



# PRESS RELEASE

25 October 2021

## Petropavlovsk PLC

### Q3 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 quarter ending 30 September 2021 ("Q3 2021" or "the period") and for the first nine months of the year ("9M 2021").

#### Mr Denis Alexandrov, CEO, said:

*"With improved performance at each of our mines during the period, particularly Malomir, and supported by the launch of the Pioneer flotation plant, the Company has made progress in reversing the overall declining trend in quarterly own-mined gold production seen since Q4 2019. We also increased throughput at our POX Hub and the percentage of concentrate coming from our own mines, improving our margins. We expect these trends to continue in the fourth quarter and reiterate our production guidance for the year."*

#### Operational Highlights

##### Gold Production and Sales

- Q3 2021 **total gold production** amounted to 111.6 koz, a 2% decrease vs. Q3 2020 (114.1koz), due to lower gold production from 3rd party concentrates
- Own mined gold production** during the period was 101.6koz, a 17% increase vs. Q3 2020 (86.5koz), with higher production across all the Group's mines
- 3rd-party concentrate gold production** declined 64% to 10.1koz in Q3 2021 (Q3 2020: 27.6koz) due to planned maintenance at the Pokrovskiy POX plant in September and expected lower volumes as processing capacity was switched to treat concentrate from the new Pioneer flotation plant
- Total gold production** for 9M 2021 was 306.6koz, down 29% from 434.6koz in 9M 2020 due to the weaker first half of the year, including 259.8koz of own-mined gold production and 46.8koz of gold from 3rd-party concentrate (9M 2020: 300.1koz and 134.5koz, respectively)

##### Gold Production '000oz

Asset	Q3 2021	Q3 2020	9M 2021	9M 2020
Pioneer	33.0	30.8	78.9	91.1
Malomir	41.4	29.2	111.4	110.7
Albyn	27.2	26.5	69.5	98.3
<b>Total Own Mined</b>	<b>101.6</b>	86.5	<b>259.8</b>	300.1
3rd-party concentrate (POX Hub)	10.1	27.6	46.8	134.5
<b>Total Group</b>	<b>111.6</b>	114.1	<b>306.6</b>	434.6

Note: Numbers may not add up due to rounding effect

- Gold sales** totalled 120.1 koz in Q3 2021 (Q3 2020: 121.1koz)
- Average realised gold price** for Q3 2021 was US\$1,780/oz, a decrease of 7.2% from Q3 2020 (US\$1,919/oz), with no gains or losses from hedging

## 2021 Guidance

- The Company affirms its full-year 2021 gold production guidance of 430 - 470koz, comprising own gold production of 370 - 390koz and gold production from 3rd-party concentrate of 60 - 80koz
- Total cash costs for own gold production for the year are also expected to be within the Company's guidance range of US\$870 – 970 per ounce

## Pokrovskiy Pressure Oxidation (POX) Hub

- A total of c.78kt of refractory gold concentrate was processed through the POX Hub in Q3 2021, including 43kt from Malomir with an average grade of 29g/t, 26kt from Pioneer at 27g/t and 10kt of 3rd-party concentrate with an average grade of 38g/t
- Despite scheduled maintenance work in September, Q3 2021 concentrate throughput represented roughly 78% of current POX capacity of c.400ktpa based on the sulphur and carbon content mix of concentrates. This compares to an average of c.61% in the first half of the year. The POX Hub is expected to operate at full current capacity in Q4 2021
- The POX Hub processed 88% own-mined gold concentrates in Q3 2021 compared to an average of 69% in the first two quarters of the year
- In the first nine months of the year, a total of 201kt of refractory gold concentrate was processed through the POX Hub including 119kt from Malomir, 34kt from Pioneer and 48kt of 3rd-party concentrate

## Business Review

- The operational review led by CEO Denis Alexandrov and the management team over the course of this year, is now in its final stages. The review has focused on streamlining the corporate structure, improving management systems and operational processes, and developing a new medium-term corporate strategy.
- The Board of Directors is currently reviewing elements of the corporate strategy, which management plans to present at a Capital Markets Day later this year. The Company will announce details for the event as soon as the Board review is complete

## Balance Sheet and Liquidity

- Cash (unaudited) as of 30 September 2021 was US\$34.5 m (30 June 2021: US\$36.5m)
- Debt principal outstanding as of 30 September 2021 was US\$592m (30 June 2021: US\$573m)
- Interest-bearing gold prepays stood at US\$18.5 m as at 30 September 2021, a net decrease of US\$18.6 m over the course of Q3 2021 and US\$45.2m since the beginning of the year (US\$37.1m as at 30 June 2021, US\$ 63.8m as at 1 January 2021). The Company plans to fully settle the gold prepays by year-end
- Earlier this year, to replace the gold prepays and support day-to-day liquidity needs, the Group secured a total of c.US\$124m (RUB 9 billion) in revolving credit facilities (RCF) from Gazprombank ("GPB") at interest rates of 2.8 - 4.5%, which is significantly lower cost than prior borrowings. The Company intends to further increase the credit limit under the RCF going forward to increase flexibility
- On 10 August 2021, the Company's wholly-owned subsidiary Petropavlovsk 2016 (the "Issuer") announced the final tender results of an offer to purchase for cash up to US\$200m of the aggregate principal amount of its 8.125% guaranteed notes maturing 2022 (the "US\$500m Notes"). The Issuer accepted for purchase an aggregate principal amount of validly tendered US\$500m Notes totalling US\$135,731,000
- On 28 July 2021, the Group secured a US\$200m term loan (30 June 2023 maturity), US\$145m of which was used to buy-back US\$135,731,000 of the US\$500m Notes in accordance with the tender offer and to cover the bond premium and interest expenses. The term loan interest rate is significantly lower than the 8.125% coupon on the US\$500 Notes

## 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
- The Company hedges purchases of third party concentrate from the moment of fixing the concentrate price until the moment of fixing gold sales price of gold produced from this concentrate. The amount of hedging corresponds to the amount of gold expected to be produced. At the moment 3.9koz are hedged using forward contracts at the price higher than purchasing.

## Responsible Business

- Zero work-related fatalities have occurred at Petropavlovsk's operations this year, neither among the Group's employees nor its contractors
- The Lost Time Injury Frequency Rate ("LTIFR") in Q3 2021 remained stable at 2.0 (Q3 2020: 1.97) while for 9M 2021 the statistic was 24% higher year-on-year. The increase reflects improved transparency following a revised approach to health and safety reporting in line with best international practices. The severity level of the recorded incidents was categorized as light. Safety remains a top priority for the Group, and we are committed to continuously working to reduce the number of accidents overall and to achieve our ultimate goal of zero harm
- Further developments in health and safety strategy include the launch of a Group-wide unified health and safety policy and an independent audit of the maturity level of safety culture carried out in Q3 2021

Metric	Units	Q3 2021	Q3 2020	9M 2021	9M 2020
LTIFR	Per 1m hrs worked	2.0	1.97	1.84	1.48
Environmental incidents	Number	0	0	3	0

Note: Environmental incidents defined as moderate or serious

- Following a governmental environmental audit, two incidents that occurred in Q2 2021 were classified as serious and a third one as moderate. Two of the incidents related to flooding at Pioneer while the third involved a localised fuel spill, and none was categorised as major. Corrective action plans were developed and implemented to ensure there is no long-term environmental impact
- As part of the Group's commitment to implementing best international practices and improving the safety, health and wellbeing of our employees, Petropavlovsk is pleased to announce that it has joined the **Global Vision Zero Business Council**
- Petropavlovsk is also proud to highlight that the Company has joined the Russian chapter of **Women in Mining** as a core member and sponsor, underscoring our commitment to promoting gender diversity in the mining sector

## COVID-19 Update

- No material COVID-19 outbreaks have occurred at our sites this year to date, and the Company continues to implement strict quarantine and safety measures across its operations
- In Q3 2021, the Company continued its on-site vaccination programme, launched in Q2 2021 at each of the mines and accompanied by an extensive informational campaign via corporate and social media and other communications channels
- As of 3 October 2021, 71% of the Group's employees have been fully vaccinated (2 doses), compared to less than 30% at the beginning of Q3 2021
- There were no pandemic-related issues with the Group's supply chains during the period

- Due to the worsening situation with the pandemic in Russia in recent weeks, the government has instituted a number of measures aimed at curbing the spread of Covid-19 that are due to take effect in late October. In response, the Company plans to allow some office staff to work remotely, and will limit travel to production sites, which could affect scheduling for some maintenance and repair work

## Development Update

### Pioneer flotation plant and expansion of the Malomir flotation facility

- On 31 May 2021, the Company launched the Pioneer flotation plant, with the capacity to process 3.6Mtpa of ore, thereby doubling the Group's total processing capacity for refractory gold ore from its own mines to 7.2Mtpa (including the existing Malomir plant). The plant ramped up to full capacity in Q3 2021, supplying 26kt of concentrate to the POX Hub during the quarter out of an expected c.60kt this year
- The construction of a third line at the Malomir flotation plant progressed on schedule in Q3 2021. Upon completion in Q3 2022, the expansion will add an additional 1.8Mtpa of flotation capacity, bringing the total combined Group capacity to 9.0Mtpa

## IRC Update

- Petropavlovsk remains guarantor of the obligations of IRC Limited's subsidiary K&S under two loan facility agreements with GPB. IRC continues to pay down the debt in line with the repayment schedule and has made additional early repayments this year. As of August 2021, the outstanding loan principal was US\$143.5m
- The Company is currently subject to a binding agreement ("SPA") to sell a 29.9% stake in IRC Limited to Stocken Board AG ("Stocken") for US\$10m plus release of the guarantees given by the Company in respect of IRC's debt. The Board of Directors resolved on 22 September 2021 that no consent or instrument is required under the terms of the US\$ 500m Notes in respect of the sale under the SPA. Stocken must satisfy the remaining condition precedent to the SPA, i.e. the release of the loan guarantees within the timeframe set out in the SPA

## Operations Report

### Pioneer

Pioneer mines refractory and non-refractory ores from several conventional open pits and underground operations. The launch of a new flotation plant at Pioneer in Q2 2021 was a major step in the mine's transition from mining non-refractory to mainly refractory ores, which are concentrated ahead of processing at the POX Hub.

PIONEER	Units	Q3 2021	Q3 2020	9M 2021	9M 2020
<b>Mining operations</b>					
Total material moved	m3 '000	4,476	5,562	14,069	15,021
Non-refractory ore mined	t '000	614	664	2,112	2,074
Average grade	g/t	1.10	0.88	1.05	0.95
Gold content	oz. '000	21.7	18.8	71.0	63.4
Refractory ore mined	t '000	609	135	1,353	234
Average grade	g/t	1.01	0.92	1.06	0.92
Gold content	oz. '000	19.7	4.0	46.0	6.9
<b>Processing operations</b>					
<b>Resin-in-pulp (RIP) plant (non-refractory ores)</b>					
Ore milled	t '000	557	1,369	2,362	4,083
Average grade	g/t	0.98	0.81	0.91	0.81
Gold content	oz. '000	17.6	35.5	69.3	106.5
Recovery	%	79%	86%	80%	85%
Gold recovered	oz. '000	13.8	30.7	55.4	90.6

<b>Flotation plant (refractory ores)</b>					
Ore milled	<i>t '000</i>	830	-	1,144	-
Average grade	<i>g/t</i>	1.07	-	0.99	-
Gold content	<i>oz. '000</i>	28.5	-	36.3	-
Recovery	<i>%</i>	79%	-	79%	-
Concentrate yield	<i>%</i>	3.1%	-	3.0%	-
Concentrate produced	<i>t '000</i>	26.0	-	34.6	-
Average grade	<i>g/t</i>	26.9	-	25.7	-
Gold content	<i>oz. '000</i>	22.5	-	28.6	-
<b>POX Plant (Pioneer concentrate)</b>					
Concentrate treated	<i>t '000</i>	25.8	-	34.0	-
Average grade	<i>g/t</i>	26.9	-	25.7	-
Gold in concentrate	<i>oz. '000</i>	22.4	-	28.1	-
Recovery	<i>%</i>	95%	-	95%	-
Gold recovered	<i>oz. '000</i>	21.3	-	26.8	-
<b>Total gold production (doré)</b>	<b><i>oz. '000</i></b>	<b>33.0</b>	<b>30.8</b>	<b>78.9</b>	<b>91.1</b>

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

Pioneer processes ore from both open pit and underground mining and saw a 7% year-on-year increase in Q3 2021 output as it shifted to treating refractory ore at the new flotation plant. Ore processing volumes were almost even versus the same period last year at 1,387kt, including 557kt at the RIP plant and 830kt at flotation, while grades improved to 0.98g/t for non-refractory ore and the refractory ore grade was 1.07g/t.

Underground mining of the Bakhmut-3 area recommenced in Q3 2021 and the Bakhmut-2 area is expected to follow shortly. Work in these areas was halted as a precaution following the flooding of a nearby depleted open pit in June. Work on the Andreevskaya underground ore zone has also resumed following a pause for exploration drilling, with recent metallurgical tests showing the ore is amenable to treatment at the flotation plant.

In early October, Pioneer began experiencing technical issues with some of the filtration systems installed at the flotation plant. Work is ongoing to resolve these issues so as to minimise the impact on Q4 2021 flotation concentrate production.

## **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>Q3 2021</b>	<b>Q3 2020</b>	<b>9M 2021</b>	<b>9M 2020</b>
<b>Mining operations</b>					
Total material moved	<i>m3 '000</i>	2,923	2,743	7,963	7,577
Non-refractory ore mined	<i>t '000</i>	-	108	153	336
Average grade	<i>g/t</i>	-	2.55	2.20	2.14
Gold content	<i>oz. '000</i>	-	8.9	10.8	23.1
Refractory ore mined	<i>t '000</i>	1,244	1,052	3,636	3,383
Average grade	<i>g/t</i>	1.92	1.14	1.64	1.14
Gold content	<i>oz. '000</i>	77.0	38.4	191.3	123.7
<b>Processing operations</b>					

<b>Resin-in-pulp (RIP) plant (non-refractory ores)</b>					
Ore milled	t '000	10	89	148	319
Average grade	g/t	2.72	2.60	2.24	2.09
Gold content	oz. '000	0.9	7.5	10.7	21.5
Recovery	%	86%	81%	73%	77%
Gold recovered	oz. '000	0.8	6.1	7.8	16.5
<b>Flotation plant (refractory ores)</b>					
Ore milled	t '000	1,034	979	3,038	2,883
Average grade	g/t	1.47	1.25	1.36	1.28
Gold content	oz. '000	48.9	39.4	132.7	118.2
Recovery	%	84%	84%	84%	85%
Concentrate yield	%	4.3%	3.7%	4.0%	3.7%
Concentrate produced	t '000	44.2	35.8	120.4	106.2
Average grade	g/t	29.0	28.6	28.7	29.3
Gold content	oz. '000	41.2	32.9	110.9	100.0
<b>POX Plant (Malomir concentrate)</b>					
Concentrate treated	t '000	42.9	34.9	119.0	111.3
Average grade	g/t	29.3	28.2	28.8	29.4
Gold in concentrate	oz. '000	40.5	31.7	110.2	105.2
Recovery	%	92%	91%	93%	91%
Gold recovered	oz. '000	37.2	28.9	102.0	96.2
<b>Total gold production (doré)</b>	<b>oz. '000</b>	<b>41.4</b>	<b>29.2</b>	<b>111.4</b>	<b>110.7</b>

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

Malomir had a strong Q3 2021 as the mine switched almost entirely to processing refractory ore. Total gold production rose by 40% year-on-year to 41.4koz due to higher grades and volumes. Malomir processed 1,034kt of refractory ore through its flotation plant at an average grade of 1.47g/t. A total of 37.2koz of gold was recovered from processing 42.9kt of Malomir concentrate at the POX Hub during the period with recovery rates of 92%, in-line with expectations and project design rates.

A shortage of available rail cars has restricted some deliveries of concentrate from Malomir to the POX Hub in recent days. The Company is currently in the process of contracting additional rail cars to increase available transport capacity.

## Albyn

The Albyn processing facility is currently being used to treat ore from the nearby Elginskoye satellite deposit, which replaced the depleted 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 31/12/2020, the Albyn deposits had JORC Measured, Indicated and Inferred Mineral Resources of 4.21Moz Au which include 2.18Moz of JORC Proved and Probable Ore Reserves.

<b>ALBYN</b>	<b>Units</b>	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>9M 2021</b>	<b>9M 2020</b>
<b>Mining operations</b>					
Total material moved	m3 '000	3,174	2,113	9,922	8,916
Non-refractory ore mined	t '000	1,058	406	5,365	2,251
Average grade	g/t	0.91	0.58	0.89	0.87
Gold content	oz. '000	31.0	7.6	153.9	63.3
Refractory ore mined	t '000	363	-	2,504	-
Average grade	g/t	0.86	-	1.02	-

Gold content	oz. '000	10.0	-	82.1	-
<b>Processing operations (RIP plant)</b>					
Ore milled	t '000	1,030	1,128	2,687	3,446
Average grade	g/t	1.14	0.79	1.01	0.93
Gold content	oz. '000	37.6	28.7	86.9	103.6
Recovery	%	76%	94%	82%	94%
Gold recovered	oz. '000	28.6	27.0	71.6	97.3
<b>Total gold production (doré)</b>	<b>oz. '000</b>	<b>27.2</b>	<b>26.5</b>	<b>69.5</b>	<b>98.3</b>

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

In 2021, the Albyn processing plant switched to processing ore from the nearby Elginskoye deposit, which is harder to mill and for which recoveries are lower than for ore from the depleted Albyn open pit. While this resulted in lower gold production in the first half of the year, Q3 2021 saw production stabilise thanks to higher grades as mining focused on the northwest sections of Elginskoye's Severny open pit. A total of 1,030kt of ore at a grade of 1.14g/t was processed at Albyn during the period, producing 27.2koz 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 in progress at Elginskoye 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)

Petropavlovsk processes 3rd-party concentrate as a means to optimise unused POX Hub capacity, which allows the Group to demonstrate the production potential of the POX Hub and improve Group cash flow.

3RD PARTY CONCENTRATES	Units	Q3 2021	Q3 2020	9M 2021	9M 2020
<b>POX plant</b>					
Concentrate treated	t '000	9.7	23.5	48.1	78.3
Average grade	g/t	38.2	32.6	32.2	51.7
Gold in concentrate	oz. '000	12.0	24.7	49.8	130.3
Recovery	%	91%	93%	93%	94%
Gold recovered	oz. '000	10.9	23.0	46.4	122.5
<b>Total gold production (doré)</b>	<b>oz. '000</b>	<b>10.1</b>	<b>27.6</b>	<b>46.8</b>	<b>134.5</b>

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

The POX Hub treated 9.7kt of 3rd-party concentrate at an average grade of 38.2g/t to produce 10.1koz of gold during the period. Lower volumes of 3rd-party concentrate during the quarter versus the same period last year were due, in part, to a higher percentage of processing capacity being used for own-mined concentrates following the launch of the Pioneer flotation plant. Additionally, production was halted for several days due to scheduled annual maintenance in September. The Company currently has sufficient volumes of 3rd-party concentrate contracted for the remainder of the year, albeit at grades lower than the average seen in 2020.

### About Petropavlovsk

Petropavlovsk PLC (LSE: POG. MOEX: POGR) is a major integrated Russian gold producer with JORC Resources of 19.50Moz Au which include Reserves of 7.16Moz 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 RTS Index and MOEX Index.

*The Company's key operating mines (Pioneer, Malomir and Albyn) and its Pokrovskiy Pressure Oxidation (POX) Hub, are located in the Amur Region in the Russian Far East. Petropavlovsk has produced a total of c.8.6Moz of gold since operations began in 1994 and has a strong track record of mine development, expansion, and asset optimisation.*

*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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### **Cautionary note on forward-looking statements**

*This release may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this release and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the future price of gold, the Group's results of operations, financial position, liquidity, prospects, growth, estimation of mineral reserves and resources and strategies, and exchange rates and the expectations of the industry. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances [outside the control of the Group. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward- looking statements contained in this release. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward looking statements contained in this release, those developments may not be indicative of developments in subsequent periods. A number of factors could cause results and/or developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, demand, supply and prices for gold and other long-term commodity price assumptions (and their effect on the timing and feasibility of future projects and developments), trends in the gold mining industry and conditions of the international gold markets, competition, actions and activities of governmental authorities (including changes in laws, regulations or taxation), currency fluctuations (including as between the US Dollar and Rouble), the Group's ability to recover its reserves or develop new reserves, changes in its business strategy, any litigation, and political and economic uncertainty. Except as required by applicable law, rule or regulation (including the Listing and Disclosure Guidance and Transparency Rules), the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Past performance cannot be relied on as a guide to future performance. The content of websites referred to in this announcement does not form part of this announcement.*