



PETROPAVLOVSK

Petropavlovsk PLC

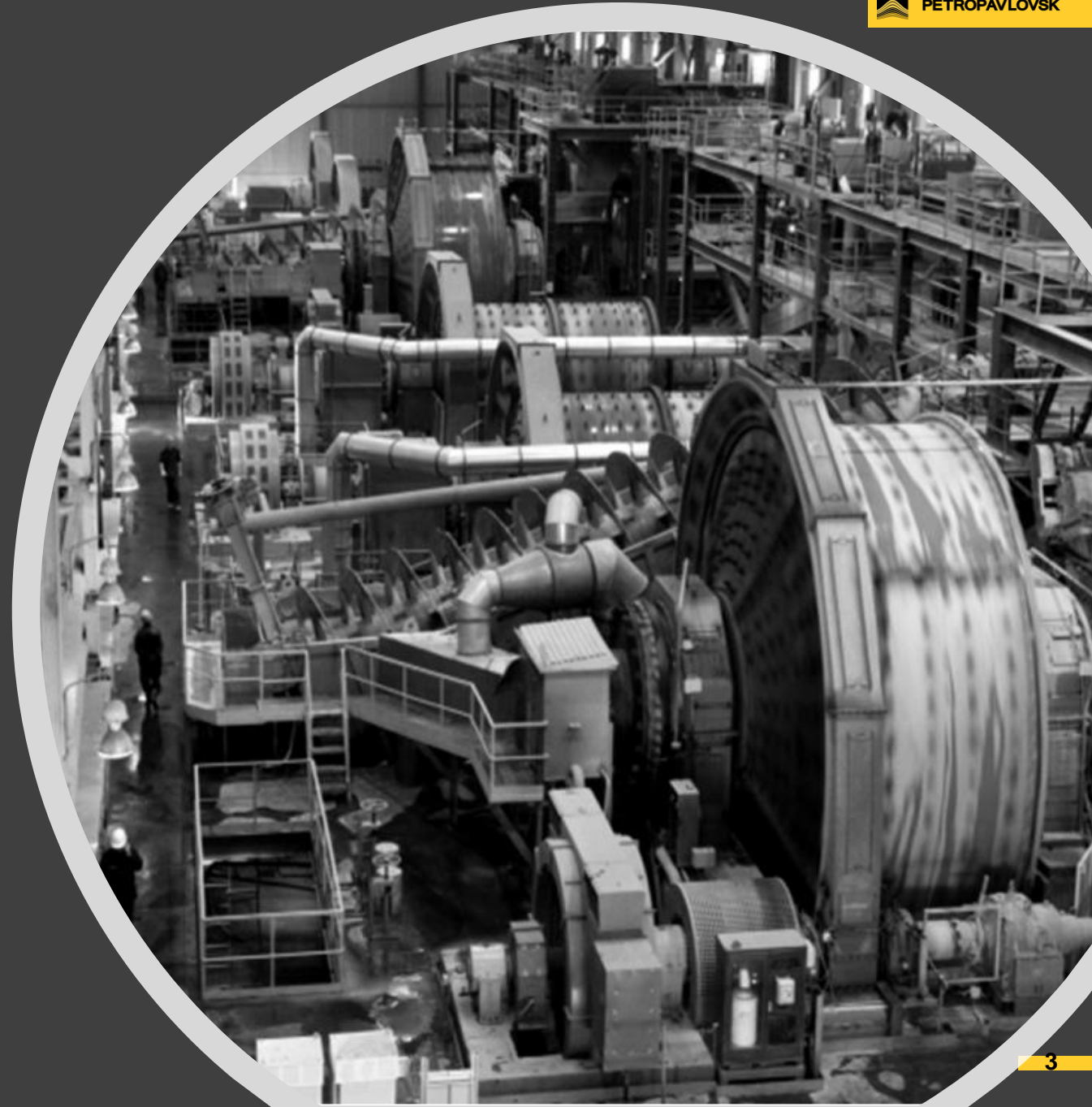
H1 2021 Financial Results

1 Sept 2021

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Introduction and Overview



Company Overview

A dual-listed Russian gold miner and processor with world-class technical capabilities

8.5Moz

Gold produced to date

16 year

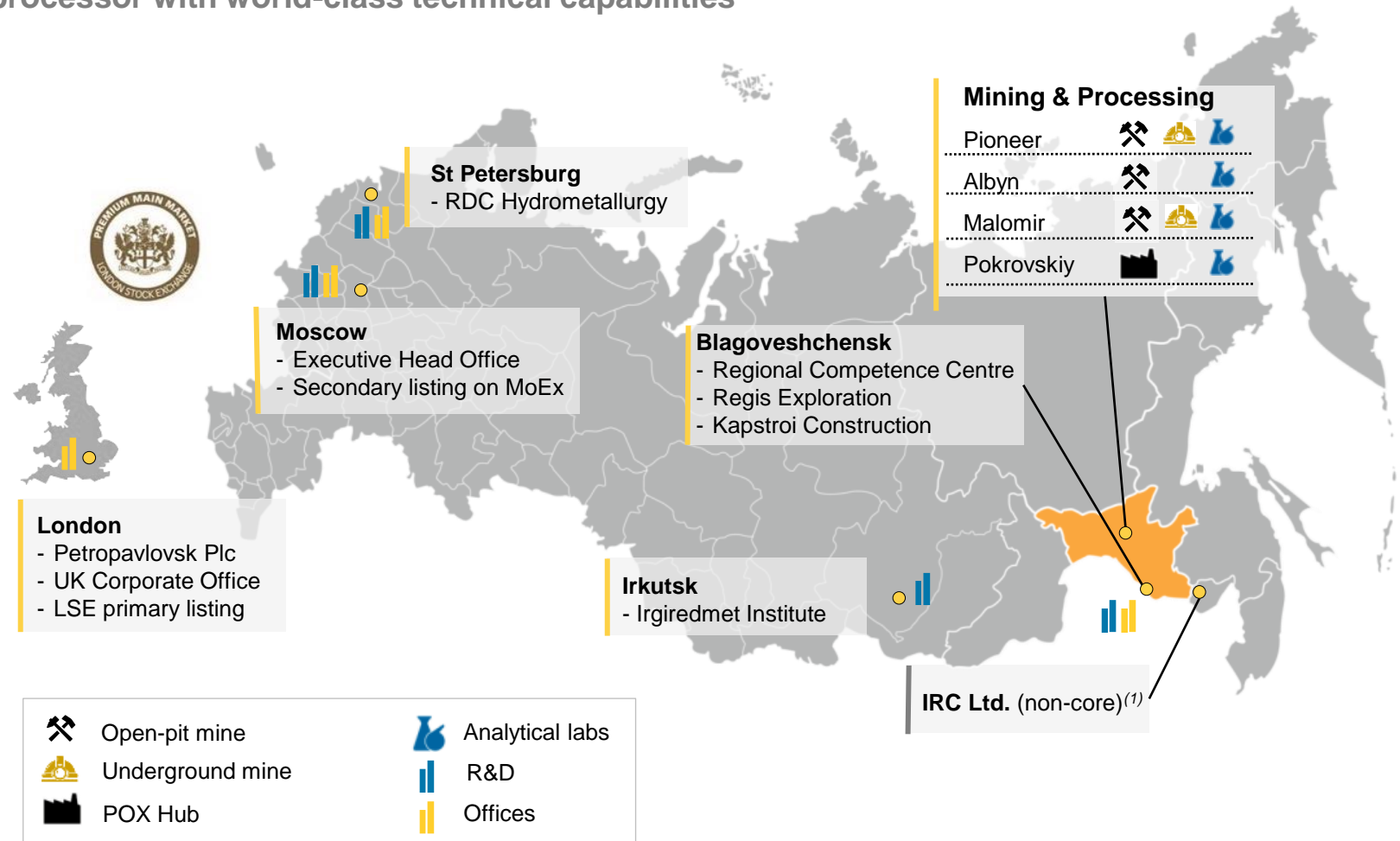
Average mine life

1

of only two POX plants in Russia

430 - 470koz

2021e gold production guidance



(1) 31.1% equity interest, Hong Kong listed

H1 2021 Overview

Positive bottom line notwithstanding reduced H1 production volumes. Downward production trend to reverse in H2 due to the processing of increasing volumes of Pioneer refractory ore and stable production from Malomir and Albyn (Elginskoye)

01 Production

- Own gold output **-26%** vs. H1 2020 due to shift in processing more complex Elginskoye ore + shutdown of Pioneer processing plant ahead of flotation launch and related switch to mining / stockpiling refractory material
- 3rd party gold volumes **-66%** vs. H1 2020 due to expected lower volumes / grades of concentrate available for purchase

02 Financials

- Lower revenue + EBITDA due to reduced gold production / sales volumes
- H1 net profit of US\$49m (vs. US\$22m loss in H1 2020) including some non-cash items⁽¹⁾
- Own TCC **+13%** higher due to lower grades / recoveries, inflation and effect of mining tax rates, but at lower end of FY guided range (US\$870 – US\$970/oz)

03 Balance Sheet & Liquidity

- c.US\$136m of notes bought back using low interest rate Gazprombank loan
- Interest-bearing gold prepays down to US\$37m vs. US\$64m as at 31 Dec 2020 (to be fully settled by year end)
- Outstanding debt principal of US\$573m (31 Dec 2020: US\$538m), increase due to use of the RCF for day-to-day working capital needs instead of gold prepays

04 Development Work

- Pioneer flotation facility launched ahead of schedule on 31 May 2021, with a target of 60Kt of flotation concentrate to be produced in 2021
- Malomir flotation plant expansion progressing as scheduled for Q3 2022 commissioning (will increase combined group flotation capacity to 9.0Mtpa)

05 Health, Safety, Environment

- Zero work-related fatal injuries
- LTIFR: 1.75 (H1 2020: 1.23) due to more rigorous reporting methodology, with a positive monthly trend as year progresses
- COVID-19: no material operational impact, supply chains remain fully functional, 47% of mine employees fully vaccinated⁽²⁾
- No major environmental incidents

06 Outlook

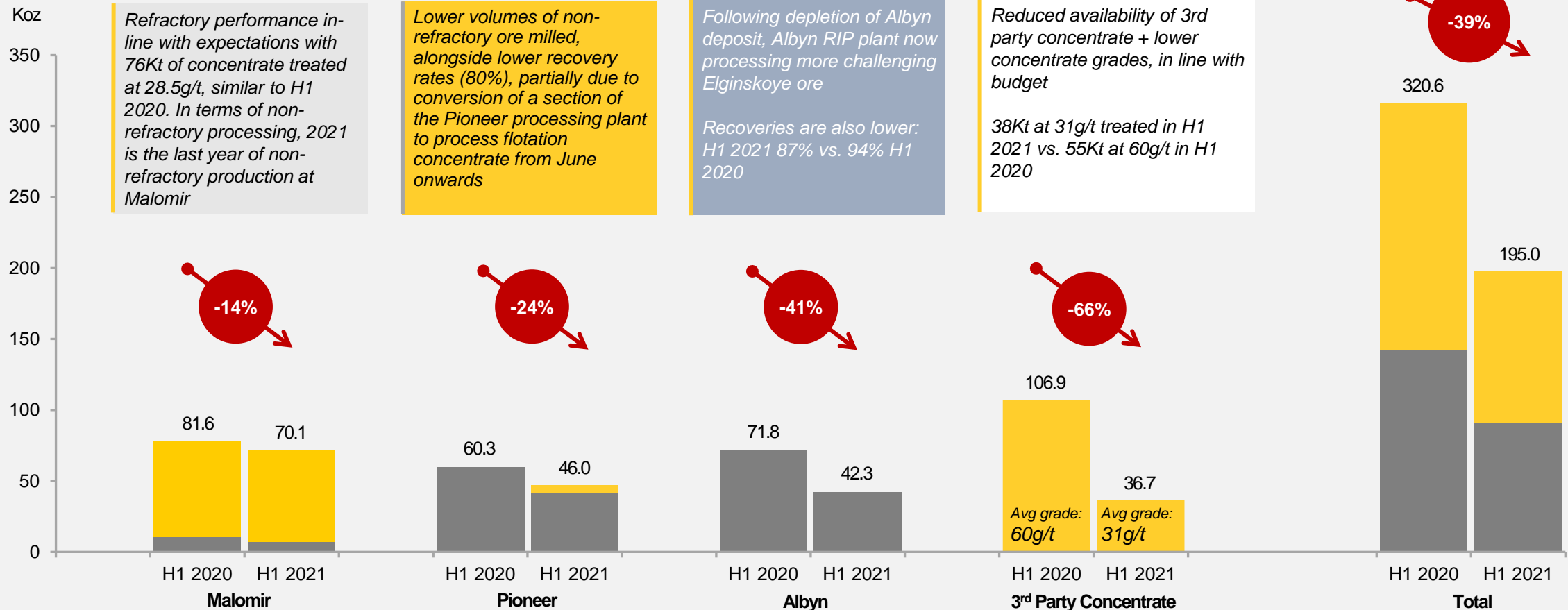
- Stronger H2 expected with increased contribution from Pioneer (refractory ore processing) and stable production from Malomir and Albyn (Elginskoye)
- FY 2021 production and cost guidance remains unchanged
- Company to present new strategy and development plan at a capital markets day in Oct 2021

⁽¹⁾ US\$31.6m fair-value non-cash loss in relation to the agreement to sell IRC stake, a US\$32.0m fair value non-cash gain from re-measurement of the conversion option of the convertible and US\$34.9m reversal of write-down in relation to IRC's reclassification as an asset held for sale, following the board's decision to approve the potential disposal of 29.9% of the group's investment in IRC ⁽²⁾ As at 23 Aug 2021

H1 2021 Operational Performance

Lower own gold production due to switch to processing more challenging refractory ore at Elginskoye (Albyn) and preparations for the launch of flotation facility at Pioneer, including a temporary shutdown of plant in Apr and mining / stockpiling of refractory ore

H1 2021 vs. H1 2020 production by operation

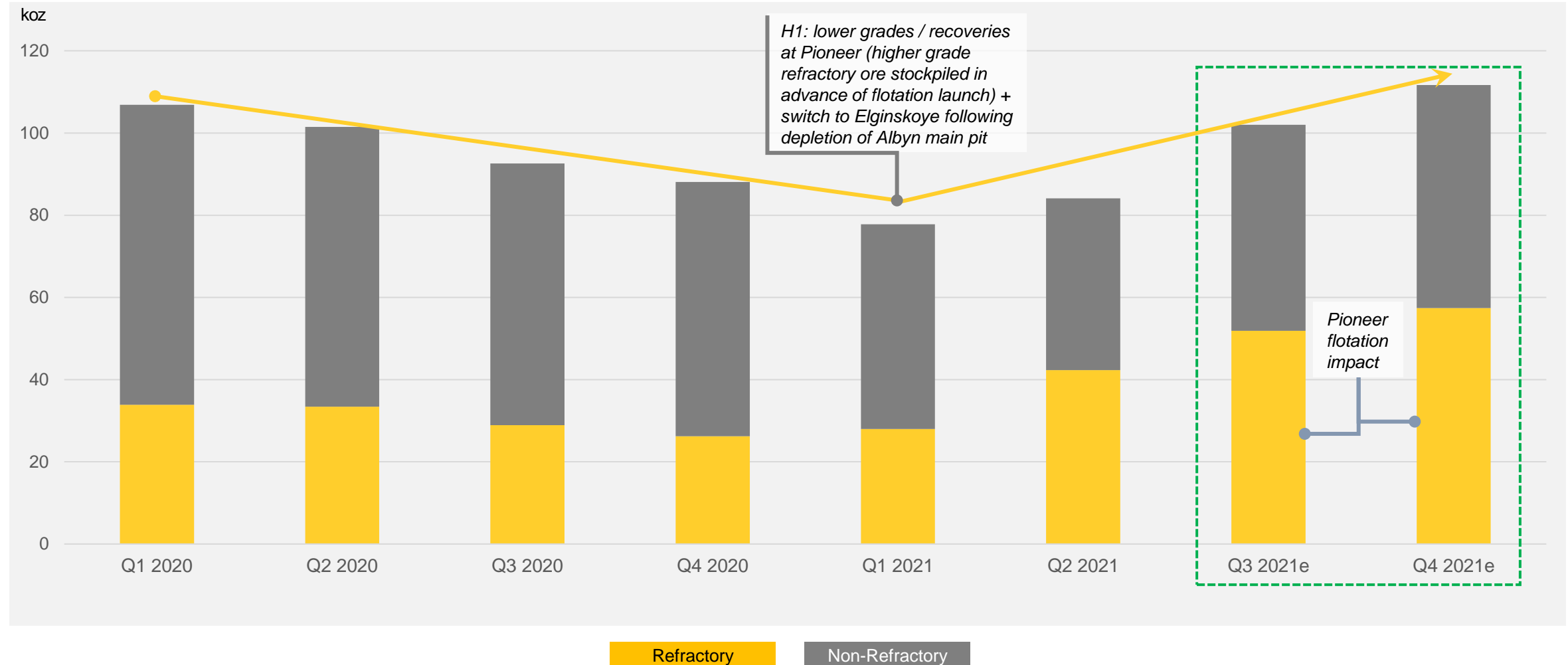


POX

RIP

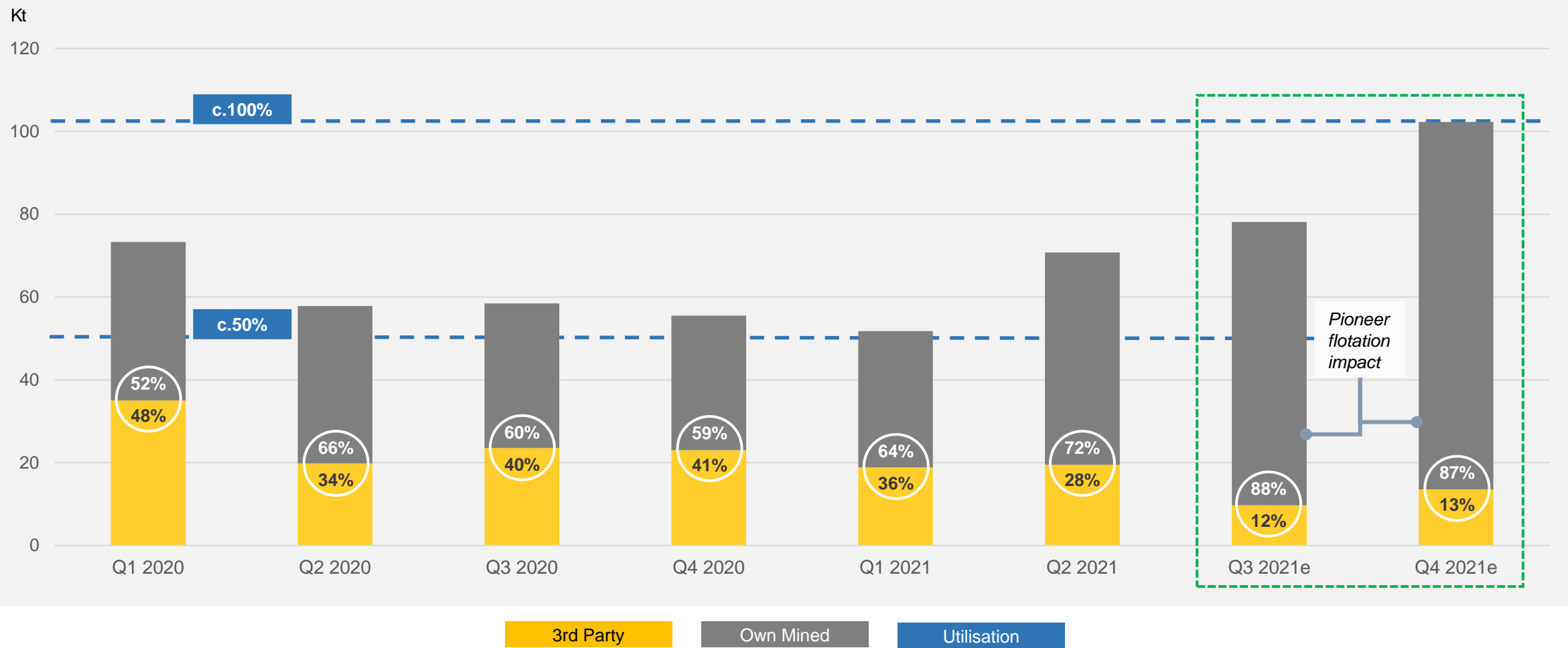
Own Gold Recovered Q1 2020 – Q4 2021

H2 2021 should see a reversal of the downward trend in own gold output, ongoing since 2019 as non-refractory resources have been depleted, assisted by the launch of the Pioneer flotation plant at the end of May 2021



Increasing POX Utilisation

Concentrates from our own flotation plants represent a growing proportion of supplies to the POX plant and are increasing POX capacity utilisation



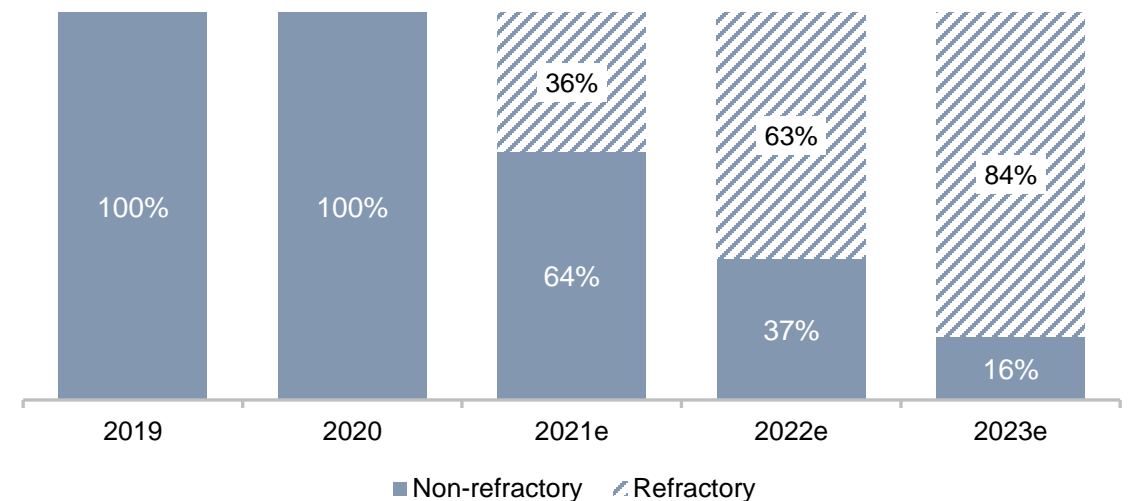
Pioneer Flotation Plant Launch

Commissioned on 31 May 2021, slightly ahead of mid-year target. New 3.6Mtpa flotation facility enables the group to process abundant refractory resources at Pioneer, where 5.3Moz (72%) of JORC Resources are refractory in nature



- 2 x 1.8Mtpa lines = 3.6Mtpa nominal processing capacity → transformation of Pioneer into a predominantly refractory gold producing asset
- Fully operational from July 2021, with c.60Kt of refractory concentrate expected to be produced in 2021
- Increasing flotation concentrate production capacity will enable PetroPavlovsk to process and monetise more of its own refractory material through processing at the POX Hub, decreasing reliance on low-margin 3rd party concentrate

Pioneer production split evolution: refractory vs. non-refractory



Albyn: Potential Future Source of Flotation Concentrate

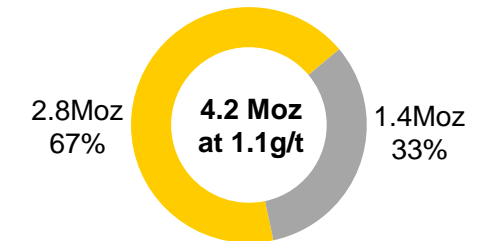
Pre-feasibility studies are currently underway on adding flotation capacity to the Albyn cluster which, following the Pioneer flotation launch and Malomir expansion, could become the Company's third source of refractory gold concentrate for POX.

- From 2021, Elginskoye replaced the depleted Albyn pit as the main source of ore for the Albyn processing plant
- Initial studies indicate that an increasing portion of Elginskoye ore body appears to respond better to gravity-flotation-POX vs. traditional processing
- In 2021, c.US\$10m will be spent at Albyn on exploration, to convert resources to reserves, to complete technical mapping, and to better understand the nature of the Elginskoye ore body
- Material changes to be expected to current production plan at Albyn
- Options being studied include:
 - Converting part of the existing plant at Albyn to concentrate refractory ores prior to transportation to POX for further processing / gold recovery
 - Construction of a flotation plant at Elginskoye

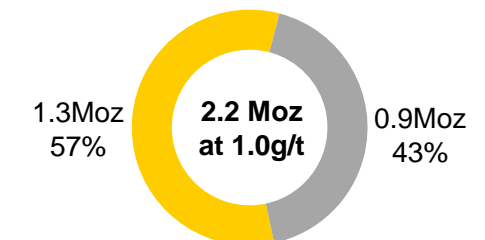


Albyn Cluster JORC Resources⁽¹⁾

- Albyn, Elginskoye, Unglichikan,



Including: Elginskoye JORC Resources⁽¹⁾



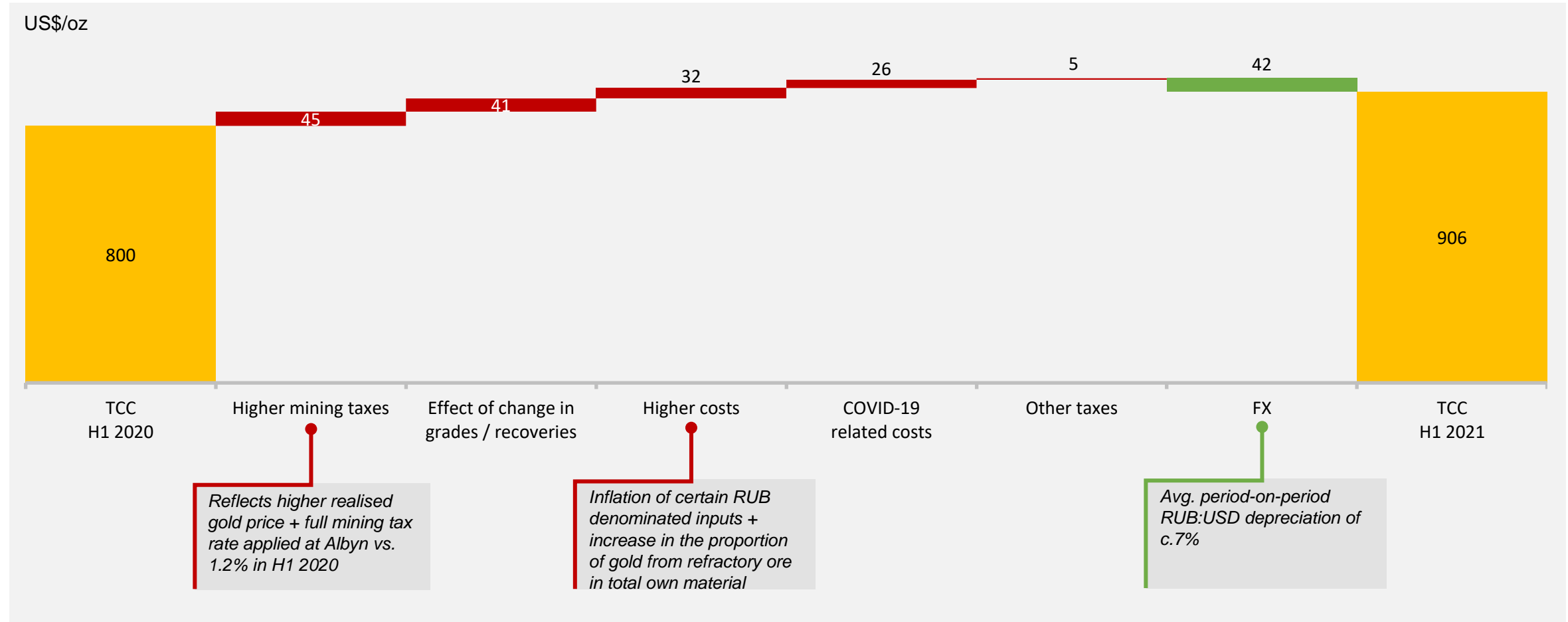
Non-Refractory Resources

Refractory Resources

(1) As at 31 Dec 2020, on a consolidated basis

Own TCC Breakdown

Own gold TCC +13%, reflecting -26% decline in own gold sold, lower processed grades / recoveries, cost inflation and higher mining taxes due to higher realized gold prices and expiration of tax relief at Albyn, partially mitigated by RUB depreciation



Note: figures may not sum up due to effect of rounding

Management Review

In February 2021, the senior management team initiated an extensive operational review of the business with the assistance of external consultants

Organisational Structure	Purchasing + Logistics	Contracting	Policies + Procedures
<ul style="list-style-type: none"> A review of the organisational structure in Moscow, Blagoveschensk and London with a view toward reducing overlap / duplication of functions while adding core competencies 	<ul style="list-style-type: none"> A review of goods and services purchased by the Company and comparison of prices paid versus prevailing market prices 	<ul style="list-style-type: none"> A review over 100 counterparties (providers of goods + services) to identify parties related to company employees and those for whom business with the company constituted the majority of revenue 	<ul style="list-style-type: none"> A review of existing policies and procedures for purchasing, contracting, accounting and other management functions
<ul style="list-style-type: none"> Administrative headcount reduced Moscow office reorganised as main executive office while Blagoveschensk to handle shared services and back-office tasks for operating units 	<ul style="list-style-type: none"> Eliminated purchasing via intermediaries and re-sellers, dealing directly with suppliers and contractors Re-negotiated pricing for certain suppliers and contractors Capex spend reviewed 	<ul style="list-style-type: none"> A blacklist consisting over 30 contractors failing to meet established criteria was drawn up Certain mid-level employees were terminated for violations of ethics rules in contracting 	<ul style="list-style-type: none"> New tender rules developed and a tender committee established Drafting of an updated code of ethics is in progress

Achieved Gross Savings ⁽¹⁾		
	mIn RUB	US\$m
Staff reduction	350	4.8
Insurance	300	4.1
Contractors	260	3.6
Purchasing	110	1.5
Transportation	300	4.1
Capex	525	7.2
Other	60	0.8
Total	1,905	26.1

(1) Based on an FX of RUB : USD of 72.9

Cost Saving Examples

Making purchases via competitive tender and / or directly from suppliers and manufacturers without the use of intermediaries will result in material future cost savings across the business

Transport: Rail Cars



- Transit LLC⁽¹⁾ previously leased rail cars from a contractor who, in turn, leased them from a major freight forwarding company.
- By **leasing rail freight cars directly** from the supplier will save c.20% in costs and **c.RUB 100m (US\$1.4m) annually**

Transport: Road Fleet



- Transit LLC⁽¹⁾ previously leased its fleet of trucks, tippers, trailers and trailer cisterns from a contractor
- By **purchasing** the necessary **fleet instead of leasing** it via the intermediary, Transit will **save c.RUB 300m (US\$4.1m) over the next 2 yrs**

Moving purchasing to a dedicated online procurement and tender platform will save **up to c.RUB 500m (US\$6.8m) annually** in the future

Fuel



- Purchasing **diesel** directly from the largest suppliers (GazpromNeft, Rosneft), without intermediaries is expected to yield **annual savings of c.RUB 160m (US\$2.2m)**

Chemicals



- Having solicited competitive quotes from various suppliers, including overseas, the company entered into a 2-year direct contract for the supply of **sodium cyanide** at an **annual savings of c.RUB 60m (US\$820k)**

(1) Transit LLC is a fully-owned Petropavlovsk subsidiary responsible for the delivery of flotation concentrate to the POX Hub and transportation of cargo around the group's sites

ESG



Board of Directors

Diverse and experienced board, with the search for additional independent non-executive directors in progress



James W Cameron Jr
Non-Executive Chairman

- Appointed as an INED in Oct 2018 and as Chairman in Aug 2020
- A US qualified lawyer, Mr Cameron has extensive international experience, providing expertise and consulting services for companies particularly in the natural resources sector within Russia and the former Soviet Union, since 1988
- Formerly Founder, CEO and Chairman of Occupational Urgent Care Systems Inc., a company traded on the NASDAQ until its sale in 1992



Charlotte Philipps
Senior Independent Non-Executive Director

- Appointed as an INED in Nov 2019 and as Snr. independent NED in Aug 2020
- Ms Philipps is a qualified lawyer with extensive natural resources sector corporate finance and transactional experience across CIS / CMEA
- Member of the Strategy / Investment Committee at Inter RAO
- Member of the Advisory Board of CAPTIS Intelligence Inc.
- Previously held senior positions at EBRD and AIG Russia Century Fund



Malay Mukherjee
Independent Non-Executive Director

- Appointed as an INED in Aug 2020
- Over 40 years of experience in a range of technical, commercial and managerial roles with leading companies in the mining and steel industries
- Currently lead independent NED at JSW Steel Ltd., a leading Indian steel company
- Prior to this, Mr Mukherjee held a variety of senior positions at Arcelor Mittal (Snr. Executive VP and also Member of the Group Management Board) and Essar Steel Global (CEO)



Mikhail Irzhevsky
Independent Non-Executive Director

- Appointed as an INED in Apr 2021
- Over 25 years of commercial experience with significant expertise in internal controls, governance, corporate law and M&A transactions, including in resources sector and in Russia
- Joined the Board of Bank Trust in 2018 and served as Chairman of Audit Committee since 2019
- Prior to this, Mr Irzhevsky was VP for Legal Affairs at PJSC Rostelecom from 2013 to 2018 and in 2016 – 2017 served on its Board



Evgeny Potapov
Non-Executive Director

- Appointed as NED in Jul 2021, nominated by UGC, Petropavlovsk's largest shareholder
- Currently serves as vice president for development and strategy at Uzhuralzoloto, a role he has held since 2020
- Mr Potapov has held a series of senior executive positions in major natural resources companies, including coal producer Vostsibugol, steelmakers Evraz Group and Industrial Union of Donbass, Norilsk Nickel, fertilizer giant Uralkali and iron ore producer Metalloinvest



- Petropavlovsk has engaged an external consultant to assist with the search and appointment of new board members. The intended final composition of the board will comprise of a minimum of seven Directors, the majority of whom will be independent

Key:

Independent Directors

Non-Executive Director

INED = Independent Non-Executive Director
NED = Non-Executive Director

Operating Sustainably

The Company is fully committed to operating in a responsible and sustainable manner, taking care of our employees, the environment, and the communities in which we operate

Sustainability Highlights

ZERO

work-related fatal injuries in 2021

LTIFR

H1 2021: 1.75
H1 2020: 1.23
Increase chiefly due to improved reporting

ZERO

major environmental incidents in 2021

ZERO

material COVID-19 outbreaks on site year to date

c.47%

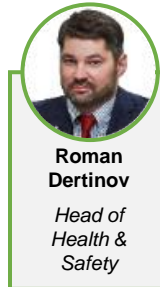
of mine employees fully-vaccinated against COVID-19

c.US\$560k

spent on community projects in 2021

Health & Safety

- The Company's new health & safety team, led since April by former Polyus Gold executive Roman Dertinov, has introduced a set of Fundamental Safety Rules across the Company
- New electronic medical examination systems have been installed at each of the Company's operating units to assist in assessing and monitoring the health of the Company's employees
- The H&S team is also implementing several new long-term injury prevention projects such as ones aimed at addressing falls from height electrical safety



Environment

- No major environmental incidents were reported in H1 2021
- In June, the Company welcomed a new head of environment, Armen Stepanyan, an ESG professional with strong international experience
- In H2 2021, the Company is planning an extensive independent audit of its environmental practices and performance to better identify environmental risks and to determine areas for improvement



COVID-19

- Comprehensive pandemic response plans in place at each of the Company's operating units
- In Q2 2021, the Company launched an on-site vaccination programme at each of its mines, accompanied by a broad promotional campaign
- As of 23 August 2021, 47.3% of employees at the Group's operating subsidiaries have been fully vaccinated (2 doses) and an additional 32% have exhibited Covid antibodies
- The Company's mining operations and supply chains remain fully functional

H2 2021 Outlook



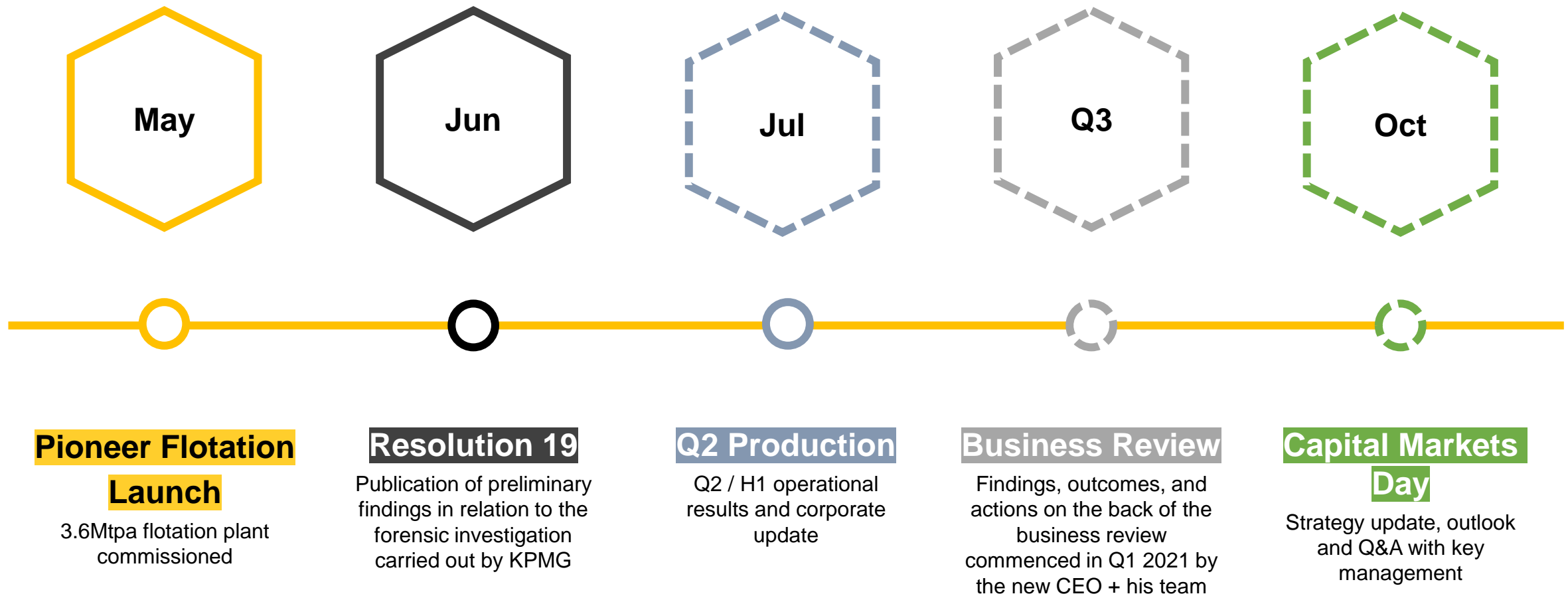
2021 Guidance: Production and Costs

Total 2021 output of 430 to 470koz at own gold TCC of US\$870/oz to US\$970/oz

Production (koz)				Total Cash Costs (US\$/oz, unless stated otherwise)			
	2021e	2020a	2021 vs. 2020 Explanation		2021e	2020a	2021 vs. 2020 Explanation
Malomir	140 – 145	140	= Processing volumes, grades + recoveries broadly in line with 2020		760 – 860	761	▲ Mining vols up 30% yoy, along with higher stripping ratio + slightly lower grades to be processed at plant
Pioneer	135 – 140	119	▲ Production increase vs. 2020 driven by higher grades + launch of 3.6Mtpa flotation plant		1,100 – 1,200	1,092	▲ Higher processing costs as Pioneer starts processing refractory ore via flotation, partially offset by lower mining costs
Albyn	95 – 105	127	▼ Lower volumes / recoveries resulting from switch to processing more complex Elginskoye ore		690 - 790	727	= Reduced yoy production + higher costs due to increased mining + processing expense associated with challenging composition of Elginskoye ore Additional cost of transporting Elginskoye ore to Albyn RIP plant
Own gold	370 - 390	386	= Own gold production in line with 2020		870 - 970	852	▲
3rd party	60 - 80	163	▼ Reduced volumes of concentrate available for purchase + lower grades vs. 2020 high of 101Kt at 48g/t		Processing cost: c.US\$150-170/t	US\$182/t	= Updated from initial guidance of US\$180/t as improved POX capacity utilisation has more than compensated for the effects of lower grades in concentrate
					Margin: c.US\$180/oz ⁽¹⁾	US\$274/oz	▼ Updated from initial guidance of US\$200/oz as margins on 3 rd party concentrate directly linked to the purchase prices for supplies available on the market, which have increased
Total	430 - 470	548	▼ Total output lower due to reduced 3rd party concentrate production				

(1) Based on an estimated average 2021 gold sales price of US\$1,750/oz

Key 2021 Milestones



H1 2021 Financial Results



H1 2021 Financial Results Overview

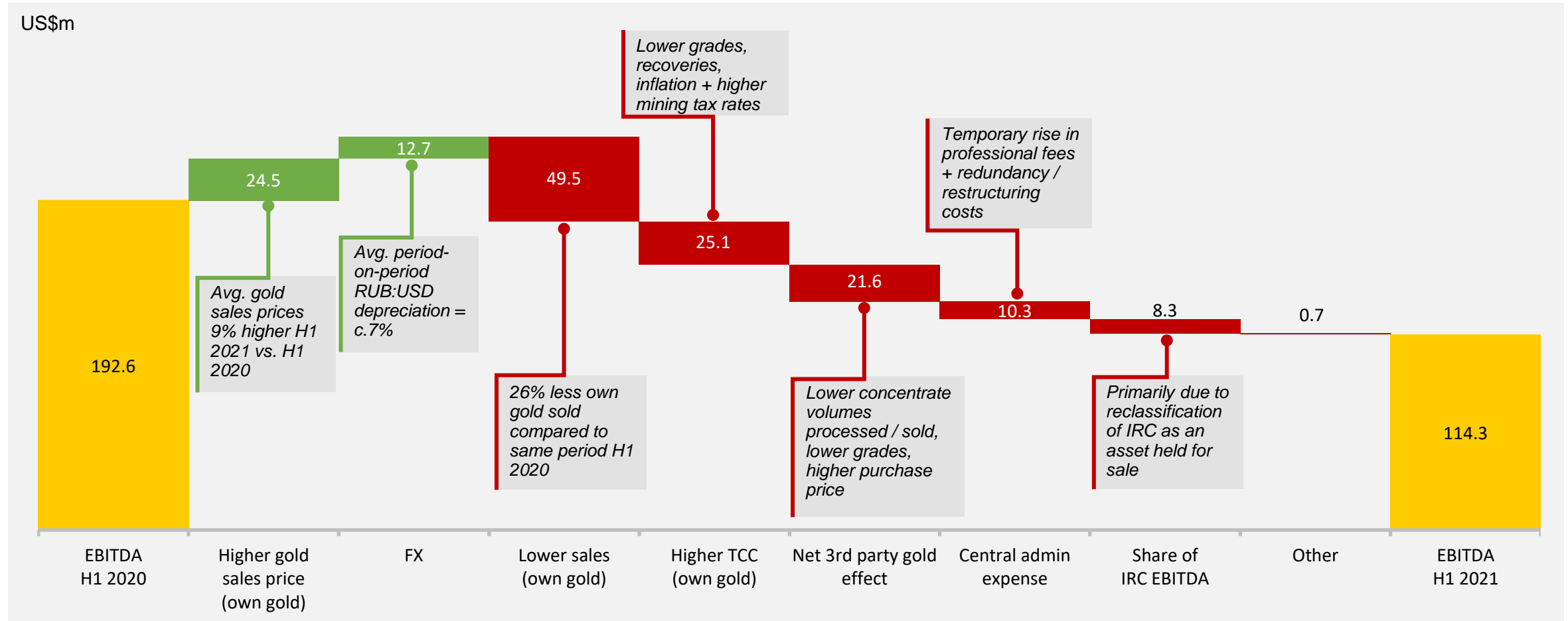
Reduced top line due to lower gold sales, with profit for the period assisted by a write-down reversal in relation to carrying value of IRC following its reclassification as an asset-held-for-sale, fair value loss on the agreement to sell IRC stake and a non-cash gain from the revaluation of the convertible bond conversion option

	Units	H1 2021	H1 2020	HoH Change
Gold production (own gold)	Koz	158.3	213.7	-26%
Gold production (3 rd party gold)	Koz	36.7	106.9	-66%
Total gold production (own + 3 rd party gold)	Koz	195.0	320.6	-39%
Total gold sales (own + 3 rd party gold)	Koz	187.1	312.4	-40%
Avg. realised gold price	US\$/oz	1,795	1,640	+9%
Group revenue	US\$m	351.9	522.7	-33%
TCC (own gold)	US\$/oz	906	800	+13%
Cost of purchasing + processing (3 rd party gold)	US\$/oz	1,639	1,380	+19%
Operating profit ⁽¹⁾	US\$m	48.3	144.3	-67%
Underlying EBITDA	US\$m	114.3	192.6	-41%
Profit / (loss) for the period	US\$m	48.9	(22.0)	n/m
Cash generated from operations (before working capital changes)	US\$m	113.7	183.3	-38%
Net cash from operating activities	US\$m	25.2	112.1	-77%
Net debt (as at 30 Jun vs. 1 Jan 2021)	US\$m	(535.6)	(500.6)	+7%
Development capex	US\$m	42.9	54.4	-21%
Exploration capex	US\$m	4.4	5.2	-15%

(1) Since the publication of the FY 2020 results, operating profit is presented from the perspective of group operations excluding results of associate IRC. This is more representative of how the business is viewed following re-classification of IRC as an asset held for sale. This change in classification also been applied to the comparative period

EBITDA

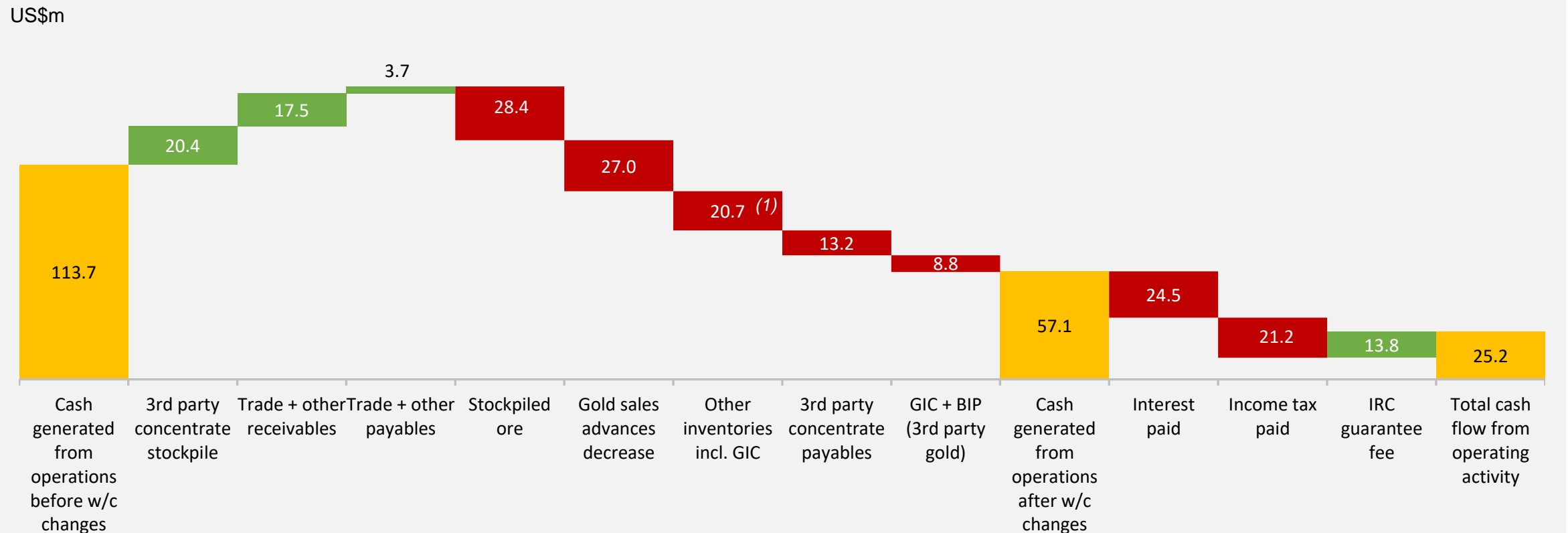
Lower EBITDA tracking reduced gold sales volumes and higher operating costs



Note: figures may not sum up due to effect of rounding

Operating Cashflow Breakdown

Ongoing reduction in interest-bearing prepay, with a net movement of US\$27m in H1 2021. As at 30 Jun 2021, US\$37m was outstanding (31 Dec 2020: US\$64m). The remaining gold prepay will be settled by year-end



Note: figures may not sum up due to effect of rounding. GIC = gold in circuit, BIP = bullion in process

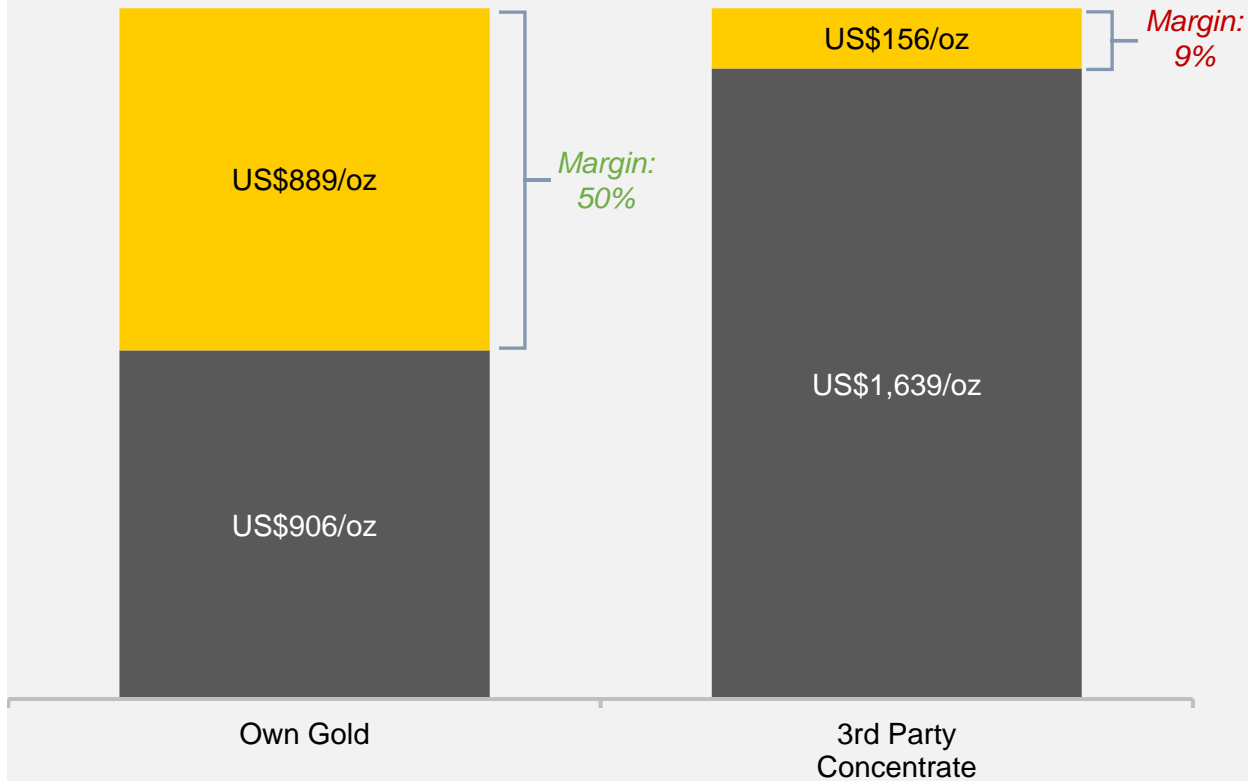
(1) As at 30 Jun 2021 there were US\$12m of goods for resale at Irgiredmet (the group's engineering and research institute), planned to be realised more than 1 year after the reporting period (30 Jun 2020: US\$nil, 31 Dec 2020: US\$10.6m)

Margins: Own Gold vs. 3rd Party Gold

Margins on our own gold (c.50%) are superior to margins on gold produced by buying in and processing 3rd party refractory gold concentrate (c.9%)

H1 2021 Margins: Own gold vs. 3rd Party Gold

H1 2021 average gold sales price: US\$1,795/oz



- Significantly higher margins from mining + processing refractory + non-refractory gold from our own sources vs. purchasing 3rd party refractory concentrate
- 3rd party concentrate margins decreased in H1 2021, due to lower concentrate volumes supplied, lower concentrate grade content and higher purchasing cost

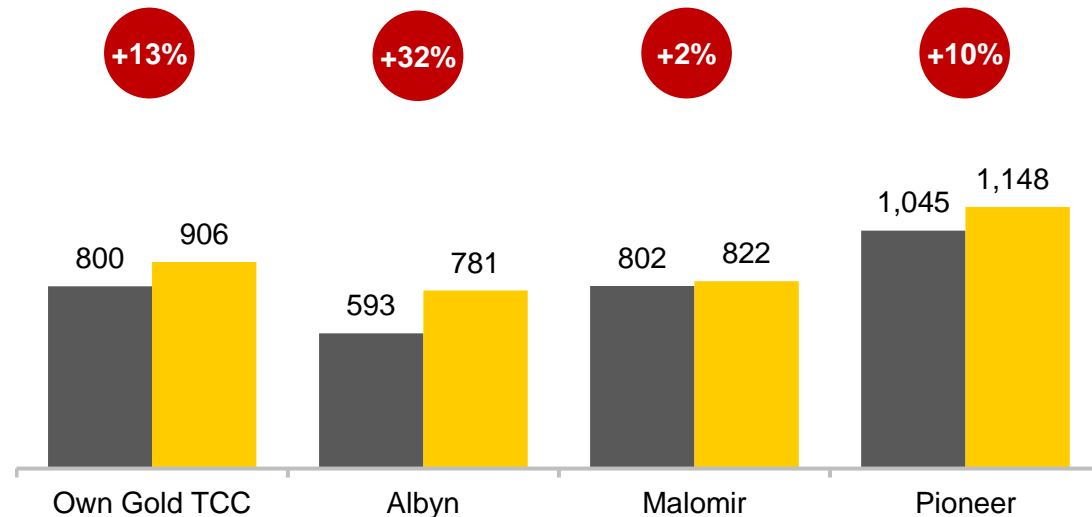
TCC

Margin

Mine by Mine TCC and AISC

Higher AISC reflects increased TCC and higher central admin expenses and a decrease in physical ounces sold, with sustaining capex at roughly the same level on an aggregate basis as in H1 2020

TCC (US\$/oz)

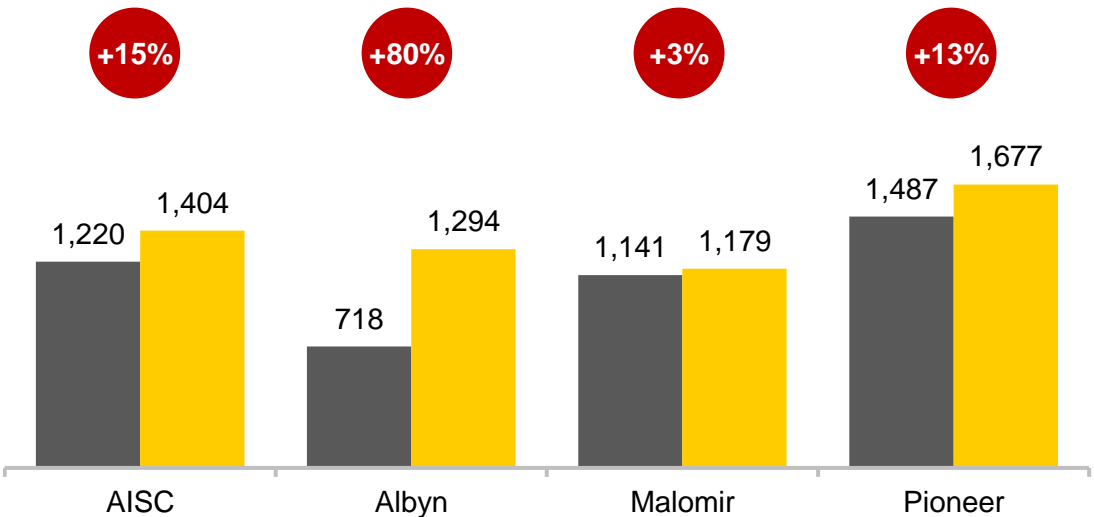


Following depletion of Albyn main pit, switch to processing more challenging Elginskoye ore resulted in lower non-refractory ore grades + recoveries

Lower non-refractory milled volumes + recoveries and lower grade refractory concentrate sent for processing to the POX Hub

Preparation for flotation facility launch resulted in temporary plant shutdown + refractory ore stockpiling, also lower non-refractory ore recoveries

AISC (US\$/oz)



Higher TCC, decrease in physical oz sold, increase in central admin, + increase in sustaining exploration / development capex, mainly in relation to Elginskoye

Higher TCC, decrease in physical oz sold, increase in central admin, impairment of gold in circuit, partly offset by decrease in capitalized stripping + sustaining capex

Higher TCC, decrease in physical oz sold, increase in central admin, partly offset by decrease in capitalized stripping expenditure + sustaining capex

H1 2020

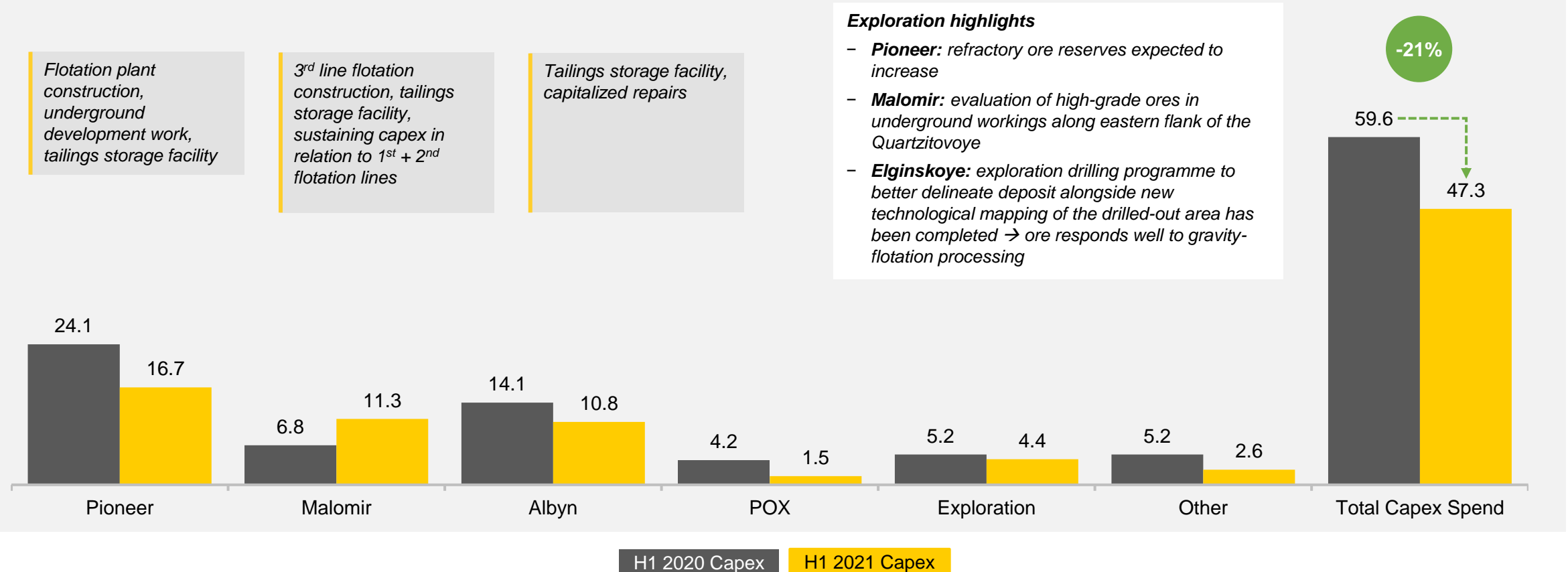
H1 2021

% change HoH

Total Capex Spend

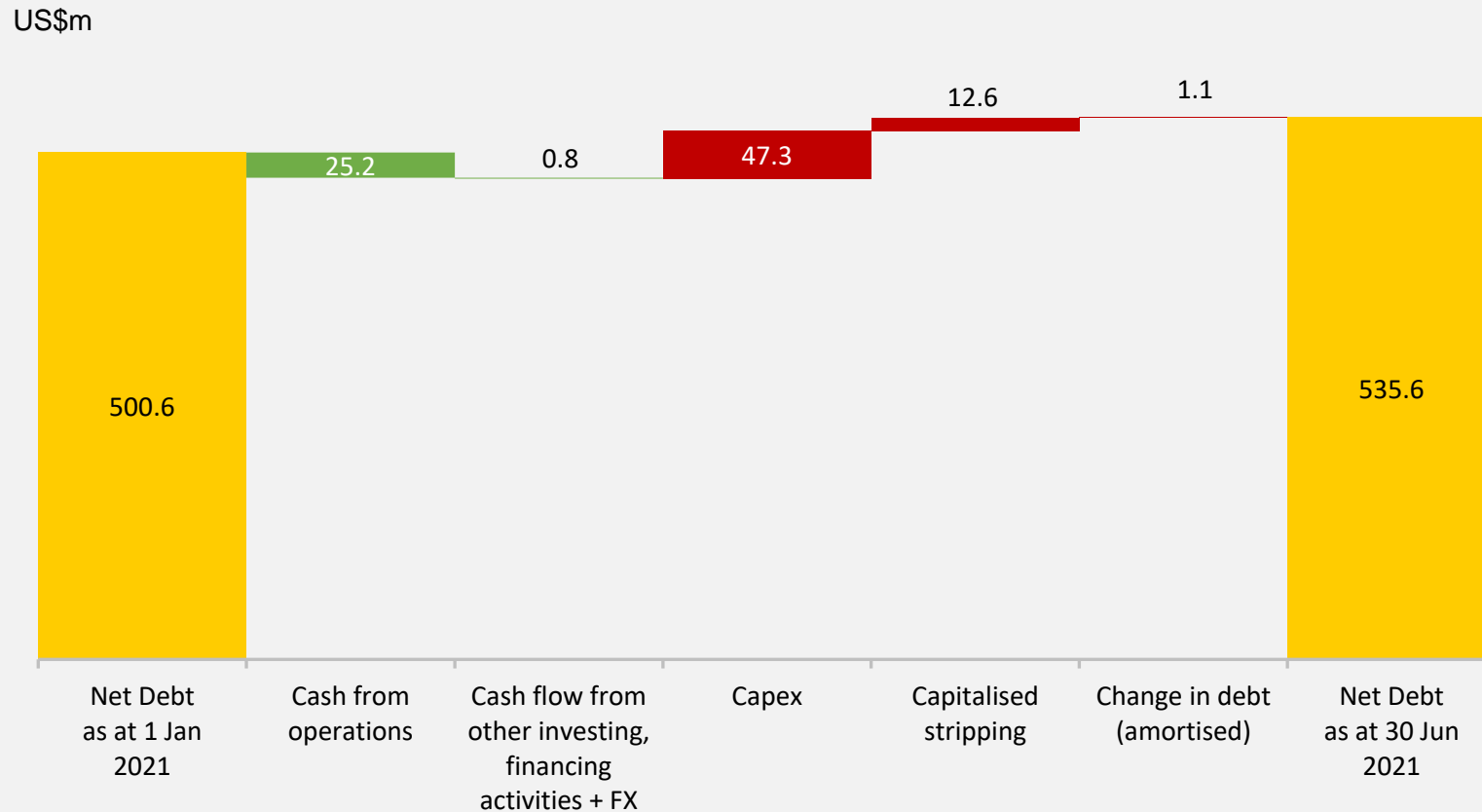
Development capex spend was largely focused on completing the Pioneer flotation plant, expansion of the Malomir flotation plant and development and exploration work at Albyn

US\$m



H1 2021 Net Debt

Net debt +7% during the period, partly due to increase in the use of the RCF for day-to-day working capital needs instead of gold prepays



- Capex spend + capitalised stripping financed by cash from operations + US\$35m revolving credit facility at interest rates of 2.8 – 4.5% (RCF is significantly lower cost vs. existing borrowings)
- H1 2021 Net Debt / EBITDA = 2.0x⁽¹⁾ (vs. 1.5x in H1 2020)
- In July, c.US\$136m of the company's notes were repurchased (US\$364m remain outstanding) using low interest rate Gazprombank loan
- While Net Debt does not include the IRC guarantee, IRC repaid US\$50m to Gazprombank in H1 2021 + settled guarantee fees of US\$13.8m to Petropavlovsk. Outstanding IRC loan principal = US\$143.5m⁽²⁾

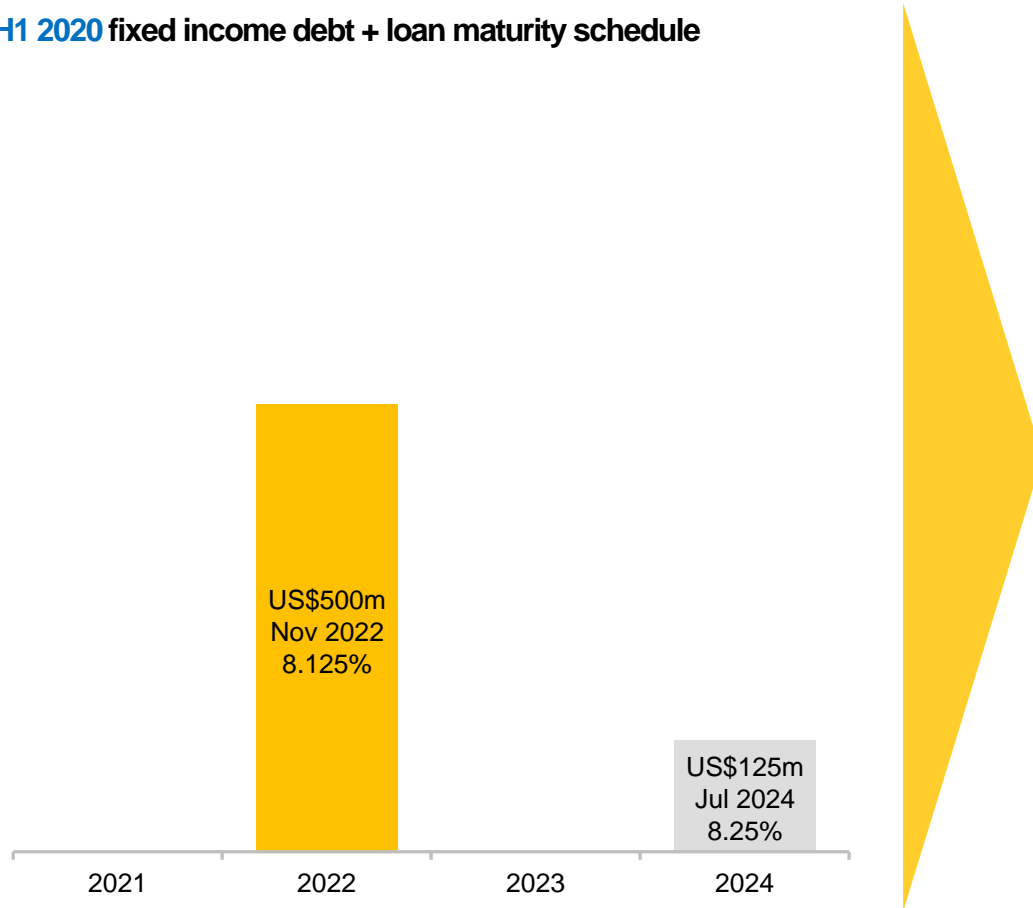
Note: figures may not sum up due to effect of rounding

(1) Based on LTM EBITDA of US\$272.4m (H2 2020 = US\$158.1m + H1 2021 = US\$114.3m) and 30 Jun 2021 Net Debt of US\$535.6m (2) As at 27 Aug 2021

Debt Maturity Schedule and Leverage

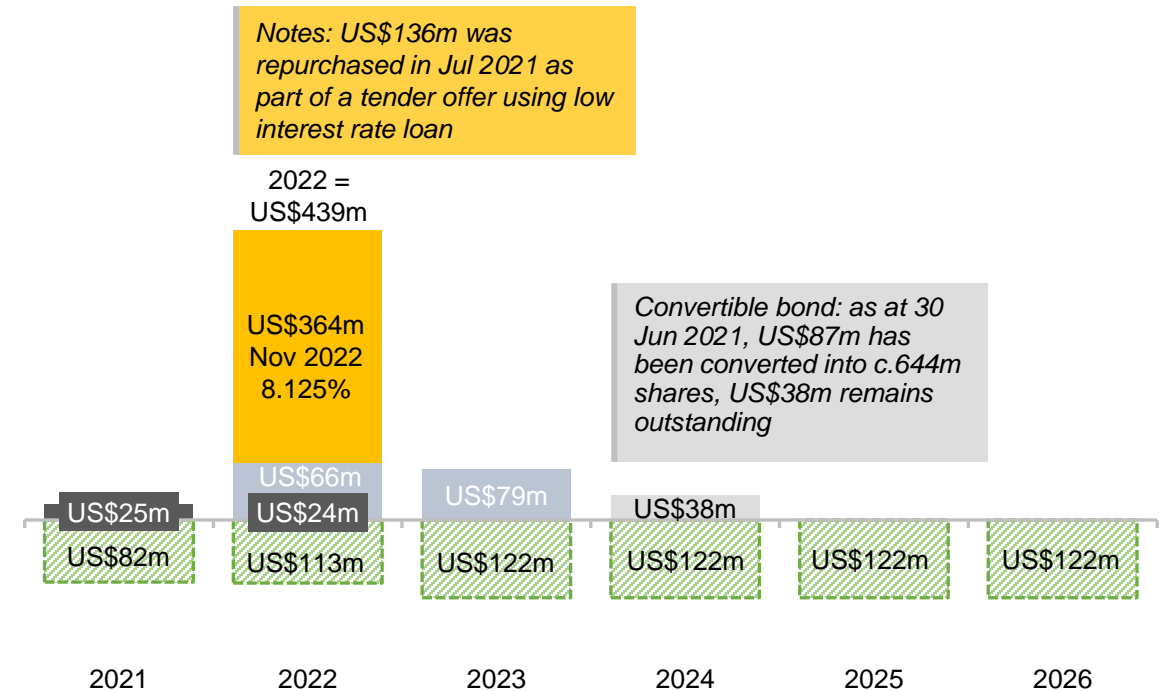
Improved debt maturity profile with average cost of debt now lower vs. H1 2020

H1 2020 fixed income debt + loan maturity schedule



H1 2021 fixed income debt + loan maturity schedule

- Tender offer announced in July resulted in the buyback of c.US\$136m of guaranteed notes, using a lower interest rate loan vs. existing notes coupon
- Gazprombank RCF facility (up to US\$122m), to replace gold prepays + support day-to-day liquidity, available through to Jun 2026



Key: Guaranteed Notes Convertible Bond Gazprombank Loan (2.8 – 4.5%) Gazprombank RCF (2.8 – 4.5%) RCF facility available for drawdown (up to US\$122m, 2.8 – 4.5%)