



PRESS RELEASE

27 January 2022

PetroPavlovsk PLC

Q4 and FY 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 and corporate update for the quarter ending 31 December 2021 ("Q4 2021" or "the period") and for the full year 2021 ("FY 2021").

Mr Denis Alexandrov, CEO, said:

"Despite a challenging operational environment, PetroPavlovsk achieved its 2021 production guidance and closed out the year with a strong fourth quarter performance. With the Pioneer flotation plant operating at full capacity and Malomir outperforming, we were able to fill our POX hub with more concentrate from our own mines, reducing our reliance on lower-margin 3rd-party concentrate while maximising the plant's potential."

Operational Highlights

Q4 2021 Gold Production

- Q4 2021 total gold production was 143.1koz, a 26% increase versus Q4 2020 (113.5koz)
- Own-mined gold production during the period was 130.4koz, a 53% increase vs. Q4 2020 (85.5koz), with substantially higher production across all of the Group's mines
- 3rd-party concentrate gold production declined 55% to 12.7koz (Q4 2020: 28.0koz) on lower volumes as POX processing capacity was used to treat concentrate from own-mined ore

FY 2021 Gold Production

- FY 2021 total gold production was 449.8koz, down as expected versus 2020 (548.1koz), and in line with the midpoint of the Company's 2021 guidance range of 430-470 koz
- Own-mined gold production increased by 1% year-on-year to 390.4koz (2020: 385.6koz), at the top end of the guidance range of 370-390 koz, supported by the launch of the Pioneer flotation plant in Q2 and a strong performance at Malomir, which more than offset lower output at Albyn
- 3rd-party concentrate gold production for the year was 59.4koz, a 63% decrease from 162.5koz in 2020 and at the bottom of the guidance range of 60-80 koz, due to lower grades in the concentrate available for purchase and anticipated lower volumes

Gold Production (koz)

Asset	Q4 2021	Q4 2020	FY 2021	FY 2020
Pioneer	52.8	27.9	131.8	119.0
Malomir	47.8	29.4	159.3	140.1
Albyn	29.8	28.2	99.3	126.5

Total Own Gold	130.4	85.5	390.4	385.6
3rd-party concentrate	12.7	28.0	59.4	162.5
Total Group	143.1	113.5	449.8	548.1

Gold Sales

- **Gold sales** totalled 130.1koz in Q4 2021 (Q4 2020: 113.1koz) and 437.2koz for FY 2021 (FY 2020: 546.5koz)
- **Average realised gold price** for Q4 2021 was US\$1,796/oz, a 4% decrease from Q4 2020 (US\$1,864/oz)
- **Average realised gold price** for FY 2021 was US\$1,791/oz, up 2% from US\$1,748/oz in the previous year
- Net gains from currency and gold hedging in 2021 totalled c.US\$1.5m

Pokrovskiy Pressure Oxidation (POX) Hub

- The POX Hub processed c.110kt of refractory gold concentrate in Q4 2021, almost twice the throughput in the same period in 2020 (56kt), essentially operating at full capacity for concentrates with the sulphur and carbon content mix treated during the quarter
- Total Q4 2021 throughput included 42kt from Pioneer at a grade of 27.6g/t, 55kt from Malomir at 27.4g/t and 14kt of 3rd-party concentrate at 31.7g/t (all average grades), meaning 87% of the concentrate processed during the period was from our own mines
- For FY 2021, the POX Hub processed 311kt of concentrate, 27% more than the previous year (245kt). The figure includes 249kt of concentrate from own mines, up 73% from 2020 (144kt), and 62kt of 3rd-party concentrate (2020: 101kt)

Business Review and Strategy Update

- The Company's Board of Directors and management continue to progress work on a new medium-term corporate strategy, based on the business review conducted by management in 2021. The Company plans to present the strategy at its Capital Markets Day, details of which will be announced as soon as this process is completed

Balance Sheet and Liquidity

- Cash (unaudited) as of 31 December 2021 was US\$25.5m (30 September 2021: US\$34.5m)
- Debt principal outstanding as of 31 December 2021 was US\$590m (30 September 2021: US\$592m)
- Interest-bearing gold prepays were settled in full as of 31 December 2021 after the repayment of US\$18m in Q4 2021 and a total of US\$64m since the beginning of 2021. The Company made it a priority to fully settle the gold prepays by year-end and has now replaced this form of quasi-borrowing with more flexible revolving credit facilities ("RCF")
- The Group has secured an increased limit for its RCF with Gazprombank from c.US\$66m to c.US\$116m, with maturity extended from May 2022 to June 2026. At interest rates of 2.6 - 4.5%, the RCF has significantly lower cost than gold prepays. The Group had US\$46.5m outstanding of funds drawn down from the RCF as at 31 December 2021.
- On 6 December 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\$60m of

its 8.125% guaranteed notes maturing 2022 (the “US\$500m Notes”). The full amount of US\$60m of validly tendered notes were accepted by the Issuer for purchase

- Following the December tender offer and another completed in August 2021 for c.US\$136m, the Group now has c.US\$304m of the US\$500m Notes outstanding. The buybacks were financed by a US\$200m term loan (30 June 2023 maturity) from Gazprombank, which carries a significantly lower interest rate than the 8.125% coupon on the US\$500 Notes

Hedging

- Zero cost collars for gold and currency fully expired as of 31 December 2021 and the Company has not contracted any new zero cost collars
- The Company hedges purchases of 3rd-party concentrate from the time the concentrate purchase price is fixed until the gold is produced from the concentrate and is ready to be sold at a specific price. The amount and timing of hedging corresponds to the volume and timing of gold the Company expects to produce and sell. As of 31 December 2021, 2.5koz were hedged using forward contracts

2022 Outlook and Guidance

- Total gold production for 2022 is expected to be in the range of 380-420koz, comprising own gold production of 345-365koz and 35-55koz of gold from 3rd-party concentrate, as the Company continues its transition to processing more own-mined refractory ore
- The POX hub is expected to operate at/near full capacity throughout 2022 due to increased deliveries from Pioneer and Malomir, which will supply the majority of flotation concentrate to be processed. The plant will process roughly the same volume of 3rd-party concentrate as in 2021, at lower grades but with higher expected recovery rates, which could improve margins
- Pioneer gold production is projected to increase as the new flotation plant processes refractory ore for the full year
- Malomir production is expected to remain stable in 2022, with slightly lower grades offset by higher mining and processing volumes, supported by the launch of the flotation plant expansion in the latter part of the year
- Albyn production is anticipated to be lower in the first half of 2022 as the processing plant works through stockpiles of lower-grade material from the Elginskoye deposit accumulated in 2021, but will stabilise in the second half of the year
- The outlook for total production is expected to be similar in 2023, but with a higher proportion of gold from own-mined ore, and to improve in subsequent years

Responsible Business

- In 2021, for the third year in a row, Petropavlovsk had zero work-related fatalities at its operations among the Group’s employees and its contractors
- The Lost Time Injury Frequency Rate (“LTIFR”) in Q4 2021 was reduced to 1.50 (Q3 2021: 2.0, Q4 2020: 1.56), while for FY 2021 the statistic was 17% higher year-on-year at 1.75 (FY 2020: 1.50). The severity level of the incidents recorded in Q4 2021 was categorised as light
- The higher FY 2021 LTIFR figure reflects improved transparency and a revised approach to health and safety reporting in line with best international practices, while the Q4 2021 statistic confirms a general downward trend over the course of the year following the implementation of improved safety policies and practices. Safety remains a top priority for the Group, and we are committed to reducing the number of accidents overall and to achieving our goal of zero harm

- Zero major environmental incidents in Q4 2021

Metric	Units	Q4 2021	Q4 2020	FY 2021	FY 2020
LTIFR	Per 1m hrs worked	1.50	1.56	1.75	1.50
Environmental incidents	Number	0	0	3	0

Note: Environmental incidents defined as moderate or serious

- The Company provided training to over 800 managers and employees in Q4 2021 on topics including health & safety leadership, defensive driving and first aid
- A community consultation took place for local residents, NGOs and local authorities regarding the ongoing expansion of the Malomir flotation plant, with a key focus on environmental safety

COVID-19 Update

- No material COVID-19 outbreaks occurred at Petropavlovsk sites in Q4 2021 or this year to date, and the Company continues to implement strict quarantine and safety measures across its operations
- In Q4 2021, the Company continued its on-site vaccination programme, launched in Q2 2021 at each of the mines and supported by an extensive information campaign via corporate and social media and other communications channels
- As of 10 January 2022, 80% of the Group's employees had 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 quarter

Development Update

Pioneer flotation plant and Malomir expansion

- On 31 May 2021, the Company launched the Pioneer flotation plant, with 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). Pioneer supplied 42kt of flotation concentrate to the POX Hub in Q4 2021, bringing its total since launch to 76kt, well ahead of the guidance estimate of 60kt for the year
- The construction of a third line at the Malomir flotation plant is progressing on schedule. On completion in Q3 2022, the expansion will add an additional 1.8Mtpa of flotation processing capacity, increasing the Group's total combined refractory ore processing capacity to 9.0Mtpa

Corporate News

- On 3 December 2021, Petropavlovsk completed the disposal of its 31.1% stake in IRC Limited ("IRC"), an iron ore producer with operations in the Russian Far East. The Company sold a 29.9% stake in IRC to Stocken Board AG for cash consideration of US\$10m plus the release of the Company from all guarantees given to Gazprombank in respect of IRC's US\$118m debt (as of 30 September 2021). UCP Industrial Holdings Limited acquired the Company's remaining 1.2% stake in IRC for total consideration of US\$2.24m on 1 December 2021
- On 13 December 2021, the Board of Directors appointed Ms Natalia Yakovleva as independent non-executive director. Ms Yakovleva is an experienced auditor, chartered accountant and certified independent director. She serves as a member of the Board's Audit Committee

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	Q4 2021	Q4 2020	FY 2021	FY 2020
Mining operations					
Total material moved	m3 '000	3,993	4,863	18,062	19,884
Non-refractory ore mined	t '000	684	836	2,797	3,145
Average grade	g/t	1.27	1.15	1.10	1.00
Gold content	oz. '000	27.9	30.8	98.9	101.1
Refractory ore mined	t '000	1,320	-	2,673	-
Average grade	g/t	1.30	-	1.18	-
Gold content	oz. '000	55.0	-	101.0	-
Processing operations (RIP plant)					
Ore milled	t '000	471	1,327	2,833	5,410
Average grade	g/t	1.01	0.79	0.93	0.81
Gold content	oz. '000	15.3	33.6	84.6	140.0
Recovery	%	77.7	83.0	79.5	84.6
Gold recovered	oz. '000	11.9	27.9	67.2	118.4
Flotation plant (refractory ores)					
Ore milled	t '000	888	-	2,032	-
Average grade	g/t	1.52	-	1.22	-
Gold content	oz. '000	43.4	-	79.6	-
Recovery	%	84.4	-	81.9	-
Concentrate yield	%	4.7	-	3.7	-
Concentrate produced	t '000	41.3	-	75.8	-
Average grade	g/t	27.6	-	26.7	-
Concentrate gold content	oz. '000	36.6	-	65.2	-
POX Plant (Pioneer concentrate)					
Concentrate treated	t '000	41.7	-	75.7	-
Average grade	g/t	27.6	-	26.7	-
Gold in concentrate	oz. '000	37.0	-	65.1	-
Recovery	%	95.3	-	95.3	-
Gold recovered	oz. '000	35.3	-	62.0	-
Total gold production (doré)	oz. '000	52.8	27.9	131.8	119.0

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

Pioneer processed ore from both open pit and underground mining in Q4 2021 and recorded an 89% year-on-year increase in gold production as it added volumes from the new flotation plant. Ore processing volumes were almost even versus the same period the previous year at 1,359kt, including 471kt at the resin-in-pulp (RIP) plant and 888kt at flotation. Grades improved to 1.01g/t year-on-year for non-refractory ore, while refractory ore grade was 1.52g/t in Q4 2021 versus 1.07 g/t in Q3 2021.

Underground mining at Pioneer's Bakhmut-2 underground ore zone recommenced in Q4 2021, following the restart of work at the Bakhmut-3 zone the previous quarter. Work in these areas was halted as a precaution following the flooding of a nearby depleted open pit in June. Mining of the Andreevskaya underground ore zone also commenced in Q4 2021 following a pause for exploration drilling in Q3.

Technical issues experienced with some of the filtration systems installed at the flotation plant, reported by the Company in its Q3 2021 trading update, have been resolved early in Q4 2021 and the plant operated at full capacity for the remainder of the period.

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.

Malomir	Units	Q4 2021	Q4 2020	FY 2021	FY 2020
Mining operations					
Total material moved	m3 '000	3,184	2,290	11,147	9,867
Non-refractory ore mined	t '000	-	87	163	423
Average grade	g/t	-	2.65	2.23	2.24
Gold content	oz. '000	-	7.4	11.7	30.5
Refractory ore mined	t '000	1,147	746	4,773	4,128
Average grade	g/t	1.57	1.26	1.62	1.16
Gold content	oz. '000	58.0	30.2	248.4	153.9
Processing operations (RIP plant)					
Resin-in-pulp (RIP plant), non-refractory ores					
Ore milled	t '000	-	95	148	414
Average grade	g/t	-	2.69	2.24	2.23
Gold content	oz. '000	-	8.2	10.7	29.7
Recovery	%	-	77.8	72.8	77.1
Gold recovered	oz. '000	-	6.4	7.8	22.9
Flotation plant (refractory ores)					
Ore milled	t '000	1,036	990	4,074	3,874
Average grade	g/t	1.45	1.22	1.38	1.26
Gold content	oz. '000	48.4	38.9	181.1	157.1
Recovery	%	83.0	82.9	83.4	84.2
Concentrate yield	%	4.4	3.7	4.1	3.7
Concentrate produced	t '000	45.5	36.0	165.9	143.0
Average grade	g/t	27.5	27.5	28.3	28.8
Concentrate gold content	oz. '000	40.2	32.3	151.1	132.3
POX Plant (Malomir concentrate)					
Concentrate treated	t '000	54.6	33.0	173.5	144.0
Average grade	g/t	27.4	27.5	28.4	29.0
Gold in concentrate	oz. '000	48.0	28.7	158.2	133.9

Recovery	%	93.2	91.1	92.8	91.4
Gold recovered	oz. '000	44.8	26.2	146.8	122.4
Total gold production (doré)	oz. '000	47.8	29.4	159.3	140.1

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

Malomir had a strong Q4 2021 as total gold production rose 63% year-on-year due to higher grades and volumes. Malomir exclusively processed refractory ore during the reporting period, treating 1,036kt of ore with a grade of 1.45g/t.

Problems with rail transportation for delivering concentrate from Malomir to the POX hub, reported in the Q3 2021 trading update, were resolved via the contracting of additional rail capacity and did not restrict Q4 2021 production.

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.

Albyn	Units	Q4 2021	Q4 2020	FY 2021	FY 2020
Mining operations					
Total material moved	m3 '000	3,097	535	13,019	9,451
Non-refractory ore mined	t '000	1,317	87	6,682	2,338
Average grade	g/t	1.01	0.64	0.92	0.87
Gold content	oz. '000	42.7	1.8	196.7	65.1
Refractory ore mined	t '000	765	-	3,268	-
Average grade	g/t	0.87	-	0.98	-
Gold content	oz. '000	21.4	-	103.4	-
Processing operations (RIP plant)					
Ore milled	t '000	1,013	922	3,700	4,368
Average grade	g/t	1.08	0.99	1.03	0.95
Gold content	oz. '000	35.2	29.2	122.1	132.8
Recovery	%	75.7	93.8	80.4	93.9
Gold recovered	oz. '000	26.6	27.4	98.2	124.8
Total gold production (doré)	oz. '000	29.8	28.2	99.3	126.5

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 throughput and 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. Mining in Q4 2021 continued to focus on areas within the Severny pit. Refractory ore mined at Albyn is currently being stockpiled.

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 Concentrate	Units	Q4 2021	Q4 2020	FY 2021	FY 2020
POX plant					
Concentrate treated	t '000	13.9	23.0	62.0	101.3
Average grade	g/t	31.7	37.2	32.1	48.4
Gold in concentrate	oz. '000	14.2	27.5	64.0	157.8
Recovery	%	91.9	92.7	93.0	93.8
Gold recovered	oz. '000	13.1	25.5	59.5	148.0
Total gold production (doré)	oz. '000	12.7	28.0	59.4	162.5

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

The POX Hub treated 13.9kt of 3rd-party concentrate at an average grade of 31.7g/t to produce 12.7koz 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.

Production from 3rd-party concentrate for the full year was notably lower (63%) year-on-year due to the lower grades in the concentrate available for purchase on the market during the year, as well as lower available volumes in H1 2021 and the use of capacity for concentrate from own mines in the second half of the year.

About Petropavlovsk

Petropavlovsk PLC (LSE: POG. MOEX: POGP) 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.8.7Moz 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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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.