19% (2019: 19%)	(1,666)	(254)
Effects of:		
Non-deductible expenses	1,869	2,942
Income surrendered for Group tax computations	(203)	(2,689)
Tax for the year	-	-

On the 2nd March 2021 a Budget resolution was passed which substantively enacted an increase in the rate of UK corporation tax to 25% from 1 April 2023.

7 Debtors

	2020 US\$'000	2019 US\$'000
Debtors: amounts falling due within one year		
Amounts due from a subsidiary of Petropavlovsk PLC group (a)	-	-
Amounts due from Petropavlovsk PLC (a)	74,025	71,618
	74,025	71,618
Debtors: amounts falling due after more than one year		
Amounts due from Petropavlovsk PLC (b)	36,446	119,846
	36,446	119,846

(a) Net of provision for expected credit losses of US\$353.3 million (2019: US\$339.9).

(b) Net of provision for expected credit losses of US\$1.6 million (2019: US\$5.1 million).

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8 Creditors

	2020 US\$'000	2019 US\$'000
Creditors: amounts falling due within one year		
Amounts due to Petropavlovsk PLC	12,620	9,788
	12,620	9,788
Creditors: amounts falling due after more than one year		
Preference shares	87,000	-
Convertible bonds ^(a)	34,030	109,086
	121,030	109,086

(a) Debt component of the US\$125 million Convertible Bonds due on 03 July 2024 measured at amortised cost and not revalued. As at 31 December 2020, the outstanding principal amount of the Convertible Bonds was US\$38 million (31 December 2019: US\$125 million). The bonds were issued by the Company on 03 July 2019 and are guaranteed by Petropavlovsk PLC. 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%.

In 2019 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 Company 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 Company 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 Company 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 Company in 2019. 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.

During the year ended 31 December 2020, Petropavlovsk PLC has received Conversion Notices in respect of the exercise of conversion rights under the US\$125 million Convertible Bonds for which the company issued 435 redeemable preference shares with a paid up value of \$200,000 per share against the face value of convertible bonds converted of £77.5m. Petropavlovsk PLC issued 644,444,432 new ordinary shares at a fixed exchange price of US\$0.1350 per ordinary share in exchange for the preference shares issued.

The conversion option of the convertible bonds represents the fair value of the embedded option for the bondholders to convert into the equity of Petropavlovsk PLC (the "Conversion Right"). As Petropavlovsk PLC 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 which the fair value loss is included in the net other finance (losses)/ gains.

9 Called up share capital

	31 December 2020		31 December 2019	
	No of shares	US\$'000	No of shares	US\$'000
<i>Authorised</i>				
Ordinary shares of £ 1 each	100		100	
Redeemable Preference shares of US\$0.01 each	1,000,000		1,000,000	

Allotted, called up and fully paid

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Ordinary shares of £ 1 each	26.75169	-	26.75169
Redeemable Preference shares of US\$0.01 each ^(a)	435	-	-

Ordinary shareholders have no entitlement to share in the profits of the Company, except for dividends that have been declared and in the event of the liquidation of the Company. Ordinary shareholders have the right to attend, and vote at, general meetings of the Company or to appoint a proxy to attend and vote at such meetings on their behalf. Ordinary shareholders have one vote for every share held.

The preference shares are presented as a liability (note 8) and accordingly are excluded from the share capital in the balance sheet.

The Preference Shares confer the following rights on the Holder:

- (i) the right to receive a cumulative dividend at the rate of 8.25% p.a. of the Paid-Up value (based on \$200,000 each) of each such Preference Share payable in equal instalments quarterly in arrears on 3 January, 3 April, 3 July and 3 October in each year;
- (ii) on a winding-up of the Company or other return of capital (other than a purchase or redemption of a Preference Share or any share of any other class of redeemable shares), the Preference Shares shall carry the First Right to the paid up value, as defined in the Company's Articles of Association, in priority to any payment in respect of any other class of shares in the Company; and
- (iii) the right to receive notice of general meetings of the Company but not to attend and vote thereat.

10 Related party transactions

The Company has taken advantage of the exemption provided by FRS 101 in relation to the non-disclosure of intragroup related party transactions.

There were no other related party transactions.

11 Parent undertaking

The Company's parent, ultimate parent and controlling entity is Petropavlovsk PLC, a company incorporated in Great Britain and registered in England and Wales. The address of the registered office is 11 Grosvenor Place, London SW1X 7HH. Copies of the consolidated accounts of Petropavlovsk PLC are available from Companies House, Crown Way, Cardiff CF14 3UZ or on the internet at www.petropavlovskplc.com

12 Subsequent events

COVID-19

In the period since 31 December 2020, the COVID-19 virus has continued to spread globally although there has been no significant impact on the Group's mining operations, sales and supply chain, capital projects or employee health and safety as a result of COVID-19 to date.

Further details are set out in the annual report for Petropavlovsk PLC for the year ended 31 December 2020. The annual report is publicly available at www.petropavlovskplc.com