PETROPAVLOVSK

ROLES OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SENIOR INDEPENDENT DIRECTOR

THE CHAIRMAN

The Chairman is responsible for leading the Board, creating conditions for overall Board and individual director effectiveness, promoting constructive debate and for:

1 Meetings

1.1 Chairing Board and general meetings.

1.2 Running the Board and ensuring its effectiveness in all aspects of its role, including regularity and frequency of meetings.

1.3 Setting the Board agenda, in conjunction with the Company Secretary, taking into account the issues and concerns of all Board members. The agenda should be forward looking, concentrating on strategic matters.

1.4 Ensuring that there is appropriate delegation of authority from the Board to Executive Management.

1.5 Ensuring that the Directors receive accurate, timely and clear information, including that on the Company's current performance, to enable the Board to make sound decisions, monitor effectively and provide advice to promote the success of the Company.

1.6 Managing the Board to allow enough time for discussion of complex or contentious issues. The Chairman should ensure that Directors (particularly Non-Executive Directors) have sufficient time to consider critical issues and obtain answers to any questions or concerns they may have and are not faced with unrealistic deadlines for decision making. The Chairman shall ensure that the Board complies with its obligations under s172 Companies Act by taking into account the needs of the Company's wider stakeholders.

2 Directors

2.1 Facilitating the effective contribution of Non Executive Directors and encouraging active engagement by all members of the Board.

2.2 Ensuring constructive relations between the Executive and Non Executive Directors.

2.3 Holding meetings with the Non Executive Directors without the Executives present.

2.4 Ensuring that new Directors participate in a formal induction programme, facilitated by the Company Secretary.

2.5 Ensuring that the development needs of Directors are identified and that these needs are met. The Directors should be able to continually update their skills and the knowledge and familiarity with the Company required to fulfil their role on the Board and its committees.

2.6 Identifying the development needs of the Board as a whole to enhance its overall effectiveness as a team.

2.7 Ensuring the performance of the Board, its committees and individual Directors is evaluated at least once a year and acting on the results of such evaluation by recognising the strengths and addressing the weaknesses of the Board. Where appropriate, through the Nomination Committee, proposing that new members be appointed to the Board or seeking the resignation of others.

3 Relations with shareholders

3.1 Ensuring that the Company maintains effective communication and has a clear understanding of the views of shareholders.

4 AGM

4.1 Arranging for the Chairmen of Board committees to be available to answer questions at the AGM and for all Directors to attend.

In addition, the Chairman should:

1. Uphold the highest standards of integrity and probity.
2. Set the agenda, style and tone of Board discussions to promote effective decision making and constructive debate.
3. Ensure that Directors are fully informed about all issues on which the Board will have to make a decision, through briefings with the Chief Executive, members of the Executive Management and the Company Secretary as appropriate.
4. Promote effective relationships and open communication between Executive and Non Executive Directors both inside and outside the Boardroom, ensuring an appropriate balance of skills and personalities.
5. Build an effective and complementary Board, and with the Nominations Committee, initiate change and plan succession in Board appointments (except that of a successor as Chairman) subject to Board and shareholder approval.
6. With the assistance of the Company Secretary, promote the highest standards of corporate governance, seeking compliance with the Corporate Governance Code. If full compliance is not possible, ensure that the reasons for non-compliance are fully understood, agreed by the Board and explained to shareholders.
7. Ensure an appropriate balance is maintained between the interests of shareholders and other stakeholders (employees, customers, suppliers and the community) taking into account the requirements of s172 Companies Act to consider the needs of its wider stakeholders while the Board performs its duties
8. Ensure the continual improvement in quality and calibre of the Executives.
9. Establish a close relationship of trust with the Chief Executive and Chief Financial Officer, providing support and advice while respecting Executive responsibility.
10. Provide coherent leadership of the Company, including, in conjunction with the Chief Executive, representing the Company to customers, suppliers, governments, shareholders, financial institutions, the media, the community and the public.

THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer (CEO) is primarily responsible for the running of the Group and for executing strategy. The CEO is responsible for

1 Business Strategy and Management

1.1 Developing Group objectives and strategy having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders and the long-term sustainability of the business. Recommending the proposed strategy to the Board.

1.2 Co-ordinating the development and implementation of operational policies, strategic plans, and annual operating plans and recommending to the Board, strategies to achieve the goals and objectives of the Group.

1.3 Co-ordinating and recommending to the Board, the annual operating and capital budget.

1.4 In conjunction with the Chief Financial Officer, recommending to the Board an annual budget and financial plan and ensuring that the Group operates within the approved budgets and operating plans following Board approval. Monitoring operational progress against performance targets and organising counter-measures when required.

1.5 Overseeing the day-to-day operations and activities of the Group projects by daily communication with his senior operational team.

2 Risk Management and Controls

2.1 Ensuring that the Group operates within all regulatory requirements.

2.2 Ensuring the implementation of Group policies, directives and procedures.

2.3 Acting as a focal point for discussions with regional and local authorities at a senior level.

2.4 Establishing appropriate organisational/personnel structure and systems to ensure the achievement of strategic objectives.

3 Board Committees

3.1 Making recommendations to the Nomination Committee on the role and capabilities required in respect of the appointment of Executive Directors.

4 Other

4.1 Setting Group HR policies, including management development and succession planning for the senior Executive team and approving the appointment and termination of employment of members of that team.

4.2 Leading the Executive Directors and the senior Executive team in the day to day running of the Group's business, including communicating the Executive decisions/recommendations to the Board.

4.3 Regularly reviewing the operational performance and strategic direction of the Group's business.

4.4 Formalising the roles and responsibilities of the senior Executive team, including clear delegation of authorities.

4.5 Supervising the activities of subsidiary companies.

4.6 Together with the Chairman, providing coherent leadership of the Company, including, representing the Group to customers, suppliers, government, shareholders, financial institutions, employees, the media, the community and the public.

4.7 Keeping the Chairman informed on all important matters.

SENIOR INDEPENDENT DIRECTOR

The role of the Senior Independent Director is principally to support the Chairman in his role and to work with him and other directors to resolve any significant issues that may arise. The Senior Independent Director is responsible for:

1 Chairman

1.1 Supporting the Chairman's delivery of objectives.

1.2 Leading the non-executive directors in the oversight and evaluation of the Chairman and ensuring there is clear division of responsibility between the Chairman and Chief Executive Officer.

1.3 Taking responsibility for an orderly succession process for the Chairman.

In addition, the SID should be able to deputise for the Chairman should circumstances require.

2 Shareholders

2.1 Being available to shareholders to express concerns that the normal channels have failed to resolve or which would be inappropriate.

APPROVED BY THE BOARD 4 DECEMBER 2019

Company number 4343841

ARTICLES OF ASSOCIATION
OF
PETROPAVLOVSK PLC

(As adopted by a Special Resolution passed on 30 June 2020)

Amanda Whalley

Amanda Whalley
Company Secretary

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of

PETROPAVLOSK PLC

(As adopted by a Special Resolution passed on 30 June 2020)

PART 1 – PRELIMINARY

1 TABLE A AND MODEL ARTICLES NOT TO APPLY

No regulations set out in any statute or in any statutory instrument or other subordinate legislation concerning companies (including the regulations in Table A of The Companies (Tables A to F) Regulations 1985 as amended and any model articles prescribed under the Companies Act 2006) shall apply as the regulations or articles of the Company, but the following shall be the Articles of Association of the Company.

2 INTERPRETATION

2.1 In these Articles, unless the context otherwise requires, the following expressions have the following meanings:

address includes a number or address used for the purposes of sending or receiving documents or information by electronic means;

these Articles means these Articles of Association as originally adopted as the same may be amended from time to time (and **Article** means one of these Articles);

Auditors means the auditors for the time being of the Company or, in the case of joint auditors, all or any one of them;

authenticated has the meaning given in the Statutes;

Board means the board of Directors for the time being of the Company or the Directors present or deemed to be present at a duly convened meeting of the board of Directors at which a quorum is present;

CA 2006 means the Companies Act 2006;

cash memorandum account means an account so designated by the Operator of the relevant system;

Chairman means the chairman (if any) of the Board or, where the context requires, the chairman of a general meeting of the Company;

clear days means (in relation to the period of a notice or other communication) that period excluding the day when the notice or other communication is given or deemed to be given and the day for which it is given or on which it is to take effect

Companies Acts has the meaning given to it in section 2 of CA2006;

Company means Petropavlovsk PLC;

Depositary means a custodian or other person (or a nominee for such custodian or other person) appointed under contractual arrangements with the Company or other arrangements approved by the Board whereby such custodian or other person or nominee holds or is interested in shares of the Company or rights or interests in shares of the Company and issues securities or other documents of title or otherwise evidencing the entitlement of the holder thereof to or to receive such shares, rights or interests, and shall include, where approved by the Board, the trustees (acting in their capacity as such) of any employees' share scheme established by the Company or any other scheme or arrangement principally for the benefit of employees or those in the service of the Company and/or its subsidiaries or their respective businesses and the managers (acting in their capacity as such) of any investment or savings plan, which, in each case, the Board has approved;

Director means a director for the time being of the Company and includes any person appointed by him as his alternate director but only while acting as such;

Disclosure and Transparency Rules means the Disclosure and Transparency Rules sourcebook made by the Financial Conduct Authority as the same may be amended from time to time;

electronic form and **electronic means** have the meanings given to them in the Companies Acts;

execution includes any mode of execution (and **executed** shall be construed accordingly);

FSMA means the Financial Services and Markets Act 2000;

general meeting means a meeting of shareholders which is an annual general meeting or any other general meeting;

Group means the Company and its subsidiary undertakings from time to time and **Group Company** means any company in the Group;

holder means (in relation to any share) the member whose name is entered in the Register as the holder or, where the context permits, the members whose names are entered in the Register as the joint holders of that share;

London Stock Exchange means London Stock Exchange plc or other principal stock exchange in the United Kingdom for the time being;

member means a member of the Company or, where the context requires, a member of the Board or of any committee;

Office means the registered office for the time being of the Company;

paid up means paid up or credited as paid up;

recognised clearing house means a clearing house granted recognition as such under FSMA;

recognised investment exchange means an investment exchange granted recognition as such under FSMA;

recognised person means a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange which is designated as mentioned in the Statutes;

Register means the register of members of the Company to be kept pursuant to the Statutes or, as the case may be, any overseas branch register kept pursuant to Article 110 (*Overseas Registers*);

Regulations means The Uncertificated Securities Regulations 2001 (SI 2001 No 3755) as the same have been or may be amended from time to time and any provisions of or under the Statutes which supplement or replace such Regulations;

Seal means the common seal of the Company or any official or securities seal that the Company may be permitted to have under the Statutes;

Secretary means the secretary for the time being of the Company or any other person appointed to perform any of the duties of the secretary of the Company including (subject to the provisions of the Statutes) a joint, temporary, assistant or deputy secretary;

share means a share of the Company;

Statutes means the Companies Act and every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under the Companies Acts;

subsidiary and **holding company** have the meanings given in section 1159 CA 2006 and in interpreting section 1159 CA 2006 for the purposes of these Articles, a company is to be treated as the holding company of another company or as a member of a subsidiary even if its shares in the other company are registered in the name of (i) a nominee, or (ii) any party holding security over those shares, or that secured party's nominee;

United Kingdom means the United Kingdom Great Britain and Northern Ireland;

working day has the meaning given to it in section 1173 CA2006; and

writing or **written** means printing, typewriting, lithography, photography and any other mode or modes of representing or reproducing words in a legible and non-transitory form, whether sent or supplied in electronic form or otherwise.

2.2 The expressions "**Operator**", "**participating security**" and "**relevant system**" have the same meanings given to them in the Regulations.

2.3 In these Articles, unless the context otherwise requires:

(a) words in the singular include the plural, and vice versa;

(b) words importing the masculine gender include every gender;

(c) a reference to a person includes a legal or natural person, partnership, trust, company, government or local authority department or other body (whether corporate or unincorporated);

(d) a reference to a Director being **appointed** includes a Director being elected and **appointment** of a Director shall be construed accordingly;

(e) a reference to an uncertificated share or to a share (or to a holding of shares) being in uncertificated form is to that share being an uncertificated unit of a security which, for the time being, is a participating security, and a reference to a certificated share or to a share being in certificated form is to that share being a unit of a security which is not an uncertificated unit;

(f) a reference to any statute or statutory provision includes any orders, regulations or other subordinate legislation made under it and any statutory modification or re-enactment of it for the time being in force; and

(g) words or expressions defined in the CA 2006 shall have the meaning given to them in that Act.

2.4 References to "**electronic facility**" includes (without limitation) website addresses and conference call systems and any device, system, procedure, method or facility providing an electronic means of attendance at or participation in (or both attendance at and participation in) a general meeting determined by the Directors pursuant to Article 49 (*Notice of General Meeting*).

2.5 References to a person's "**participation**" in the business of any general meeting includes without limitation and as relevant the right (including, in the case of a corporation, through a duly appointed representative) to speak, vote, be represented by a proxy and have access in hard copy or electronic form to all documents which are required by the Statutes or these Articles to be made available at the meeting and participate and participating shall be construed accordingly.

2.6 Any reference to a "**meeting**" means a meeting convened and held in any manner permitted by these Articles, including without limitation a general meeting of the Company at which some or all persons entitled to be present attend and participate by means of electronic facility or facilities in accordance with these Articles, and such persons shall be deemed to be present at that meeting for all purposes of the Statutes and these Articles and attend and participate, attending and participating and attendance and participation shall be construed accordingly.

2.7 The headings are inserted for convenience only and shall not affect the construction of these Articles.

2.8 The footnotes do not form part of these Articles and are only included so as to give statutory references and other guidance.

3 CHANGE OF NAME

The name of the Company may be changed either by the members by special resolution or by the Directors.

4 LIMITED LIABILITY

The liability of the members is limited to the amount, if any, unpaid on shares held by them.

PART 2 – SHARE CAPITAL

5 **SHARE RIGHTS**

Subject to the provisions of the Statutes and to any rights for the time being attached to any existing shares, any shares may be allotted or issued with, or have attached to them, such preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine.

6 **ALLOTMENT**

6.1 Subject to the provisions of the Statutes and to any relevant authority of the Company required by the Statutes, the Board may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of any new shares or rights to subscribe for or convert any security into shares, to such persons (including the Directors themselves), at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount to its nominal value.

6.2 The Board may, at any time after the allotment of any share but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and accord to any allottee of a share a right to effect such renunciation and/or allow the rights represented thereby to be one or more participating securities, in each case upon and subject to such terms and conditions as the Board may think fit to impose.

7 **REDEEMABLE SHARES**

Subject to the provisions of the Statutes and to any special rights for the time being attached to any existing shares, any share may be issued which is, or at the option of the Company or of the holder of such share is liable, to be redeemed on such terms and conditions and in such manner as these Articles may provide or the Directors may determine.

8 **COMMISSION AND BROKERAGE**

The Company may, in connection with the issue of any shares, exercise all powers of paying commission and brokerage conferred or permitted by the Statutes. Subject to the provisions of the Statutes, any such commission or brokerage may be satisfied by the payment of cash, the allotment of fully or partly paid shares, the grant of an option to call for an allotment of shares or any combination of such methods.

9 **TRUSTS NOT TO BE RECOGNISED**

Except as otherwise expressly provided by these Articles, as required by law or as ordered by a court of competent jurisdiction, the Company shall not recognise any person as holding any share on any trust, and the Company shall not be bound by or required in any way to recognise (even when having notice of it) any equitable, contingent, future, partial or other claim to or interest in any shares other than an absolute right of the holder to the whole of the share.

10 **CERTIFICATED AND UNCERTIFICATED SHARES**

10.1 Notwithstanding anything in these Articles to the contrary, any shares may be issued, held, registered, converted to, transferred or otherwise dealt with in certificated or in uncertificated form and converted from uncertificated form to certificated form in accordance with the Regulations and practices instituted by the Operator of the relevant system. The provisions of these Articles shall not apply to any uncertificated shares to the extent that such provisions are inconsistent with:

(a) the holding of shares in uncertificated form;

(b) the transfer of title to shares by means of the relevant system;

(c) the exercise of any powers or functions by the Company or the effecting by the Company of any actions by means of a relevant system; or

(d) any provision of the Regulations.

10.2 Without prejudice to the generality and effectiveness of the foregoing:

(a) references in these Articles to a requirement on any person to execute or deliver an instrument of transfer or certificate or other document shall, in the case of uncertificated shares, be treated as references to a requirement to comply with any relevant requirements of the relevant system, the Regulations and any relevant arrangements or regulations which the Board may make from time to time pursuant to Article 10.2(d);

(b) the Company shall enter on the Register the number of shares which are held by each member in uncertificated form and in certificated form and shall, in the case of uncertificated shares, maintain the Register in each case as is required by the Regulations and the relevant system and, unless the Board otherwise determines, holdings of the same holder or joint holders of shares in certificated form and in uncertificated form shall be treated as separate holdings but where such holdings are in the same form, they shall be treated as a single holding;

(c) a class of share shall not be treated as two classes by virtue only of that class comprising both certificated shares and uncertificated shares or as a result of any provision of these Articles or the Regulations which applies only in respect of certificated shares or uncertificated shares;

(d) subject to the Regulations and the requirements of the relevant system, the Board may make such arrangements or regulations (if any) as it may from time to time in its absolute discretion think fit in relation to the evidencing and transfer of uncertificated shares and otherwise for the purpose of implementing and/or supplementing the provisions of these Articles in relation to uncertificated shares and the Regulations and the facilities and requirements of the relevant system and such arrangements and regulations (as the case may be) shall have the same effect as if set out in these Articles;

(e) the Board may utilise the relevant system to the fullest extent available from time to time in the exercise of the Company's powers or functions under the Statutes or these Articles or otherwise in effecting any actions; and

(f) the Board may resolve that a class of shares is to become a participating security and may at any time determine that a class of shares shall cease to be a participating security.

10.3 Where any class of shares is a participating security and the Company is entitled under any provisions of the Statutes or the rules made and practices instituted by the Operator of any relevant system or under these Articles to dispose of, forfeit, enforce a lien or sell or otherwise procure the sale of any shares which are held in uncertificated form, such entitlement (to the extent permitted by the Regulations and the rules made and practices instituted by the Operator of the relevant system and subject to the arrangements and regulations referred to in Article 10.2(d)) shall include the right to:

(a) request or require the deletion of any computer-based entries in the relevant system relating to the holding of such shares in uncertificated form; and/or

(b) require any holder of any uncertificated shares which are the subject of any exercise by the Company of any such entitlement, by notice in writing to the holder concerned, to change his holding of such uncertificated shares into certificated form within such period as may be specified in the notice, prior to completion of any disposal, sale or transfer of such shares, or direct the holder to take such steps (by instructions given by means of the relevant system or otherwise) as may be necessary to dispose of, sell or transfer such shares; and/or

(c) appoint any person to take such other steps (by instructions given by means of the relevant system or otherwise) in the name of the holder of such shares as may be required to effect a transfer of such shares and such steps shall be as effective as if they had been taken by the registered holder of the uncertificated shares concerned; and/or

(d) transfer any uncertificated shares which are the subject of any exercise by the Company of any such entitlement by entering the name of the transferee in the Register in respect of that share as a transferred share; and/or

(e) otherwise rectify or change the Register in respect of that share in such manner as may be appropriate; and/or

(f) take such other action as may be necessary to enable those shares to be registered in the name of the person to whom the shares have been disposed of, sold or transferred or as directed by him.

10.4 The Company shall be entitled to assume that the entries on any record of securities maintained by it in accordance with the Regulations and regularly reconciled with the relevant Operator register of securities are a complete and accurate reproduction of the particulars entered in the Operator register of securities and shall accordingly not be liable in respect of any act or thing done or omitted to be done by or on behalf of the Company in reliance on such assumptions. In particular, any provision of these Articles which requires or envisages that action will be taken in reliance on information contained in the Register shall be construed so as to permit that action to be taken in reliance on information contained in any relevant record of securities (as so maintained and reconciled).

PART 3 – SHARE CERTIFICATES

11 RIGHTS TO CERTIFICATES

11.1 On becoming the holder of any share in certificated form, every person (except a recognized person in respect of whom the Company is not by law required to complete and have ready for delivery a certificate) shall be entitled, without charge, to have issued within two months after allotment or lodgement of a transfer (unless the terms of issue of the shares provide otherwise) one certificate for all of the shares of that class registered in his name. Such certificate shall specify the number and class of the shares in respect of which it is issued and the amount or respective amounts paid up thereon and shall be issued as provided in Article 131 (*Application of Seal*).

11.2 The Company shall not be bound to issue more than one certificate in respect of shares held jointly by two or more persons. Delivery of a certificate to the person first named on the Register shall be sufficient delivery to all joint holders.

11.3 Where a member (other than a recognised person) has transferred part only of the shares comprised in a certificate, he shall be entitled without charge to a certificate for the balance of such shares. Where a member receives more shares of any class, he shall be entitled without charge to a certificate for the extra shares of that class.

11.4 No certificate representing shares of more than one class or in respect of shares held by a recognised person shall be issued.

11.5 This Article 11 does not apply to uncertificated shares.

12 REPLACEMENT OF CERTIFICATES

12.1 Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu without charge on surrender of the original certificates for cancellation.

12.2 If any member shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu thereof two or more share certificates representing such shares in such proportions as he may specify, the Board may, if it thinks fit, comply with such request.

12.3 Share certificates may be renewed or replaced on such terms as to provision of evidence and indemnity (with or without security) and to payment of any exceptional out of pocket expenses, including those incurred by the Company in investigating such evidence and preparing such indemnity and security, as the Board may decide, and on surrender of the original certificate (where it is defaced, damaged or worn out), but without any further charge.

12.4 In the case of shares held jointly by several persons, any such request as is mentioned in this Article 12 may be made by any one of the joint holders.

12.5 This Article 12 does not apply to uncertificated shares.

PART 4 - LIEN ON SHARES

13 **LIEN ON SHARES NOT FULLY PAID**

13.1 The Company shall have a first and paramount lien on each of its shares which is not fully paid, for all amounts payable to the Company (whether presently or not) in respect of that share to the extent and in the circumstances permitted by the Statutes. The Company's lien on a share shall extend to every amount payable in respect of it.

13.2 The Board may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.

13.3 Unless otherwise agreed, the registration of a transfer of a share shall operate as a waiver of the Company's lien (if any) on that share.

14 **ENFORCEMENT OF LIEN BY SALE**

The Company may sell all or any of the shares subject to any lien at such time or times and in such manner as the Board may determine. However, no sale shall be made until such time as any money in respect of which such lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, and until notice in writing shall have been served on the holder or the person (if any) entitled by transmission to the shares, demanding the amount due or specifying the liability or engagement and demanding payment or fulfilment or discharge thereof and giving notice of intention to sell if default in payment, fulfilment or discharge shall continue for 14 clear days after service of such notice. To give effect to any such sale, the Board may authorise some person to execute an instrument of transfer of the shares sold in the name and on behalf of the holder or the person (if any) entitled by transmission in favour of the purchaser or as the purchaser may direct. The purchaser shall not be bound to see to the application of any purchase consideration nor shall his title to the shares be affected by any act, omission, irregularity or invalidity relating to or connected with the proceedings in reference to the sale.

15 **APPLICATION OF PROCEEDS OF SALE**

The net proceeds of any sale of shares subject to any lien, after payment of the expenses of sale, shall be applied in or towards satisfaction of so much of the amount due to the Company or of the liability or engagement (as the case may be) as is presently payable or is liable to be presently fulfilled or discharged. The balance (if any) shall (on surrender to the Company for cancellation of the certificate for the shares sold, and subject to a like lien for any money not presently payable or any liability or engagement not liable to be presently fulfilled or discharged as existed on the shares before the sale) be paid (without interest) to the holder or the person (if any) entitled by transmission to the shares so sold.

PART 5 – CALLS ON SHARES

16 **CALLS**

Subject to the terms of allotment of shares, the Board may from time to time make calls on the members in respect of any money unpaid on the shares of any class held by them respectively (whether in respect of nominal value or premium) and not payable on a date fixed by or in accordance with the terms of issue. A call may be required to be paid by instalments. Each member shall (subject to receiving at least 14 clear days' notice specifying when and where payment is to be made and whether or not by instalments) be liable to pay the amount of every call so made on him as required by the notice. A call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed or (as the case may require) any person to whom power has been delegated pursuant to these Articles serves notice of exercise of such power. A call may, before receipt by the Company of any sum due thereunder, be either revoked or postponed in whole or part as the Board may determine. A person on whom a call is made shall remain liable notwithstanding the subsequent transfer of the shares in respect of which the call was made.

17 **LIABILITY OF JOINT HOLDERS**

The joint holders of a share shall be jointly and severally liable for the payment of all calls in respect thereof.

18 **INTEREST ON CALLS**

If the whole of the sum payable in respect of any call is not paid on or before the day appointed for payment, the person from whom it is due and payable shall pay all costs, charges and expenses that the Company may have incurred by reason of such non-payment, together with interest on the unpaid amount from the day appointed for payment thereof to the day of payment (both days inclusive) at the rate fixed by the terms of the allotment of the share or in the notice of the call or, if no rate is so fixed, at 15 per cent per annum (or such lower rate as the Board may determine). The Board may waive payment of such costs, charges, expenses or interest in whole or in part.

19 **RIGHTS OF MEMBER WHEN CALL UNPAID**

Unless the Board otherwise determines, no member shall be entitled to receive any dividend or to be present and vote at a general meeting or at any separate general meeting of the holders of any class of shares either in person or (save as proxy for another member) by proxy, or be reckoned in a quorum, or to exercise any other right or privilege as a member in respect of a share held by him unless and until he shall have paid all calls for the time being due and payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) payable by such member to the Company.

20 **SUMS DUE ON ALLOTMENT TREATED AS CALLS**

Any sum payable in respect of a share on allotment or at any fixed date, whether in respect of the nominal value of the share or by way of premium or as an instalment of a call, shall for the purposes of these Articles be deemed to be a call duly made. If it is not paid, the provisions of these Articles shall apply as if such amount had become due and payable by virtue of a call.

21 **POWER TO DIFFERENTIATE**

The Board may make arrangements on the allotment or issue of shares for a difference as between the allottees or holders of such shares in the amount and time of payment of calls.

22 **PAYMENT IN ADVANCE OF CALLS**

The Board may, if it thinks fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid on the shares held by him. Such payment in advance of calls shall extinguish pro tanto the liability on the shares in respect of which it is made. The Company may pay interest on the money paid in advance, or so much of it as exceeds the amount for the time being called up on the shares in respect of which such advance has been made, at such rate as the Board may decide. The Board may at any time repay the amount so advanced on giving to such member not less than three months' notice in writing of its intention to do so, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced.

PART 6 – FORFEITURE OF SHARES

23 **NOTICE IF CALL NOT PAID**

If any member fails to pay the whole of any call or any instalment of any call on or before the day appointed for payment, the Board may at any time serve a notice in writing on such member or on any person entitled to the shares by transmission, requiring payment, on a date not less than 14 clear days from the date of the notice, of the amount unpaid and any interest which may have accrued thereon and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where the payment is to be made and state that, if the notice is not complied with, the shares in respect of which such call was made will be liable to be forfeited.

24 **FORFEITURE FOR NON-COMPLIANCE**

If the notice referred to in Article 23 (*Notice if call not paid*) is not complied with, any share in respect of which it was given may, at any time before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect which shall state the date of forfeiture. Such forfeiture shall include all dividends declared or other money payable in respect of the forfeited shares and not paid before the forfeiture.

25 **NOTICE AFTER FORFEITURE**

When any share has been forfeited, notice of the forfeiture shall be served on the person who was before forfeiture the holder of the share or the person entitled to such share by transmission (as the case may be). An entry of such notice having been given and of the forfeiture with the date thereof shall forthwith be made in the Register in respect of such share. However, no forfeiture shall be invalidated by any omission to give such notice or to make such entry as aforesaid.

26 **FORFEITURE MAY BE ANNULLED**

The Board may, at any time before any share so forfeited has been cancelled or sold, re-allotted or otherwise disposed of, annul the forfeiture, on the terms that payment shall be made of all calls and interest due thereon and all expenses incurred in respect of the share and on such further terms (if any) as the Board shall see fit.

27 **SURRENDER**

The Board may accept a surrender of any share liable to be forfeited. In such case, references in these Articles to forfeiture shall include surrender.

28 DISPOSAL OF FORFEITED SHARES

Every share which is forfeited shall on forfeiture become the property of the Company. Subject to the provisions of the Statutes, any forfeited share may be sold, re-allotted or otherwise disposed of, either to the person who was the holder before forfeiture or otherwise entitled to the share, or to any other person, on such terms and in such manner as the Board shall determine. The Board may, for the purposes of the disposal, authorise some person to transfer the share in question and may enter the name of the transferee in respect of the transferred share in the Register, notwithstanding the absence of any share certificate being lodged in respect of the share and may issue a new certificate to the transferee. An instrument of transfer executed by that person shall be as effective as if it had been executed by (as the case may be) the holder (if any) of, or the person entitled by transmission to, the share. The Company may receive the consideration (if any) given for the share on its disposal.

29 EFFECT OF FORFEITURE

A shareholder whose shares have been forfeited shall cease to be a member in respect of the shares forfeited and shall, in the case of a holder of certificated shares, surrender to the Company for cancellation the certificate for such shares. He shall nevertheless be liable (unless payment is waived in whole or in part by the Board) to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest thereon at 15 per cent per annum (or such lower rate as the Board may determine) from the date of the forfeiture to the date of payment (both dates inclusive), in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) claims, demands and liabilities which the Company might have enforced in respect of the shares at the time of forfeiture, without any reduction or allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal

30 EXTINCTION OF CLAIMS

The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share as between the holder if any whose share is forfeited or the person entitled by transmission to the forfeited share (as the case may be) and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Statutes given or imposed in the case of past members.

31 EVIDENCE OF FORFEITURE

A statutory declaration by a Director or the Secretary that a share has been forfeited in pursuance of these Articles, and stating the date on which it was forfeited, shall, as against all persons claiming to be entitled to that share, be conclusive evidence of the facts therein stated. The declaration, together with the receipt by the Company for the consideration (if any) given for the share on the sale or disposition thereof and a certificate for the share delivered to the person to whom the same is sold or disposed of, shall (subject if necessary to the execution of an instrument of transfer) constitute a good title to the share. Subject to the execution of any necessary transfer, such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition and shall not be bound to see to the application of any purchase consideration, nor shall his title to the share be affected by any act, omission, irregularity or invalidity relating to or connected with the proceedings in reference to the forfeiture or disposal of the share. Such person shall not (except by express agreement with the Company) become entitled to any dividend which might have accrued on the share before the completion of the sale or disposition thereof.

PART 7 – DISCLOSURE OF INTERESTS

32 FAILURE TO DISCLOSE INTERESTS IN SHARES

32.1 Where a member, or any other person interested in shares held by that member, has been issued with a notice pursuant to the Statutes requiring such person to provide information about his interests in the Company's shares (a "**Section 793 Notice**") and has failed in relation to any shares (the default shares, which expression includes any shares issued after the date of such notice in respect of those shares) to give the Company the information required within the prescribed period from the service of the notice, the following sanctions shall apply unless the Board otherwise determines:

(a) the member shall not be entitled (in respect of the default shares) to be present or to vote (either in person or by representative or by proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll, or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) where the default shares represent at least 0.25 per cent in nominal value of the issued shares of their class (excluding any shares of that class held as treasury shares), such member shall not be entitled (in respect of the default shares):

(i) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the member shall not be entitled to elect, pursuant to Article 143 (*Payment of scrip dividends*), to receive shares instead of that dividend; and

(ii) no transfer (other than an excepted transfer) of any shares held by the member shall be registered unless:

(A) the member is not himself in default as regards supplying the information required; and

(B) the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

32.2 For the purposes of Article 32.1(b), the Board may only exercise its discretion not to register a transfer of shares in uncertificated form if permitted to do so by the Regulations, and it may determine to treat shares of a member in certificated and uncertificated form as separate holdings and apply the sanctions only to the former or to the latter or make different provisions for the former and the latter.

32.3 Where the sanctions under Article 32.1 apply in relation to any shares, they shall cease to have effect (and any dividends withheld under Article 32.1(b) shall become payable):

(a) if the shares are transferred by means of an excepted transfer but only in relation to the shares transferred; or

(b) at the end of a period of seven days (or such shorter period as the Board may determine) following receipt by the Company of the information required by the Section 793 Notice and the Board being satisfied that such information is full and complete.

32.4 Where, on the basis of information obtained from a member in respect of any share held by him, the Company issues a Section 793 Notice to any other person, it shall at the same time send a copy of the Section 793 Notice to the member, but the accidental omission to do so, or the non-receipt by the member of the copy, shall not invalidate or otherwise affect the application of Article 32.1.

32.5 Where default shares in which a person appears to be interested are held by a Depositary, the provisions of this Article 32 shall be treated as applying only to those shares held by the Depositary in which such person appears to be interested and not (insofar as such person's apparent interest is concerned) to any other shares held by the Depositary.

32.6 Where the member on which a Section 793 Notice is served is a Depositary acting in its capacity as such, the obligations of the Depositary as a member of the Company shall be limited to disclosing to the Company such information relating to any person appearing to be interested in the shares held by it as has been recorded by it pursuant to the arrangements under which it was appointed as a Depositary.

32.7 For the purposes of this Article 32:

(a) a person, other than the member holding a share, shall be treated as appearing to be interested in that share if the member has informed the Company that the person is, or may be, so interested, or if the Company (after taking account of any information obtained from the member or, pursuant to a Section 793 Notice, from anyone else) knows or has reasonable cause to believe that the person is, or may be, so interested;

(b) **interested** shall be construed as it is for the purpose of section 793 CA 2006;

(c) reference to a person having failed to give the Company the information required by a Section 793 Notice, or being in default as regards supplying such information, includes, without limitation, reference:

(i) to his having failed or refused to give all or any part of it; and

(ii) to his having given information which he knows to be false in a material particular or his having recklessly given information which is false in a material particular;

(d) **prescribed period** means 14 days;

(e) **excepted transfer** means, in relation to any shares held by a member:

(i) a transfer by way of or pursuant to acceptance of a takeover offer for the Company (within the meaning of the Statutes); or

(ii) a transfer in consequence of a sale made through a recognised investment exchange or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded; or

(iii) a transfer which is shown to the satisfaction of the Board to be made in consequence of a bona fide sale of the whole of the beneficial interest in the shares to a person who is unconnected with the member or with any other person appearing to be interested in the shares. For the purposes of this sub-paragraph (c), any associate (as defined in the Insolvency Act 1986) shall be included in the class of persons who are connected with the member or any person interested in such shares.

32.8 Nothing contained in this Article 32 shall be taken to limit the powers of the Company under the Statutes to apply to the court for an order imposing restrictions on a person's shares.

PART 8 – UNTRACED MEMBERS

33 POWER OF SALE

33.1 The Company shall be entitled to sell at the best price reasonably obtainable any share of a member, or any share to which a person is entitled by transmission, if and provided that:

(a) during the period of 12 years immediately prior to the date of the publication of the advertisements referred to in Article 33.1(b) (or, if published on different dates, the earlier or earliest thereof) (the **relevant period**), the Company has paid at least three cash dividends (whether interim or final) on the share and no cash dividend payable on the share has either been claimed or cashed;

(b) on or after expiry of the relevant period, the Company has given notice of its intention to sell such share by advertisements in two newspapers, of which one shall be a national newspaper published in the United Kingdom and the other shall be a newspaper circulating in the area of the address on the Register or other last known address of the member or the person entitled by transmission to the share or the address for the service of notices notified under Article 150 (*Service of notices etc.*);

(c) the said advertisements, if not published on the same day, shall have been published within 30 days of each other; and

(d) during the further period of three months following the date of publication of the said advertisements (or, if published on different dates, the later or latest thereof) and prior to the exercise of the power of sale, the Company has not received any communication in respect of such share from the member or person entitled by transmission.

33.2 To give effect to any sale of shares pursuant to this Article, the Board may authorise some person to transfer the shares in question and may enter the name of the transferee in respect of the transferred shares in the Register, notwithstanding the absence of any share certificate being lodged in respect thereof, and may issue a new certificate to the transferee. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the shares. The purchaser shall not be bound to see to the application of any purchase consideration, nor shall his title to the shares be affected by any act, omission, irregularity or invalidity relating to or connected with the proceedings in reference to the sale.

33.3 If, during the relevant period referred to in Article 33.1 or during any period ending on the date when all the requirements of Articles 33.1(a) to 33.1(d) (inclusive) have been satisfied, any additional shares have been issued in respect of those held at the beginning of, or previously so issued during, any such period and all the requirements of Articles 33.1(b) to 33.1(d) (inclusive) have been satisfied in regard to such additional shares, the Company shall also be entitled to sell the additional shares.

34 **APPLICATION OF PROCEEDS OF SALE**

The net proceeds of sale shall belong to the Company which shall account to the member or other person entitled to such share for an amount equal to such net proceeds by carrying all money in respect thereof to a separate account. The Company shall be deemed to be a debtor to, and not a trustee for, such member or other person in respect of such money. Money carried to such separate account may either be employed in the business of the Company or invested in such investments as the Board may from time to time think fit. No interest shall be payable to such member or other person in respect of such money and the Company shall not be required to account for any interest earned thereon.

PART 9 – TRANSFER OF SHARES

35 **FORM OF TRANSFER**

35.1 Subject to such of the restrictions of these Articles as may be applicable, each member may transfer all or any of his shares which are in certificated form by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect of it. All instruments of transfer which are registered may be retained by the Company.

35.2 Subject to these Articles, a member may transfer an uncertificated share by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved by the Board.

36 **RIGHT TO REFUSE REGISTRATION**

36.1 The Board may, in its absolute discretion, refuse to register any transfer of a share (or renunciation of a renounceable letter of allotment) unless:

(a) it is in respect of a share which is fully paid up;

(b) it is in respect of only one class of shares;

(c) it is in favour of a single transferee or not more than four joint transferees;

(d) it is duly stamped (if so required); and

(e) it is delivered for registration to the Office or such other place as the Board may from time to time determine, accompanied (except in the case of (a) a transfer by a recognised person where a certificate has not been issued, (b) a transfer of an uncertificated share or (c) a renunciation) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so,

provided that the Board shall not refuse to register a transfer or renunciation of a partly paid share on the grounds that it is partly paid in circumstances where such refusal would prevent dealings in such share from taking place on an open and proper basis on the market on which such share is admitted to trading.

36.2 Without prejudice to Article 36.1, the Board may refuse to register a transfer of an uncertificated share in such other circumstances as may be permitted or required by the Regulations and the relevant system.

36.3 Transfers of shares will not be registered in the circumstances referred to in Article 33 (Failure to disclose interests in shares).

37 **NOTICE OF AND REASONS FOR REFUSAL**

37.1 If the Board refuses to register a transfer of a share it shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. At the same time as it sends the transferee notice of the refusal to register a transfer, the Board will provide the transferee with its reasons for the refusal. Any instrument of transfer which the Board refuses to register shall (except in the case of suspected or actual fraud) be returned to the person depositing it.

37.2 The first sentence of Article 37.1 applies to uncertificated shares as if the reference to the date on which the transfer was lodged with the Company were a reference to the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the facilities and requirements of the relevant system. The second and third sentences of Article 37.1 do not apply to uncertificated shares.

38 **FEES ON REGISTRATION**

No fee shall be charged for registration of a transfer or on the registration of any probate, letters of administration, certificate of death or marriage, power of attorney, notice or other instrument relating to or affecting the title to any shares.

39 **OTHER POWERS IN RELATION TO TRANSFERS**

Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment of any share by the allottee in favour of some other person or from authorising any person to transfer that share in accordance with any procedures implemented pursuant to Article 14 (*Enforcement of lien by sale*).

PART 10 – TRANSMISSION OF SHARES

40 **ON DEATH**

If a member dies, the survivors or survivor, where he was a joint holder, and his executors or administrators, where he was a sole or the only survivor of joint holders, shall be the only persons recognised by the Company as having any title to his shares. Nothing in these Articles shall release the estate of a deceased member from any liability in respect of any share which has been solely or jointly held by him.

41 **ELECTION OF PERSON ENTITLED BY TRANSMISSION**

41.1 Any person becoming entitled to a share in consequence of the death or bankruptcy of any member, or of any other event giving rise to a transmission of such entitlement by operation of law, may, on such evidence as to his title being produced as the Board may require, elect either to become registered as a member or to have some person nominated by him registered as a member. If he elects to become registered himself, he shall give notice to the Company to that effect. If he elects to have some other person registered, he shall execute an instrument of transfer of such share to that person. All the provisions of these Articles relating to the transfer of shares shall apply to the notice or instrument of transfer (as the case may be) as if it were an instrument of transfer executed by the member and his death, bankruptcy or other event as aforesaid had not occurred. Where the entitlement of a person to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law is proved to the satisfaction of the Board, the Board shall within two months after such proof cause the entitlement of that person to be noted in the Register.

41.2 For the purposes referred to in Article 41.1, a person entitled by transmission to a share in uncertificated form who elects to have some other person registered shall either:

(a) procure that instructions are given by means of the relevant system to effect the transfer of such uncertificated share to that person; or

(b) change the uncertificated share into certificated form and execute an instrument of transfer of that certificated share in favour of that person.

42 **RIGHTS ON TRANSMISSION**

Where a person becomes entitled to a share in consequence of the death or bankruptcy of any member, or of any other event giving rise to a transmission of such entitlement by operation of law, the rights of the holder in relation to such share shall cease. However, the person so entitled may give a good discharge for any dividends and other money payable in respect of it and shall have the same rights to which he would be entitled if he were the holder of the share, except that he shall not, before he is registered as the holder of the share, be entitled in respect of it to receive notice of, or to attend or vote at, any meeting of the Company or at any separate meeting of the holders of any class of shares. The Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share. If the notice is not complied with within 90 days, the Board may thereafter withhold payment of all dividends and other money payable in respect of such share until the requirements of the notice have been complied with.

PART 11 – ALTERATION OF SHARE CAPITAL

43 **FRACTIONS**

43.1 Whenever as the result of any consolidation, division or sub-division or redenomination of shares any holders would become entitled to fractions of a share, the Board may, on behalf of those holders:

(a) sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Statutes, the Company) and distribute the net proceeds of sale after deduction of the expenses of sale in due proportion among those holders (except that any amount otherwise due to a holder, being less than £3 or such other sum as the Board may from time to time determine, may be retained for the benefit of the Company); or

(b) the Board may issue to such holder credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding to an exact multiple of the number of shares to be consolidated into a single share (such issue being deemed to have been effected prior to consolidation); and the amount required to pay up such shares shall be appropriated at the Board's discretion from any of the sums standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve) or to the credit of profit and loss account and capitalised by applying the same in paying up the share. In relation to such a capitalisation the Board may exercise all the powers conferred on it by Article 145 (*Capitalisation of reserves*) without an ordinary resolution of the Company.

43.2 Subject to the provisions of the Statutes, the Board may treat shares of a holder in certificated form and in uncertificated form as separate holdings in giving effect to sub-divisions and/or consolidations and may cause any shares arising on sub-division or consolidation and representing fractional entitlements to be entered in the Register as shares in certificated form where this is desirable to facilitate the sale thereof.

43.3 For the purposes of any sale of consolidated shares pursuant to Article 43.1, the Board may authorise a person to execute an instrument of transfer of the shares to, or in accordance with, the directions of the purchaser, and the transferee shall not be bound to see to the application of any purchase consideration, nor shall his title to the shares be affected by any act, omission, irregularity or invalidity relating to or connected with the proceedings in reference to the sale. In respect of uncertificated shares, the Board may authorise some person to transfer and/or require the holder to transfer the relevant shares in accordance with the facilities and requirements of the relevant system.

PART 12 – VARIATION OF CLASS RIGHTS

44 SANCTION TO VARIATION

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any shares (whether or not the Company may be or is about to be wound up) may from time to time be varied or abrogated in such manner (if any) as may be provided in these Articles by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held in accordance with the Statutes.

45 CLASS MEETINGS

All the provisions in these Articles as to general meetings shall, with any necessary modifications, apply equally to every meeting of the holders of any class of shares. The Board may convene a meeting of the holders of any class of shares whenever it thinks fit and whether or not the business to be transacted involves a variation or abrogation of class rights. The quorum at every such meeting shall be not less than two persons present (in person or by proxy) holding at least one-third of the nominal amount paid up on the issued shares of the relevant class (excluding any shares of that class held as treasury shares) provided that a person present by proxy is treated as holding only the shares in respect of which the proxy is authorised to exercise voting rights. Every holder of shares of the class (other than a holder of treasury shares), present in person or by proxy, may demand a poll. If at any adjourned meeting of such holders a quorum is not present, one person holding shares of the relevant class (whatever the number of shares held by him but excluding any shares of that class held as treasury shares) who is present in person or by proxy shall be a quorum.

46 **DEEMED VARIATION**

Subject to the terms of issue of or rights attached to any shares, the rights for the time being attached to any shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking pari passu in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares or the sale of any shares held as treasury shares in accordance with the provisions of the Statutes and these Articles.

PART 13 – MEETINGS OF MEMBERS

47 **ANNUAL GENERAL MEETINGS**

Subject to the provisions of the Statutes, annual general meetings shall be held at such time and place as the Board may determine.

48 **CONVENING OF GENERAL MEETING OTHER THAN ANNUAL GENERAL MEETING**

48.1 The Board may convene a general meeting, other than an annual general meeting, whenever it thinks fit. If there are within the United Kingdom insufficient members of the Board to convene such a general meeting, any Director may call such a general meeting.

48.2 At any general meeting convened on a members' requisition or by the requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board.

49 **NOTICE OF GENERAL MEETING**

49.1 Subject to the provisions of the Statutes, an annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed under the Statutes for the type of meeting concerned.

49.2 The notice of any general meeting shall include such statements as are required by the Statutes and shall in any event specify:

(a) whether the meeting is convened as an annual general meeting or any other general meeting;

(b) the place, the day and the time of the meeting;

(c) means, or all different means, of attendance and participation (including without limitation, any satellite meeting places arranged for the purposes of Article 59.1, which shall be identified as such in the notice and any electronic facilities the board has determined be used to enable attendance and participation in the meeting in accordance with Article 59.2);

(d) any access, identification and security arrangements determined in accordance with Article 59.7;

(e) the general nature of the business to be transacted at the meeting;

(f) if the meeting is convened to consider a special resolution, the text of the resolution and the intention to propose the resolution as such; and

(g) with reasonable prominence, that a member entitled to attend, speak and vote is entitled to appoint one or (provided each proxy is appointed to exercise the rights attached to a different share held by the member) more proxies to attend and to speak and vote instead of him and that a proxy need not also be a member.

49.3 The notice shall be given to the members (other than any who, under the provisions of these Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and to the Auditors and to any other person who may be entitled to receive it.

50 **OMISSION TO SEND NOTICE OR NON-RECIPIENT OF NOTICE**

The accidental omission to give or send notice of any meeting or, in cases where it is intended that it be given or sent out with the notice, any other document relating to the meeting including an appointment of proxy to, or the non-receipt (even if the Company becomes aware of such failure to send or supply or non-receipt) of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

51 **POSTPONEMENT OF GENERAL MEETINGS**

51.1 If the Board, in its absolute discretion, considers that it is impractical or unreasonable for any reason to hold a meeting on the date or at the time or place specified in the notice calling the meeting, (including a satellite meeting to which Article 59.1 applies) and/or by means of electronic facility specified in the notice, it may postpone the meeting to another date, time and/or place (or in the case of a general meeting to be held at a principal meeting place and a satellite meeting place, to such other places) and/or change the electronic facility. When a meeting is so postponed, notice of the date, time and place of the postponed meeting shall, if practicable, be placed in at least two national newspapers in the United Kingdom. No business shall be transacted at any postponed meeting other than business which might properly have been transacted at the meeting had it not been postponed. No new notice of the meeting need be sent but the Board shall take reasonable steps to ensure that a member trying to attend the meeting at the original date, time and place or places and/or by means of electronic facility is informed of the new arrangements.

51.2 If a meeting is postponed in accordance with this Article, the appointment of a proxy will be valid if it is delivered and received as required by these Articles not less than 48 hours before the time appointed for holding the postponed meeting. The Board may also postpone any meeting which has been rearranged under this Article. When calculating the 48 hour period mentioned in this Article, the Directors can decide not to take account of any part of a day that is not a working day.

PART 14 – PROCEEDINGS AT GENERAL MEETINGS

52 **QUORUM**

52.1 No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Save as otherwise provided in these Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member so entitled or a proxy for a member so entitled or a duly authorised representative of a corporation which is a member so entitled, shall be a quorum.

52.2 In calculating whether a quorum is present for the purposes of Article 52.1, if two or more persons are appointed as proxies for the same member or two or more persons are appointed as corporate representatives of the same corporate member, only one of such proxies or only one of such corporate representatives shall be counted.

53 **IF QUORUM NOT PRESENT**

If within fifteen minutes (or such longer interval as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened by or upon the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to such day (being not less than ten clear days after the original meeting) and at such time and place or places, with such means of attendance and participation (including by means of such electronic facility or facilities) as the Chairman (or, in default, the Board) may determine. If at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, or if during the meeting a quorum ceases to be present, the adjourned meeting shall be dissolved.

54 **CHAIRMAN**

The Chairman (if any) of the Board shall preside as Chairman at every general meeting of the Company. If there is no Chairman or if at any meeting he is not present within five minutes after the time appointed for holding the meeting, or is unwilling to act as Chairman, the Deputy Chairman (if any) of the Board shall (if present and willing to act) preside as Chairman at such meeting. If neither the Chairman nor the Deputy Chairman is present and willing to act, the Directors present shall choose one of their number to act or, if there is only one Director present, he shall preside as Chairman if willing to act. If no Director is present and willing to act, the members present (in person or by proxy) and entitled to vote on the business to be transacted shall choose one of their number to preside as Chairman of the meeting.

55 **ENTITLED TO ATTEND AND SPEAK**

Each Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company. The Chairman may invite any person to attend and speak at any general meeting where he considers this will assist in the deliberations of the meeting.

56 **POWER TO ADJOURN**

The Chairman may, with the consent of a meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. However, without prejudice to any other power which he may have under these Articles or at common law, the Chairman may, without the need for the consent of the meeting, interrupt or adjourn any meeting (whether or not it has commenced or a quorum is present) from time to time and from place to place, or for an indefinite period, if he is of the opinion that it has become necessary to do so in order to secure the proper and orderly conduct of the meeting or to give all persons entitled to do so a reasonable opportunity of attending, speaking and voting at the meeting or to ensure that the business of the meeting is properly disposed of.

57 **NOTICE OF ADJOURNED MEETING**

Whenever a meeting is adjourned for 30 days or more or indefinitely, at least seven clear days' notice, specifying the place, the day and time of the adjourned meeting and the means, or all different means, of attendance and participation (including any place and/or electronic facility) for, the adjourned meeting and the general nature of the business to be transacted, shall be given in the same manner as in the case of an original meeting. Save as aforesaid and subject to the Statutes, no member shall be entitled to any notice of an adjournment or of the business to be transacted at any adjourned meeting.

58 **BUSINESS OF ADJOURNED MEETING**

No business shall be transacted at any adjourned meeting other than the business which might properly have been transacted at the meeting from which the adjournment took place.

59 **ACCOMMODATION OF MEMBERS AND SECURITY ARRANGEMENTS**

59.1 The Board may resolve in its absolute discretion to enable persons entitled to attend a general meeting to do so by simultaneous attendance and participation at a satellite meeting place anywhere in the world and the members present in person or by proxy at satellite meeting places shall be counted in the quorum for, and entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman is satisfied that adequate facilities are available throughout the general meeting to ensure that members attending at all the meeting places are able to:

(a) participate in the business for which the meeting has been convened;

(b) hear and see all persons who speak (whether by the use of microphones, loudspeakers, audio-visual communications equipment or otherwise) in the principal meeting place and any satellite meeting place; and

(c) be heard and seen by all other persons so present in the same way.

The Chairman shall be present at, and the meeting shall be deemed to take place at, the principal meeting place.

59.2 The Board may resolve in its absolute discretion to enable persons entitled to attend and participate in a general meeting to do so (wholly or partly) by simultaneous attendance and participation by means of electronic facility or facilities and determine the means, or all different means, of attendance and participation used in relation to a general meeting. The members present in person or by proxy by means of electronic facility or facilities shall be counted in the quorum for, and entitled to participate in, the general meeting in question. That meeting shall be duly constituted and its proceedings valid if the Chairman is satisfied that adequate facilities are available throughout the general meeting to ensure that members attending the meeting by all means (including by means of electronic facility or facilities) are able to:

(a) participate in the business for which the meeting has been convened;

(b) hear all persons who speak at the meeting; and

(c) be heard by all other persons present at the meeting.

59.3 The Board may from time to time make such arrangements for controlling the level of attendance at any such place as is mentioned in Article 59.1 (whether involving the issue of tickets or the imposition of some other means of selection or otherwise) as they shall in their absolute discretion consider appropriate, and may from time to time change any such arrangements, provided that a member who, pursuant to such arrangements, is not entitled to attend, in person or by proxy, at any particular place shall be entitled so to attend at one of the other places; and the entitlement of any member so to attend the meeting or adjourned meeting at such place shall be subject to any such arrangement as may be for the time being in force and by the notice of meeting or adjourned meeting stated to apply to the meeting.

59.4 If it appears to the Chairman that the facilities at the principal meeting place or any satellite meeting place have become inadequate for the purposes referred to in Article 59.1 or an electronic facility has become inadequate for the purposes referred to in Article 59.2 then the Chairman may, without the consent of the meeting, interrupt or adjourn the general meeting, subject to the provisions of the Statutes. All business conducted at that general meeting up to the time of such adjournment shall be valid.

59.5 The Board may make arrangements for persons entitled to attend a general meeting to be able to view or hear the proceedings of any general meeting or to speak at the meeting (whether by the use of microphones, loudspeakers, audio-visual communications equipment or otherwise), by attending a venue anywhere in the world not being a satellite meeting place and those attending any such venue shall not be regarded as present and shall not be entitled to vote at the meeting at or from that venue and the inability for any reason of any member present in person or by proxy at such a venue to view or hear all or any of the proceedings of the meeting or to speak at the meeting shall not in any way affect the validity of such proceedings.

59.6 For the purposes of this regulation, the right for a member to participate in the business of any general meeting shall include, without limitation, the right to: speak; vote on any show of hands; demand a poll; vote on any poll; be represented by proxy; and have access to all documents in hard copy or electronic form to all documents which are required by the Statutes and these regulations to be made available at the meeting.

59.7 The Board may direct that any person wishing to attend any meeting should provide evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances. The Board shall be entitled in its absolute discretion to refuse entry to, or eject from, any meeting any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions.

59.8 If a general meeting is held by means of electronic facility or facilities, the Board (and, at a general meeting, the chair) may make any arrangement and impose any requirement or restriction that is:

(a) necessary to ensure the identification of those taking part and the security of the electronic communication; and

(b) proportionate to the achievement of those objectives.

60 **ORDERLY CONDUCT**

The Chairman shall take such action or give such directions as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting. The Chairman's decision on matters of procedure or arising incidentally from the business of the meeting shall be final, as shall his determination as to whether any matter is of such a nature.

PART 15 – VOTING AND POLLS

61 **METHOD OF VOTING**

61.1 A resolution put to the vote at a general meeting held wholly or partly by means of electronic facility or facilities shall, unless the Chairman determines that it shall (subject to the remainder of this Article) be decided on a show of hands, be decided on a poll. Subject thereto, at any general meeting a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

(a) the Chairman of the meeting; or

(b) any two Directors; or

(c) at least five members present in person or by proxy and entitled to vote on the resolution; or

(d) a member or members present in person or by proxy representing not less than 10 per cent of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to shares held as treasury shares); or

(e) a member or members present in person or by proxy holding shares conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than 10 per cent of the total sum paid up on all the shares conferring that right (excluding shares in the Company conferring a right to vote on the resolution held as treasury shares).

61.2 The Chairman may also demand a poll before a resolution is put to the vote on a show of hands.

61.3 No poll may be demanded in respect of a resolution to elect a chairman of the meeting.

61.4 At general meetings, resolutions shall be put to the vote by the Chairman and there shall be no requirement for the resolution to be proposed or seconded by any person.

62 **CHAIRMAN'S DECLARATION CONCLUSIVE ON SHOW OF HANDS**

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the Chairman of the meeting that a resolution on a show of hands has been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded for or against such resolution.

63 **OBJECTION TO OR ERROR IN VOTING**

No objection shall be raised to the qualification of any voter or to the counting of, or failure to count, any vote, except at the meeting or adjourned meeting or poll at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the Chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the Chairman decides that the same is of sufficient magnitude to vitiate the resolution or may otherwise have affected the decision of the meeting. Any vote which is not disallowed at such a meeting or poll shall be valid for all purposes. The decision of the Chairman on such matters shall be final and conclusive.

64 **AMENDMENT TO RESOLUTIONS**

64.1 If an amendment is proposed to any resolution under consideration but is in good faith ruled out of order by the Chairman of the meeting, any error in such ruling shall not invalidate the proceedings on the substantive resolution.

64.2 In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than an amendment to correct a patent error) may be considered or voted on.

64.3 In the case of a resolution duly proposed as an ordinary resolution, no amendment thereto (other than an amendment to correct a clerical or patent error) may be considered or voted on, unless either

(a) at least 48 hours prior to the time appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed, notice in writing of the terms of the amendment and intention to move the same has been lodged at the Office by a person who was entitled to receive notice of meetings in accordance with Article 146.1; or

(b) the Chairman of the meeting in his absolute discretion decides that it may be considered or voted on. The Chairman of the meeting may agree to the withdrawal of any proposed amendment before it is voted on at the meeting.

65 **PROCEDURE ON A POLL**

65.1 A poll duly demanded on the election of the Chairman of a meeting or on any question of adjournment shall be taken forthwith. A poll duly demanded on any other matter shall be taken in such manner (including by means of electronic facility) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman shall direct. The Chairman may appoint scrutineers who need not be members. No notice need be given of a poll not taken immediately if the time, place and means by which it is to be taken are announced at the meeting at which it is demanded. In any other case, at least seven clear days' notice shall be given, specifying the time, place and means by which the poll is to be taken. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

65.2 The demand for a poll (other than on the election of the Chairman of the meeting or any question of adjournment) shall not prevent the continuance of the meeting for the transaction of any business, other than the question on which a poll has been demanded. If a poll is demanded before the declaration of the result on a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

65.3 The demand for a poll may be withdrawn at any time before the poll is taken, but only with the consent of the Chairman of the meeting. A demand so withdrawn shall not invalidate the result of a show of hands declared before the demand was made.

65.4 On a poll votes may be given in person or by proxy. A member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

66 **VOTES OF MEMBERS**

Subject to the provisions of the Statutes, to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to these Articles, at any general meeting, every member who is present in person shall, on a show of hands, have one vote and every member present in person shall, on a poll, have one vote for each share of which he is the holder.

67 **VOTES OF JOINT HOLDERS**

If two or more persons are joint holders of a share, then in voting on any question, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the holders stand in the Register in respect of the relevant share.

68 **VOTES OF MEMBERS SUFFERING IN CAPACITY**

68.1 Where, in England or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder or otherwise incapable of managing his affairs, the Board may, subject to the Statutes, in its absolute discretion, on or subject to the production of such evidence of the appointment as the Board may require, permit such receiver or other person to vote in person or by proxy on behalf of such member at any general meeting.

68.2 Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote shall be deposited at the Office, or deposited or received at such other place or address as is specified in accordance with these Articles for the deposit or receipt of appointments of proxy, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised, and in default the right to vote shall not be exercisable. When calculating the 48 hour period mentioned in this Article, the Directors can decide not to take account of any part of a day that is not a working day.

PART 16 – PROXIES AND CORPORATE REPRESENTATIVES

69 VOTING BY PROXY

69.1 Any person (whether a member of the Company or not) may be appointed to act as a proxy and more than one proxy may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member.

69.2 Every proxy who has been appointed by one or more members entitled to vote on the resolution shall, on a show of hands, have one vote unless Article 69.3 applies.

69.3 Every proxy who has been appointed by more than one member entitled to vote on the resolution shall, on a show of hands, have two votes, one vote for and one against the resolution if:

(a) one or more of the members instructed him to vote for and one or more of the members instructed him to vote against the resolution; or

(b) one or more of the members instructed him to vote for the resolution and one or more of the members gave him discretion as to how to vote and he exercises his discretion by voting against the resolution; or

(c) one or more of the members instructed him to vote against the resolution and one or more of the members gave him discretion as to how to vote and he exercises his discretion by voting for the resolution.

69.4 Every proxy who has been appointed by one or more members entitled to vote on the resolution shall, on a poll, have one vote for each share held by his appointor(s).

69.5 The appointment of a proxy shall not preclude a member from attending and voting in person on a show of hands or on a poll on any matters in respect of which the proxy is appointed. In the event that and to the extent that a member personally votes his shares, his proxy shall not be entitled to vote and any vote cast by a proxy in such circumstances shall be ignored.

69.6 When two or more valid but differing appointments of proxy are received in respect of the same share for use at the same meeting and in respect of the same matter, the one which is last validly received (regardless of its date or of the date of its execution or submission) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which appointment was last validly received, none of them shall be treated as valid in respect of that share.

69.7 If a member appoints more than one proxy in relation to a meeting (whether by one or more different forms of proxy), each proxy being for a specified number of shares which in aggregate exceeds the number of shares registered in the name of the member, the Company shall have the right either to treat all such proxies as invalid or to treat only some of such proxies as invalid provided that the remaining proxies which are treated as valid are for a specified number of shares which in aggregate do not exceed the number of shares registered in the name of the member.

70 FORM OF PROXY

70.1 An appointment of a proxy shall, subject to the provisions of the Statutes:

(a) be in writing, in any common form or in such other form as the Board may approve, and (i) if in writing but not in electronic form, made under the hand of the appointor or of his attorney duly authorised in writing; or, if the appointor is a corporation, under its common seal or under the hand of some officer or attorney or other person duly authorised in that behalf; or (ii) if in writing in electronic form, submitted by or on behalf of the appointor and authenticated;

(b) be deemed (subject to any contrary direction contained in it) to confer authority on the proxy to exercise all or any rights of his appointor to demand or join in demanding a poll and to speak at any meeting and to vote (whether on a show of hands or on a poll) on any resolution or amendment of a resolution put to the meeting in respect of which the proxy is given, as the proxy thinks fit;

(c) unless the contrary is stated in it, be valid as well for any adjournment of the meeting as for the meeting to which it relates; and

(d) where it is stated to apply to more than one meeting, be valid for all such meetings as well as for any adjournment of any of such meetings.

70.2 The Board may allow a proxy for a holder of any shares in uncertificated form to be appointed by electronic communication in the form of an uncertificated proxy instruction. The Board may also allow any supplement to the uncertificated proxy instruction or any amendment or revocation of any uncertificated proxy instruction to be made by a further uncertificated proxy instruction.

70.3 The Board may decide what method should be used to determine at what time the instruction or notification is treated as being received by the Company. The Board may treat any notification purporting or expressed to be sent on behalf of a holder of a share in uncertificated form as sufficient evidence of the authority of the person sending the instruction to send it on behalf of that holder.

70.4 For the purposes of this Article 70, an uncertificated proxy instruction is a properly authenticated dematerialised instruction, and/or other instruction or notification, if sent through a relevant system to a participant in that system chosen by the Board to act for the Company. The uncertificated proxy instruction may be in any form and subject to any terms and conditions that the Board deems appropriate, but always subject to the facilities and requirements of the relevant system.

71 **DEPOSIT OR RECEIPT OF PROXY**

71.1 The appointment of a proxy and the power of attorney or other authority (if any) under which it is authenticated, or a copy of such authority certified notarially or in some other way approved by the Board, shall:

(a) in the case of an appointment not in electronic form (including any such power of attorney or other authority) be deposited at the Office, or at such other place (within the United Kingdom) as is specified in the notice convening the meeting or in any notice of any adjourned meeting or in any appointment of proxy sent out by the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (or any postponed time appointed for holding the meeting pursuant to Article 51 (*Postponement of General Meetings*)) at which the person named in the appointment proposes to vote; or

(b) in the case of an appointment in electronic form (including any such power of attorney or other authority), where an address has been specified for the purpose of receiving documents or information in electronic form (or which is deemed by a provision in CA2006 to have been specified):

(i) in the notice convening the meeting; or

(ii) in any instrument of proxy sent out by the Company in relation to the meeting; or

(iii) in any invitation in electronic form to appoint a proxy issued by the Company in relation to the meeting,

be received at such address not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (or any postponed time appointed for holding the meeting pursuant to Article 51 (*Postponement of General Meetings*)) at which the person named in the appointment proposes to vote; or

(c) in the case of a poll taken more than 48 hours after it is demanded, be deposited or received as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for taking the poll; or

(d) in the case of a poll not taken forthwith but taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the Chairman of the meeting or any Director, the Secretary or some other person authorised for the purpose by the Company.

71.2 When calculating the periods mentioned in this Article, the Directors can decide not to take account of any part of a day that is not a working day.

72 **MAXIMUM VALIDITY OF PROXY AND REVOCATION OF PROXY**

72.1 An appointment of proxy not deposited, delivered or received in the manner specified in Article 71 (*Deposit or Receipt of proxy*) shall be invalid. No appointment of proxy shall be valid after the expiry of 12 months from the date named in it as the date of its execution or the date of its submission, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting, in cases where the meeting was originally convened within 12 months from such date.

72.2 A vote given, or demand for a poll made, by a proxy shall be valid notwithstanding the death or mental disorder of the principal or the revocation of the appointment of proxy, or of the authority under which the appointment of proxy was executed, or the transfer of the share in respect of which the appointment of proxy is given, unless notice in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office, or at such other place or address as has been appointed for the deposit or receipt of appointments of proxy:

(a) in the case of a meeting or adjourned meeting, at least 48 hours before the commencement of the meeting or adjourned meeting;

(b) in the case of a poll taken more than 48 hours after it was demanded, at least 24 hours before the taking of the poll; and

(c) in the case of a poll not taken forthwith but taken not more than 48 hours after it was demanded, at the meeting at which the poll was demanded.

72.3 When calculating the 48 hour period mentioned in this Article, the Directors can decide not to take account of any part of a day that is not a working day.

73 **CORPORATE REPRESENTATIVES**

A corporation (whether or not a company within the meaning of the Statutes) which is a member may, by resolution of its directors or other governing body, authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any separate meeting of the holders of any class of shares. A Director, the Secretary, or some person authorised for the purpose by the Secretary, may require any representative to produce a certified copy of the resolution so authorising him or such other evidence of his authority reasonably satisfactory to such Director, Secretary or other person before permitting him to exercise his powers.

74 **VALIDITY OF VOTES BY PROXIES AND CORPORATE REPRESENTATIVES**

74.1 A vote given by a proxy or by a corporate representative shall be valid for all purposes notwithstanding that the proxy or corporate representative has failed to vote in accordance with the instructions of the member by whom the proxy or corporate representative was appointed and the Company shall be under no obligation to check any vote so given is in accordance with any such instructions.

74.2 Any objection to the qualification of any person voting at a general meeting or to the counting of, or failure to count, any vote must be made at the meeting or at the time any poll is taken (if not taken at the meeting or adjourned meeting) at which the vote objected to is tendered. Any objection made in due time shall be referred to the Chairman whose decision shall be final and conclusive. If a vote is not disallowed by the Chairman it is valid for all purposes.

74.3 The Company may require reasonable evidence of the identity of any proxy appointed by a member and of the member himself.

74.4 Where the appointment of a proxy is expressed to have been or purports to have been executed by a duly authorised person or on behalf of a member:

(a) the Company may treat the appointment as sufficient evidence of that person's authority to execute the appointment of proxy on behalf of that member; and

(b) the member shall, if requested by or on behalf of the Company, send or procure the sending of any authority under which the appointment of proxy has been executed, or a certified copy of any such authority, to such address and by such time as is required for the submission of appointments of proxy under Article 71 (*Deposit or Receipt of proxy*) and, if the request is not complied with in any respect, the appointment of proxy may be treated as invalid.

PART 17 – PRESIDENT

75 **APPOINTMENT OF PRESIDENT**

The Board may appoint any person who is or has been a Director and who, in the opinion of the Board, has rendered outstanding services to the Company to be President and may determine the period for which he is to hold office. Any such appointment may be made on such terms as to remuneration and otherwise as the Board may think fit and may be terminated by the Board.

76 **DUTIES OF PRESIDENT**

It shall be the duty of the President to advise the Board on such matters as he or it may deem to be of interest to the Company. The President shall not by virtue of his office as such have any powers or duties in relation to the management of the business of the Company and shall not by virtue of his office as such be a Director.

PART 18 - APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

77 **NUMBER OF DIRECTORS**

77.1 Unless otherwise determined by the Company by ordinary resolution the number of Directors (other than any alternate Directors) shall not be less than two.

77.2 A director need not be a member of the Company.

78 **POWER OF COMPANY TO APPOINT DIRECTORS**

Subject to the provisions of these Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles.

79 **POWER OF BOARD TO APPOINT DIRECTORS**

Without prejudice to the power of the Company in general meeting under these Articles to appoint any person to be a Director, the Board shall have power at any time to appoint any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed by or in accordance with these Articles. Any Director so appointed shall retire at the first annual general meeting of the Company following his appointment and shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.

80 **APPOINTMENT OF EXECUTIVE DIRECTORS**

Subject to the provisions of the Statutes, the Board, or any committee authorised by the Board, may from time to time appoint one or more Directors to hold any employment or executive office (including that of Chief Executive or Managing Director) for such term and subject to such other conditions as the Board, or any committee authorised by the Board, thinks fit in accordance with Article 101 (*Powers of executive Directors*). The Board, or any committee authorised by the Board, may revoke or terminate any such appointment without prejudice to any claim for damages for breach of any contract between the Director and the Company.

81 **ELIGIBILITY OF NEW DIRECTORS**

No person, other than a Director retiring (by rotation or otherwise), shall, unless recommended by the Board for election, be appointed or re-appointed a Director at any general meeting unless, not less than seven nor more than 42 clear days before the date appointed for the meeting, notice in writing duly executed by a member (other than the person to be proposed) qualified to vote at the meeting of the intention to propose that person for appointment or re-appointment, stating the particulars which would, if he were so appointed or re-appointed, be required to be included in the Company's register of Directors, together with notice executed by that person of his willingness to be appointed or re-appointed, is lodged at the Office.

82 **RESOLUTION FOR APPOINTMENT OF TWO OR MORE DIRECTORS**

A single resolution for the appointment of two or more persons as Directors at a general meeting shall be void, unless a resolution that it shall be so proposed has first been agreed to by the meeting without any vote being given against it.

83 **RETIREMENT AT ANNUAL GENERAL MEETINGS**

83.1 At each annual general meeting of the Company, one-third of the Directors not including Directors appointed pursuant to Article 79 (*Power of Board to appoint Directors*) or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office by rotation. If there are fewer than three Directors, one Director shall retire from office.

83.2 Any Director appointed pursuant to Article 79 (*Power of Board to appoint Directors*) shall retire at the first annual general meeting of the Company following his appointment and shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.

83.3 At each annual general meeting, any Director who was elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation.

83.4 If the number of Directors retiring pursuant to Article 83.3 is less than the minimum number of Directors who are required by these Articles to retire by rotation, additional Directors up to that number shall retire. The Directors to retire under this Article 83.4 shall, first, be those Directors who are subject to rotation but who wish to retire and not offer themselves for re-election and secondly, those Directors who have been Directors longest since their appointment or last reappointment. If there are Directors who were appointed or last re-appointed on the same date, the Director to retire shall, in default of agreement between them, be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business on the date of the notice convening the annual general meeting, notwithstanding any change in the number or identity of the Directors after that time but before the close of the meeting.

84 **POSITION OF RETIRING DIRECTOR**

A Director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to act, be re-elected. If he is not re-elected or deemed to have been re-elected, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

85 **DEEMED RE-ELECTION**

At any general meeting at which a Director retires under any provision of these Articles, the Company may by ordinary resolution fill the vacancy by re-electing the retiring Director or some other person who is eligible for appointment and willing to act as a Director. If the Company does not do so, the retiring Director shall (if willing) be deemed to have been re-elected except in the following circumstances:

(a) it is expressly resolved not to fill the vacancy; or

(b) a resolution for the re-election of the Director is put to the meeting and lost.

86 **REMOVAL BY ORDINARY RESOLUTION**

In addition to any power of removal conferred by the Statutes, the Company may by ordinary resolution remove any Director before the expiration of his period of office, but without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, and may (subject to these Articles) by ordinary resolution appoint another person who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director.

87 **VACATION OF OFFICE BY DIRECTOR**

Without prejudice to the provisions for retirement (by rotation or otherwise) contained in these Articles, the office of a Director shall be vacated if:

87.1 he resigns by notice in writing delivered to, or, if in electronic form, received by, the Secretary at the Office or tendered at a Board meeting;

87.2 he ceases to be a Director by virtue of any provision of the Statutes, is removed from office pursuant to these Articles or the Statutes, or becomes prohibited by law from being a Director;

87.3 he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement or enters into any analogous or similar procedure in any jurisdiction;

87.4 by reason of his mental health a court makes an order which wholly or partly prevents him from personally exercising any powers or rights he would otherwise have;

87.5 he is being treated by a registered medical practitioner who gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a director and may remain so for more than three months;

87.6 both he and his alternate Director appointed pursuant to the provisions of these Articles (if any) are absent, without the permission of the Board, from Board meetings for six consecutive months and the Board resolves that his office be vacated; or

87.7 he is requested to resign by notice in writing addressed to him at his address as shown in the register of Directors and authenticated not less than three-quarters of the other Directors (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company) and, for this purpose, a set of like notices each authenticated by one or more of the Directors shall be as effective as a single notice authenticated by the requisite number of Directors.

88 **RESOLUTION AS TO VACANCY CONCLUSIVE**

A resolution of the Board declaring a Director to have vacated office under the terms of Article 87 (*Vacation of office by director*) shall be conclusive as to the fact and grounds of vacation stated in the resolution.

PART 19 - ALTERNATE DIRECTORS

89 **APPOINTMENT**

89.1 Each Director (other than an alternate Director) may, by notice in writing delivered to or, if in electronic form, received by the Secretary at the Office, or in any other manner approved by the Board, appoint any other Director or any person approved for that purpose by the Board and willing to act, to be his alternate.

89.2 No appointment of an alternate Director who is not already a Director shall be effective until his consent to act as a Director in the form prescribed by or required pursuant to the Statutes has been received at the Office.

89.3 An alternate Director shall not be counted in reckoning any maximum or minimum number of Directors prescribed by these Articles.

89.4 An alternate Director shall, in addition to any restrictions which may apply to him personally, be subject to the same restrictions as his appointer.

90 **PARTICIPATION IN BOARD MEETINGS**

Every alternate Director shall (subject to his giving to the Company a postal address within the United Kingdom, or an electronic address, at which notices may be served on him) be entitled to receive notice of all meetings of the Board and all committees of the Board of which his appointor is a member and, in the absence from such meetings of his appointor, to attend and vote at such meetings and to exercise all the powers, rights, duties and authorities of his appointor (except as regards power to appoint an alternate). A Director acting as alternate Director shall have a separate vote at Board meetings for each Director for whom he acts as alternate Director (and who is not present) in addition to his own vote (if any) as a Director, but he shall count as only one for the purpose of determining whether a quorum is present.

91 **ALTERNATE DIRECTOR RESPONSIBLE FOR OWN ACTS**

Every person acting as an alternate Director shall be an officer of the Company, shall alone be responsible to the Company for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

92 **INTERESTS OF ALTERNATE DIRECTOR**

The provisions of Articles 121 (*Power of the Board to authorise conflicts of interest*) - 128 (*Definitions*) (inclusive) shall apply to an alternate Director to the same extent as if he was a Director and for the purposes of those provisions an alternate Director shall be deemed to have an interest which conflicts, or possibly may conflict, with the interest of the Company if either he or his appointor has such an interest. The provisions of Articles 157 (*Indemnity*) and Article 158 (*Power to Insure*)shall also apply to an alternate Director to the same extent as if he was a Director. An alternate Director shall not be entitled to receive from the Company any fees in his capacity as an alternate Director, except only such part (if any) of the fees payable to his appointor as his appointor may by notice in writing to the Company direct. Subject to this Article, the Company shall pay to an alternate Director such expenses as might properly have been paid to him if he had been a Director.

93 **REVOCATION OF APPOINTMENT**

An alternate Director shall cease to be an alternate Director:

93.1 if his appointor revokes his appointment; or

93.2 if his appointor ceases for any reason to be a Director, provided that if any Director retires but is re-appointed or deemed to be re-appointed at the same meeting, any valid appointment of an alternate Director which was in force immediately before his retirement shall remain in force; or

93.3 any event happens in relation to him which, if he were a Director otherwise appointed, would cause him to vacate office; or

93.4 if he resigns his office by notice in writing to the Company.

PART 20 – DIRECTORS' REMUNERATION, EXPENSES AND PENSIONS

94 DIRECTORS' FEES

The Directors (other than alternate Directors and, for the avoidance of doubt, Directors appointed to hold any employment or executive office) shall be entitled to receive by way of fees for their services as Directors such sum as the Board, or any committee authorised by the Board, may from time to time determine (not exceeding £1,500,000 per annum in aggregate or such other sum as the Company in general meeting by ordinary resolution shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board, or any committee authorised by the Board, may determine or, in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this Article shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of these Articles or otherwise and shall accrue from day to day.

95 EXPENSES

Each Director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

96 ADDITIONAL REMUNERATION

If by arrangement with the Board, or any committee authorised by the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board, or any committee authorised by the Board, may from time to time determine.

97 REMUNERATION OF EXECUTIVE DIRECTORS

The salary or remuneration of any Director appointed to hold any employment or executive office in accordance with the provisions of these Articles may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, or any committee authorised by the Board, and may be in addition to or in lieu of any fee payable to him for his services as Director pursuant to these Articles.

98 **PENSIONS AND OTHER BENEFITS**

The Board, or any committee authorised by the Board, may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any institution, association, society, club, trust, other establishment or profit-sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit, any person who is or has at any time been a Director or employee of the Company (or of any company which is (a) a holding company or a subsidiary undertaking of the Company or (b) allied to or associated with the Company or with any such holding company or subsidiary undertaking or (c) a predecessor in business of the Company or of any such holding company or subsidiary undertaking), and any member of his family (including a spouse or former spouse) and any person who is or was dependent on him. For such purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the provisions of the Statutes, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with, any of such matters. The Board may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under this Article and shall not be obliged to account for it to the Company.

PART 21 – POWERS AND DUTIES OF THE BOARD

99 **POWERS OF THE BOARD**

Subject to the provisions of the Statutes, these Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company, whether relating to the management of the business or not. No alteration of these Articles and no such direction given by the Company shall invalidate any prior act of the Board which would have been valid if such alteration had not been made or such direction had not been given. Provisions contained elsewhere in these Articles as to any specific power of the Board shall not be deemed to limit the general powers given by this Article.

100 **POWERS OF DIRECTORS IF LESS THAN MINIMUM NUMBER**

If the number of Directors is less than the minimum for the time being prescribed by these Articles, the remaining Director or Directors shall act only for the purposes of appointing an additional Director or Directors to make up such minimum or of convening a general meeting of the Company for the purpose of making such appointment. If there is no Director able or willing to act, any two members may summon a general meeting for the purpose of appointing Directors. Subject to the provisions of these Articles, any additional Director so appointed shall hold office only until the dissolution of the first annual general meeting of the Company following his appointment unless he is re-elected during such meeting.

101 **POWERS OF EXECUTIVE DIRECTORS**

The Board may from time to time delegate or entrust to and confer on any Director holding executive office (including a Chief Executive or Managing Director) such of its powers, authorities and discretions (with power to sub-delegate) for such time, on such terms and subject to such conditions as it thinks fit, and the Board may from time to time revoke, withdraw, alter or vary all or any of such powers.

102 **DELEGATION TO, AND PROCEEDINGS OF, COMMITTEES**

102.1 The Board may delegate to any committee appointed by the Board (consisting of one or more Directors and (if thought fit) one or more other persons) any of its powers, authorities and discretions (including, without prejudice to the generality of the foregoing, all powers, authorities and discretions the exercise of which involves or may involve the payment of remuneration to or the conferring of any other benefit on all or any of the Directors) for such time, on such terms and subject to such conditions as it thinks fit.

102.2 Any such committee shall, unless the Board otherwise resolves, have power to sub-delegate to sub-committees any of the powers, authorities or discretions delegated to it.

102.3 A majority of the members of any committee or sub-committee shall be Directors and no resolution of a committee or sub-committee shall be effective unless a majority of those present and voting on the resolution when it is passed are Directors or alternate Directors.

102.4 The Board may confer any of its powers, authorities and discretions either collaterally with, or to the exclusion of and in substitution for, all or any of the powers, authorities and discretions of the Board in that respect and may from time to time revoke, withdraw, alter or vary any of such powers, authorities and discretions and discharge any such committee or sub-committee in whole or in part. Insofar as any power, authority or discretion is so delegated, any reference in these Articles to the exercise by the Board of such power, authority or discretion shall be construed as if it were a reference to the exercise of such power, authority or discretion by such committee or sub-committee.

102.5 The meetings and proceedings of any such committee or sub-committee consisting of more than one person shall be governed mutatis mutandis by the provisions of these Articles regulating the meetings and proceedings of the Board, so far as the same are not superseded by any regulations made by the Board under this Article 102.

103 **DELEGATION TO INDIVIDUAL DIRECTORS**

The Board may entrust to and confer upon a Director any of its powers, authorities and discretions (with power to sub-delegate) upon such terms (subject to the Statutes) and subject to such conditions and with such restrictions as it may decide and either collaterally with, or to the exclusion of and in substitution for, its own powers, authorities and discretions. The Board may from time to time revoke or vary any of such powers, authorities and discretions but no person dealing in good faith and without notice of the revocation or variation shall be affected by it.

104 **LOCAL MANAGEMENT**

The Board may establish any local or divisional boards or agencies for managing any of the affairs of the Company in any specified locality, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local or divisional board, or any managers or agents, and may fix their remuneration. The Board may delegate to any local or divisional board, manager or agent so appointed any of its powers, authorities and discretions (with power to sub-delegate) and may authorise the members for the time being of any such local or divisional board, or any of them, to fill any vacancies and to act notwithstanding vacancies; and any such appointment or delegation may be made for such time, on such terms and subject to such conditions as the Board may think fit. The Board may confer such powers, authorities and discretions either collaterally with, or to the exclusion of and in substitution for, all or any of the powers, authorities and discretions of the Board in that respect and may from time to time revoke, withdraw, alter or vary all or any of such powers, authorities and discretions. Subject to any terms and conditions expressly imposed by the Board, the proceedings of any local or divisional board or agency with two or more members shall be governed by such of these Articles as regulate the proceedings of the Board, so far as they are capable of applying.

105 **POWER OF ATTORNEY**

The Board may, by power of attorney or otherwise, appoint any person or persons to be the agent of the Company and may delegate to any such person or persons any of its powers, authorities and discretions (with power to sub-delegate), in each case for such purposes and for such time, on such terms (including as to remuneration) and subject to such conditions as it thinks fit. The Board may confer such powers, authorities and discretions either collaterally with, or to the exclusion of and in substitution for, all or any of the powers, authorities and discretions of the Board in that respect and may from time to time revoke, withdraw, alter or vary any of such power, authorities and discretions.

106 **POWERS OF DELEGATION**

The power to delegate contained in Articles 102.4, 103 (*Delegation to individual Directors*), 104 (*Local management*)and 105 (*Power of Attorney*)shall be effective in relation to the powers, authorities and discretions of the Board generally and shall not be limited by the fact that in certain Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the Board or by a committee authorised by the Board.

107 **ASSOCIATE DIRECTORS**

The Board may appoint any person (not being a Director) to any office or employment having a designation or title including the word "director" or attach to any existing office or employment with the Company such designation or title and may terminate any such appointment or the use of such designation or title. The inclusion of the word "director" in the designation or title of any such office or employment shall not imply that such person is, or is deemed to be, or is empowered in any respect to act as, a Director for any of the purposes of the Statutes or these Articles.

108 **EXERCISE OF VOTING POWER**

The Board may exercise or cause to be exercised the voting power conferred by the shares in any other company held or owned by the Company, or any power of appointment to be exercised by the Company, in such manner in all respects as it thinks fit (including the exercise of the voting power or power of appointment in favour of the appointment of any Director as a director or other officer or employee of such company or in favour of the payment of remuneration to the directors, officers or employees of such company).

109 **PROVISION FOR EMPLOYEES**

The Board may exercise any power conferred on the Company by the Statutes to make provision for the benefit of persons (including, subject to the Statutes, Directors, former Directors or shadow Directors) employed or formerly employed by the Company or any of its subsidiary undertakings (or any member of his family or any person who is dependent on him) in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the Company or that subsidiary undertaking.

110 **OVERSEAS REGISTERS**

Subject to the provisions of the Statutes, the Board may exercise the powers conferred on the Company with regard to the keeping of an overseas branch, local or other register and may make and vary such regulations as it thinks fit respecting the keeping of any such register.

111 **BORROWING POWERS**

111.1 Subject to the provisions of the Statutes and to Article 111.2, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

111.2 The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings so as to procure (as regards its subsidiary undertakings in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Group (exclusive of moneys borrowed by one Group company from another and after deducting cash deposited by any Group Company, whether deposited before or after any borrowing is made) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to US$2 billion (or the equivalent in any other currency(ies)). In this Article 111.2, Group means the Company and its subsidiary undertakings from time to time and Group company means any company in the Group. For the purposes of this Article 111.2, the principal amount at any one time outstanding in respect of moneys borrowed shall mean moneys borrowed under a credit, loan, overdraft or facility agreement or pursuant to a bond or note issuance but shall not include or be adjusted by reference to the value (whether positive or negative) of any other liability whether or not treated as borrowed money for any accounting purposes including, without limitation, any actual or potential liabilities under derivative(s) or other rights held by or vested in the lenders or holders of any debt or debt securities.

PART 22 – PROCEEDINGS OF DIRECTORS AND COMMITTEES

112 **BOARD MEETINGS**

Subject to the provisions of these Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit.

113 **NOTICE OF BOARD MEETINGS**

One Director may, and the Secretary at the request of a Director shall, summon a Board meeting at any time on reasonable notice. Notice of a Board meeting shall be deemed to be properly given to a Director if it is given to him personally or by word of mouth or sent in writing to him at his last known address (or any other address given by him to the Company for that purpose). A Director may waive the requirement that notice be given to him of any Board meeting, either prospectively or retrospectively. A Director who does not supply the Company with the information necessary to ensure that he receives notice of a meeting before it takes place is deemed to have waived his entitlement to notice of such meeting.

114 QUORUM

The quorum necessary for the transaction of business may be determined by the Board and, until otherwise determined, shall be two persons, each being a Director or an alternate Director. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions for the time being vested in or exercisable by the Board. Subject to these Articles, any Director who ceases to be a Director at a meeting of the Board may continue to be present and to act as a Director and be counted in the quorum until the termination of the meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

115 CHAIRMAN OF THE BOARD

The Board may appoint one or more of its body as Chairman or Joint Chairman and one or more of its body as Deputy Chairman of its meetings and may determine the period for which he is or they are to hold office and may at any time remove him or them from office. If no such Chairman or Deputy Chairman is elected, or if at any meeting neither a Chairman nor a Deputy Chairman is present within five minutes of the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of the meeting. In the event there are two or more Joint Chairmen or, in the absence of a Chairman, two or more Deputy Chairmen present, the Joint Chairman or Deputy Chairman to act as Chairman of the meeting shall be decided by those Directors present. Any Chairman or Deputy Chairman may also hold executive office under the Company.

116 VOTING AND THE CHAIRMAN'S CASTING VOTE

Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes the Chairman of that meeting shall have a second or casting vote, unless he is not, in accordance with the Articles, to be counted as participating in the decision-making process for quorum, voting or agreement purposes.

117 ELECTRONIC PARTICIPATION IN MEETINGS

117.1 Any Director or his alternate may validly participate in a meeting of the Board or a committee of the Board by means of conference telephone or any other form of communications equipment, (provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting), by a series of telephone calls from the Chairman of the meeting or by exchange of communication in electronic form addressed to the Chairman of the meeting.

117.2 A person so participating by being present or being in telephone communication with or by exchanging communication in electronic form with those in the meeting or with the Chairman of the meeting shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, where the Chairman of the meeting is.

117.3 A resolution passed at any meeting held in the above manner, and authenticated by the Chairman of the meeting or the Secretary, shall be as valid and effectual as if it had been passed at a meeting of the Board (or committee, as the case may be) duly convened and held.

118 RESOLUTION IN WRITING

118.1 A resolution in writing authenticated by (subject as otherwise mentioned in Article 118.2) all the Directors for the time being entitled to receive notice of a Board meeting (or all the members of a committee of the Board for the time entitled to receive notice of such committee meeting), shall be as valid and effective for all purposes as a resolution duly passed at a meeting of the Board (or committee, as the case may be).

118.2 Such a resolution

(a) need not be authenticated by a Director who is prohibited by these Articles from voting thereon or whose vote would not have counted on the resolution, or by his alternate;

(b) must be authenticated by sufficient Directors to form a quorum at a Board meeting (or committee meeting);

(c) may consist of several documents in the same form each authenticated by one or more of the Directors or members of the relevant committee;

(d) need not be authenticated by an alternate Director if it is authenticated by the Director who appointed him; and

(e) if authenticated by an alternate Director, need not also be authenticated by his appointor.

118.3 For the purposes of this Article 118:

(a) a Director signifies his agreement to a proposed resolution when the Company receives from him a document indicating his agreement to the resolution authenticated in the manner permitted by the Statutes for a document in the relevant form; and

(b) the Director may send the documents in hard copy form or in electronic form to such address (if any) for the time being specified by the Company for that purpose.

119 MINUTES OF PROCEEDINGS

119.1 The Board shall cause minutes to be made in books kept for the purpose of recording:

(a) all appointments of officers and committees made by the Board; and

(b) the names of Directors present at every meeting of the Board, of a committee of the Board, of the Company or of the holders of any class of shares or debentures of the Company, and all orders, resolutions and proceedings of such meetings.

119.2 Any such minutes, if purporting to be authenticated by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting or the Secretary, shall be prima facie evidence of the matters stated in such minutes without any further proof.

119.3 Any such minutes shall be retained for at least 10 years from the date of the appointment or meeting and shall be kept available for inspection in accordance with the Statutes.

120 **VALIDITY OF PROCEEDINGS**

All bona fide acts done by a meeting of the Board, or of a committee of the Board, or by any person acting as a Director, alternate Director or member of a committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any person acting as aforesaid, or that such person was disqualified from holding office or had ceased to hold office or were or was not entitled to vote on the matter in question, be as valid as if such person had been duly appointed, and was duly qualified and had continued to be a Director, alternate Director or member of a committee and entitled to vote.

PART 23 – DIRECTORS' INTEREST

121 **POWER OF THE BOARD TO AUTHORISE CONFLICTS OF INTEREST**

121.1 The Board may authorise any matter (as defined in Article 121.2) proposed to it in accordance with these Articles which would, if not so authorised, involve a breach by a Director of his duty to avoid conflicts of interest under the Statutes.

121.2 A matter means any matter which relates to a situation (a relevant situation) in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it, but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest).

121.3 The provisions of Article 121.1 do not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company.

121.4 Any such authorisation shall be effected in the same way that any other matter may be proposed to and resolved upon by the Board under the provisions of these Articles and will be effective only if:

(a) any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director;

(b) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted; and

(c) the Director in questions, if the other members of the Board so decide, be excluded from any Board meeting while the matter is under consideration.

121.5 Where authorisation is given under Article 121.1:

(a) the Board may (whether at the time of the giving of the authorisation or subsequently) make such authorisation subject to any limits or conditions it expressly imposes but otherwise it shall be given to the fullest extent permitted; and

(b) the Board may vary or terminate such authorisation at any time but this will not affect anything done by the relevant Director prior to such revocation in accordance with the terms of such authorisation.

121.6 Subject to Article 121.7, a Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he has a duty of confidentiality to another person. In particular, the Director shall not be in breach of the general duties he owes to the Company under the Statutes because he fails:

(a) to disclose any such information to the Board or to any Director or other officer or employee of the Company; and/or

(b) to use or apply any such information in performing his duties as a Director of the Company.

121.7 To the extent that the relationship between a Director and a person to whom he owes a duty of confidentiality gives rise to a conflict of interest or possible conflict of interest, Article 121.6 applies only if the existence of that relationship has been authorised by the Board pursuant to this Article or if Article 122 (*Interests not requiring Board authorisation*) applies to the relationship.

121.8 Where the existence of a Director's relationship with another person is authorised by the Board pursuant to this Article (and subject to any limits or conditions imposed pursuant to Article 121.5(a)) or Article 122 (*Interests not requiring Board authorisation*) applies to the relationship and his relationship with that person gives rise to a conflict of interest or possible conflict of interest, the Director shall not be in breach of the general duties he owes to the Company under the Statutes because he:

(a) absents himself from meetings of the Board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; and/or

(b) makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or makes arrangements for such documents and information to be received and read by a professional adviser,

for so long as he reasonably believes such conflict of interest or possible conflict of interest subsists.

121.9 The provisions of Articles 121.6, 121.7 and 121.8 are without prejudice to any equitable principle or rule of law which may excuse the Director from:

(a) disclosing information in circumstances where disclosure would otherwise be required under these Articles; or

(b) attending meetings or discussions or receiving documents and information as referred to in Article 121.8(a) or 121.8(b), in circumstances where such attendance or receiving such documents and information would otherwise be required under these Articles.

121.10 A director shall not be regarded as having a conflict of interest by reason of his also being a director of or holding any other position with another Group Company and the director shall not be in breach of any duty to the Company by reason of his disclosure of any information to the other Group Company or by anything done by the other Group Company including the exploitation of any property, information or opportunity following any such disclosure to it by the director. The directors may resolve that a specified company shall no longer be treated as a Group Company for the purposes of this Article 121 (*Power of the Board to authorise conflicts of interest*).

122 **INTERESTS NOT REQUIRING BOARD AUTHORISATION**

122.1 Provided that Article 122.2 is complied with, a Director, notwithstanding his office:

(a) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;

(b) may hold any other office or place of profit under the Company (except that of Auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;

(c) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

(d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction or arrangement or from any interest in any body corporate, no such transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty under the Statutes or under the law not to accept benefits from third parties.

122.2 Subject to Articles 122.3 and 122.4, a Director shall declare the nature and extent of any interest permitted under this Article at a meeting of the Directors, or, in the case of a transaction or arrangement with the Company, in the manner set out in the Statutes.

122.3 A Director need not declare an interest in the case of a transaction or arrangement with the Company:

(a) if, or to the extent that, the other Directors are already aware of the interest (and for this purpose the other Directors will be treated as aware of anything of which they ought reasonably to be aware); or

(b) if, or to the extent that, it concerns the terms of his service contract (as defined in section 227 CA 2006) that have been or are to be considered by a meeting of the Directors or by a committee of the Directors appointed for the purpose under these Articles.

122.4 A Director shall be deemed to have disclosed the nature and extent of an interest which consists of him being a director, officer or employee of any body corporate in which the Company is interested.

123 **INTERESTED DIRECTOR NOT TO VOTE OR COUNT FOR QUORUM**

123.1 A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any transaction or arrangement in which he has an interest which is to his knowledge a material interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply if Article 123.2 applies.

123.2 Provided that the matter has been authorised pursuant to Article 121 (*Power of the Board to authorise conflicts of interest*) or comes within Article 122 (*Interests not requiring Board authorisation*) the Director may vote (and be counted in the quorum) in respect of any resolution concerning one of more of the following matters:

(a) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;

(b) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;

(c) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(d) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;

(e) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(f) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 CA 2006) in one per cent or more of the issued equity share capital of any class of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) nor to his knowledge hold one per cent or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure and Transparency Rules) in such body corporate;

(g) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(h) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors;

(i) any proposal concerning the funding of expenditure for the purposes referred to in Article 157.2 or doing anything to enable such Director or Directors to avoid incurring such expenditure; or

(j) any transaction or arrangement in respect of which his interest, or the interest of Directors generally, has been authorised by ordinary resolution.

123.3 In the case of an alternate director, an interest of his appointor shall be treated as an interest of the alternate in addition to any interest which the alternate otherwise has.

124 DIRECTOR'S INTEREST IN OWN APPOINTMENT

124.1 A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

124.2 Subject to these Articles, the Board may cause the voting rights conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit (including the exercise of voting rights in favour of any resolution appointing the Directors or any of them as directors or officers of the other company or in favour of the payment of remuneration to the directors or officers of the other company), and a Director may vote on and be counted in the quorum in relation to any of these matters.

125 CHAIRMAN'S RULING CONCLUSIVE ON DIRECTOR'S INTEREST

If any question arises at any meeting as to the materiality of a Director's interest (other than the Chairman's interest) or the entitlement of any Director (other than the Chairman) to vote or be counted in a quorum for the purposes of Article 123 (*Interested Director not to vote or count for quorum*), and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the Chairman of the meeting. The Chairman's ruling in relation to the Director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (so far as it is known to him) has not been fairly disclosed to the Board.

126 DIRECTORS' RESOLUTION CONCLUSIVE ON CHAIRMAN'S INTEREST

If any question arises at any meeting as to the materiality of the Chairman's interest or the entitlement of the Chairman to vote or be counted in a quorum for the purposes of Article 123 (*Interested Director not to vote or count for quorum*), and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by resolution of the Directors or committee members present at the meeting (excluding the Chairman), whose majority vote shall be final and conclusive except in a case where the nature or extent of the interest of the Chairman (so far as it is known to him) has not been fairly disclosed to the Board.

127 **RELAXATION OF PROVISIONS**

Subject to the provisions of the Statutes, the Company may by ordinary resolution suspend or relax the provisions of Articles 121 (*Power of the Board to authorise conflicts of interest*) to Article 126 (*Directors' resolution conclusive on Chairman's interest*) (inclusive), either generally or in respect of any particular matter, or ratify any transaction not duly authorised by reason of a contravention of these Articles.

128 **DEFINITIONS**

For the purpose only of Articles 121 (*Power of the Board to authorise conflicts of interest*) to 128 (*Definitions*) (inclusive) :

128.1 a conflict of interest includes (without limitation) a conflict of interest and duty and a conflict of duties;

128.2 an interest means a direct or an indirect interest (including, without limitation, an interest of a connected person as defined in the Statutes) and interested shall be construed accordingly;

128.3 an interest, transaction or arrangement of which a Director is aware includes an interest, transaction or arrangement of which that Director ought reasonably to be aware; and

128.4 a transaction or arrangement includes a proposed transaction or arrangement.

PART 24 – AUTHENTICATION OF DOCUMENTS

129 **POWER TO AUTHENTICATE DOCUMENTS**

Any Director, the Secretary or any person appointed by the Board for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the Office the local manager or other officer of the Company having their custody shall be deemed to be a person appointed by the Board for this purpose. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any committee which is so certified shall be conclusive evidence in favour of all persons dealing with the Company that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

PART 25 – SEALS

130 **SAFE CUSTODY**

The Board shall provide for the safe custody of the Seal and of any other seal of the Company.

131 **APPLICATION OF SEAL**

The Seal shall be used only by the authority of a resolution of the Board or of a committee of the Board authorised by the Board to give such authority. The Board may determine whether any instrument to which the Seal is affixed shall be signed and, if it is to be signed, who shall sign it and by what means. The Board may also determine, either generally or in a particular case, that a signature may be dispensed with or affixed by mechanical or other means. Unless otherwise so determined:

(a) share certificates and, subject to the provisions of any instrument constituting the same, certificates issued under the Seal in respect of any debentures or other securities need not be signed and any signature may be affixed to or printed on any such certificate by any means approved by the Board; and

(b) every other instrument to which the Seal is affixed shall be signed by one Director and by the Secretary or by two Directors or by one Director in the presence of a witness who attests his signature or by such other persons as the Board or a committee of the Board shall appoint for that purpose (and, if the Secretary is a limited company, such company may nominate any person to act on its behalf).

132 **EXECUTION AS A DEED WITHOUT SEALING**

Any instrument signed by one Director and the Secretary, by two Directors or by one Director in the presence of a witness who attests his signature and, in any such case, expressed to be executed by the Company shall have the same effect as if executed under the Seal, provided that no instrument which makes it clear on its face that it is intended to have effect as a deed shall be so signed without the authority of the Board or of a committee authorised by the Board in that behalf.

PART 26 – THE SECRETARY

133 **THE SECRETARY**

133.1 Subject to the provisions of the Statutes, the Board shall appoint a Secretary or Joint Secretaries and shall have power to appoint one or more persons to be an Assistant or Deputy Secretary at such remuneration and on such terms and conditions as it thinks fit and any such person so appointed may be removed by the Board.

133.2 Any provision of the Statutes or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

133.3 If Joint Secretaries are appointed, any provision of the Statutes or of these Articles requiring or authorising a thing to be done by the Secretary shall be satisfied if done by one of the Joint Secretaries.

PART 27 – DIVIDENDS AND OTHER PAYMENTS

134 **DECLARATION OF DIVIDENDS**

Subject to the provisions of the Statutes and of these Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

135 **INTERIM DIVIDENDS**

Subject to the provisions of the Statutes, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrear. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those with preferential rights.

136 **ENTITLEMENT TO DIVIDENDS**

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but no amount paid up on a share in advance of the date on which a call is payable shall be treated for the purposes of this Article as paid up on the share. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

137 **CALLS OR DEBTS MAY BE DEDUCTED FROM DIVIDENDS**

The Board may deduct from any dividend or other money payable to any person on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to the shares of the Company.

138 **DISTRIBUTION IN SPECIE**

The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the Board may settle it as it thinks fit. In particular, the Board may:

(a) issue fractional certificates (or ignore fractions);

(b) fix the value for distribution of such assets or any part thereof and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and

(c) vest any such assets in trustees on trust for the persons entitled to the dividend.

139 **DIVIDENDS NOT TO BEAR INTEREST**

Unless otherwise provided by the rights attached to the share, no dividend or other money payable by the Company on or in respect of a share shall bear interest as against the Company.

140 METHOD OF PAYMENT

140.1 The Company may pay any dividend, interest or other sum payable in respect of a share by direct debit, bank transfer, cheque, dividend warrant, money order or any other method (including by electronic media) as the Board may consider appropriate. In respect of shares in uncertificated form, where the Company is authorised to do so by or on behalf of the holder or joint holders in such manner as the Company shall from time to time consider sufficient, the Company may also pay any such dividend, interest or other money by means of the relevant system concerned (subject always to the facilities and requirements of that relevant system).

140.2 Every such cheque, warrant or order may be sent by post or other delivery service (or by such other means offered by the Company as the member or persons entitled to it may agree in writing) to the registered address (or in the case of a Depositary, subject to the approval of the Board, such persons and addresses as the Depositary may require) of the member or person entitled to it (or, if two or more persons are holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the member or otherwise by operation of law, to the registered address of such of those persons as is first named in the Register) or to such person and such address as such member or person or persons may direct in writing. In respect of shares in uncertificated form, every such payment made by such other method as is referred to in Article 140.1 shall be made in such manner as may be consistent with the facilities and requirements of the relevant system concerned. Without prejudice to the generality of the foregoing, in respect of shares in uncertificated form, such payment may include the sending by the Company or by any person on its behalf of an instruction to the Operator of the relevant system to credit the cash memorandum account of the holder or joint holders or, if permitted by the Company, of such person as the holder or joint holders may in writing direct.

140.3 Every cheque, warrant, order or other form of payment is sent at the risk of the person entitled to the money represented by it, and shall be made payable to the person or persons entitled, or to such other person as the person or persons entitled may direct in writing. Payment of the cheque, warrant, order or other form of payment (including, in respect of shares in uncertificated form, the making of payment in accordance with the facilities and requirements of the relevant system concerned) shall be a good discharge to the Company. If any such cheque, warrant, order or other form of payment shall be, or shall be alleged to have been, lost, stolen or destroyed, the Board may, at the request of the person entitled thereto, issue a replacement cheque or warrant or order or make payment in some other form, subject to compliance with such conditions as to evidence and indemnity and the payment of out of pocket expenses of the Company in connection with the request as the Board may think fit.

140.4 Any joint holder or other person jointly entitled to a share may give an effective receipt for any dividend or other money payable in respect of such share.

140.5 The Board may, at its discretion, make provisions to enable a Depositary and/or any member as the Board shall from time to time determine to receive any duly declared dividend in a currency other than sterling. For the purposes of the calculation of the amount receivable in respect of any dividend, the rate of exchange to be used to determine the foreign currency equivalent of the amount of the dividend shall be such rate, and the payment thereof shall be on such terms and conditions, as the Board may in its absolute discretion determine.

141 **UNCASHED DIVIDENDS**

If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled thereto are returned to the Company or left uncashed on two consecutive occasions or, following one occasion, reasonable enquiries have failed to establish any new address or, with respect to a payment to be made by a funds transfer system (including, without limitation, the relevant system), a new account for that person, to be used for the purpose, the Company shall not be obliged to send any dividends or other money payable in respect of that share due to that person until he notifies the Company of an address or, where the payment is to be made by a funds transfer system (including, without limitation, the relevant system), details of the account, to be used for the purpose.

142 **UNCLAIMED DIVIDENDS**

All dividends, interest or other sums payable and unclaimed for a period of 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become payable shall, if the Board so resolves, be forfeited and shall cease to remain owing by, and shall become the property of, the Company.

143 **PAYMENT OF SCRIP DIVIDENDS**

143.1 The Board may, with the prior authority of an ordinary resolution of the Company and subject to the provisions set out in this Article 143 (*Payment of scrip dividends*) and to such terms and conditions as the Board may determine, offer to any holders of shares (excluding any member holding shares as treasury shares) the right to elect to receive shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

143.2 The resolution may specify a particular dividend (whether or not already declared), or may specify all or any dividends declared within one or more specified periods provided that any period so specified shall not end later than the fifth anniversary of the date of the meeting at which the said resolution is passed.

143.3 The entitlement of each holder of shares to new shares shall be such that the relevant value of the entitlement shall be as nearly as possible equal to (but not greater than) the cash amount (disregarding any tax credit) of the dividend to which such holder is entitled. For this purpose "relevant value" shall be calculated by reference to the average of the middle market quotations for the shares on the London Stock Exchange, as derived from the Daily Official List, for the day on which the shares are first quoted "ex" the relevant dividend and the four subsequent dealing days, or in such other manner as the Board may determine on such basis as it considers to be fair and reasonable. A certificate or report by the Auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount.

143.4 No fractions of a share shall be allotted. The Board may make such provisions as it thinks fit for any fractional entitlements, including provisions whereby, in whole or in part, the benefit thereof accrues to the Company and/or under which fractional entitlements are accrued and/or retained, and in each case accumulated, on behalf of any member and such accruals or retentions are applied to the allotment by way of bonus to, or cash subscription on behalf of, such member of fully paid shares and/or provisions whereby cash payments may be made to members in respect of their fractional entitlements.

143.5 The Board shall, after determining the basis of allotment, notify the holders of shares in writing of the right of election offered to them, and specify the procedure to be followed and place at which, and the latest time by which, elections must be lodged in order to be effective save that, in the case of any holder of shares who has previously made, and has not revoked, an earlier election to receive shares in lieu of all future dividends, the Board shall instead send him a reminder that such election has been made, indicating how that election may be revoked in time for the next dividend proposed to be paid.

143.6 The Board may exclude from any offer any holders of shares or any shares held by a Depositary where the Board considers that the making of the offer to them or in respect of such shares would or might involve the contravention of the laws of or the requirements of any regulatory body or stock exchange or other authority in any territory or that for any other reason the offer should not be made to them or in respect of such shares.

143.7 The dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable in cash on shares in respect of which an election has been duly made (the elected Shares) and instead additional shares shall be allotted to the holders of the elected Shares on the basis of allotment determined as aforesaid. For such purpose the Board may capitalise, out of any amount for the time being standing to the credit of any reserve or fund (including any share premium account or capital redemption reserve) or of any of the profits which could otherwise have been applied in paying dividends in cash, as the Board may determine, a sum equal to the aggregate nominal amount of the additional shares to be allotted on that basis and apply it in paying up in full the appropriate number of new shares for allotment and distribution to the holders of the elected Shares on that basis. A Board resolution capitalising any part of such reserve or fund or profits shall have the same effect as if such capitalisation had been declared by ordinary resolution of the Company in accordance with Article 145 (*Capitalisation of reserves*) and in relation to any such capitalisation the Board may exercise all the powers conferred on the Board by Article 145 (*Capitalisation of reserves*) without need of such ordinary resolution.

143.8 The additional shares so allotted shall rank pari passu in all respects with each other and with the fully paid shares in issue on the record date for the dividend in respect of which the right of election has been offered, except that they will not rank for any dividend or other distribution or other entitlement which has been declared, paid or made by reference to such record date.

143.9 The Board may terminate, suspend or amend any offer of the right to elect to receive shares in lieu of any cash dividend at any time and generally may implement any scrip dividend scheme on such terms and conditions as the Board may from time to time determine and take such other action as the Board may deem necessary or desirable from time to time in respect of any such scheme.

143.10 The Board may establish or vary from time to time a procedure for election mandates in respect of future rights of election and may determine that every duly effected election in respect of any shares shall be binding on every successor in title to the holder thereof until the election mandate is revoked following that procedure.

144 RESERVES

The Board may, before recommending any dividend (whether preferential or otherwise), carry to reserve out of the profits of the Company such sums as it thinks fit. All sums standing to reserve may be applied from time to time, at the discretion of the Board, for any purpose to which the profits of the Company may properly be applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board thinks fit. The Board may divide the reserve into such special funds as it thinks fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as it thinks fit. Any sum which the Board may carry to reserve out of the unrealised profits of the Company shall not be mixed with any reserve to which profits available for distribution have been carried. The Board may also, without placing the same to reserve, carry forward any profits which it may think prudent not to distribute.

145 **CAPITALISATION OF RESERVES**

The Board may, with the authority of an ordinary resolution of the Company:

145.1 subject as provided in this Article, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company which is available for distribution or standing to the credit of share premium account or capital redemption reserve or other undistributable reserve;

145.2 appropriate the sum resolved to be capitalised to the holders of shares in proportion to the nominal amounts of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full new shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those holders of shares or as they may direct, in those proportions, or partly in one way and partly in the other, provided that:

(a) the share premium account, the capital redemption reserve, any other undistributable reserve and any profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up new shares to be allotted to holders of shares credited as fully paid; and

(b) where the amount capitalised is applied in paying up in full new shares, the Company will also be entitled to participate in the relevant distribution in relation to any shares held by it as treasury shares and the proportionate entitlement of the members to the distribution will be calculated accordingly;

145.3 resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends;

145.4 make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit thereof to the Company rather than to the holders of the shares concerned) or by payment in cash or otherwise as it thinks fit in the case of shares or debentures becoming distributable in fractions;

145.5 authorise any person to enter into, on behalf of all the holders of the shares concerned, an agreement with the Company providing for either:

(a) the allotment to them respectively, credited as fully paid up, of any shares or debentures to which they may be entitled on such capitalisation; or

(b) the payment up by the Company on behalf of such holders by the application thereto of their respective proportions of the reserves or profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares,

in which event any agreement made under such authority shall be effective and binding on all such holders; and

145.6 generally do all acts and things required to give effect to such resolution.

146 **RECORD DATES**

146.1 Notwithstanding any other provision of these Articles, but without prejudice to the rights attached to any shares and subject always to the Regulations, the Company or the Board may by resolution specify any date (the record date) as the date at the close of business (or such other time as the Board may determine) on which persons registered as the holders of shares or other securities shall be entitled to receipt of any dividend, distribution, interest, allotment, issue, notice, information, document or circular and such record date may be on or at any time before the date on which the same is paid, made, given or served or (in the case of any dividend, distribution, interest, allotment or issue) at any time after the same is recommended, resolved, declared or announced but without prejudice to the rights of transferors and transferees of any such shares or other securities in respect of the same. No change in the register of such holders after the record date shall invalidate the same.

146.2 For the purposes of determining which persons are entitled to attend or vote at a general meeting and how many votes such person may cast, the Company shall specify in the notice convening the meeting a time, being not more than 48 hours before the time fixed for the meeting, by which a person must be entered on the register in order to have the right to attend or vote at the meeting.

146.3 When calculating the 48 hour period mentioned in this Article, no account shall be taken of any part of a day that is not a working day.

PART 28 - ACCOUNTS

147 **INSPECTION OF RECORDS**

No member (other than a Director) shall have any right to inspect any accounting record or other document of the Company unless he is authorised to do so by statute, by order of the court, by the Board or by ordinary resolution of the Company.

148 **ACCOUNTS TO BE SENT TO MEMBERS**

Except as provided in Article 149 (*Summary financial statements*), a copy of the Company's Annual Accounts and Reports shall, not later than the date on which the Company gives notice of the annual general meeting before which they are to be laid, be delivered or sent to every member and holder of debentures of the Company and to the Auditors and to every other person who is entitled to receive notice of general meetings. However, this Article shall not require a copy of those documents to be sent to any person who under the provisions of these Articles is not entitled to receive notices from the Company or for whom the Company does not have a current address or to more than one of the joint holders of any shares or debentures.

149 **SUMMARY FINANCIAL STATEMENTS**

The Company may, in accordance with the Statutes and any regulations made under them, send a summary financial statement to any member instead of or in addition to the documents referred to in Article 148 (*Accounts to be sent to members*). Where it does so, the statement shall be delivered or sent to the member, or made available on a website in accordance with the Statutes, not later than the date on which the Company gives notice of the annual general meeting before which those documents are to be laid.

PART 29 - NOTICES

150 SERVICE OF NOTICES ETC.

150.1 Notwithstanding anything to the contrary in these Articles, any notice or other document or information sent or supplied by or to the Company (whether authorised or required to be sent or supplied by the Statutes or otherwise) to or by a member, or to or by any person entitled to enjoy or exercise all or any specified rights of a member in relation to the Company, may be sent or supplied in any way in which CA2006 provides for documents or information to be sent or supplied by or to the Company for the purposes of any provision of the Statutes, including in particular by the Company making them available on a website.

150.2 Any notice, document (including, without limitation, a share certificate) or information may be supplied by the Company to a member either personally or by sending it by post or other delivery service in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or by any other means authorised in writing by the member concerned or, by means of a relevant system or, subject to and in accordance with the Statutes, by sending it in electronic form to an address for the time being notified to the Company by the member or by making it available on a website. In the case of a member registered on an overseas branch register any such notice or document may be posted either in the United Kingdom or in the territory in which such branch register is maintained.

150.3 In the case of joint holders of a share, all notices or documents shall be given to the joint holder whose name stands first in the Register in respect of the joint holding. Notice so given shall be sufficient notice to all the joint holders. Anything agreed or specified by the first-named joint holder in respect of a joint holding shall be binding on all joint holders.

150.4 Where a member (or, in the case of joint holders, the person first named in the Register) has a registered address outside the United Kingdom but has notified the Company of an address within the United Kingdom at which notices or other documents may be given to him or, subject to and in accordance with the provisions of the Statutes, of an address to which notices or documents may be sent in electronic form, he shall be entitled to have notices or documents given or sent to him at that address, but otherwise no such member shall be entitled to receive any notice or document from the Company.

150.5 Where a document or information is sent or supplied to the Company by a person on behalf of another, the Company may require reasonable evidence of the authority of the former to act on behalf of the latter.

150.6 Any amendment or revocation of a notification given to the Company under this Article shall only take effect if in writing, authenticated by the member and on actual receipt by the Company thereof.

150.7 A notice, document or other information sent in electronic form to the Company shall not be treated as received by the Company if it is rejected by computer virus protection arrangements.

150.8 If on at least two consecutive occasions the Company has attempted to send notices or documents in electronic form to an address for the time being notified to the Company by a member for that purpose and the Company is aware that there has been a failure of delivery of such notice or document, then the Company shall thereafter send notices or documents through the post to such member at his registered address or his address for the service of notices by post, in which case the provisions of Article 150.10 shall apply.

150.9 If on three consecutive occasions notices or other documents (other than any documents to which Article 140 (*Method of Payment*) have been sent through the post to any member at his registered address or his address for the service of notices but have been returned undelivered, such member shall not thereafter be entitled to receive notices or other documents from the Company until he shall have communicated with the Company and supplied in writing a new registered address or address within the United Kingdom for the service of notices or, subject to and in accordance with the provisions of the Statutes, an address to which notices may be sent in electronic form.

150.10 Any notification that may be given to the Company pursuant to sections 146-150 CA 2006 shall be in a form prescribed by or approved by the Board.

150.11 The provisions of this Article 150 shall apply to a rights issue as if there were substituted for each reference to the "United Kingdom" a reference to the European Economic Area.

151 **SERVICE OF NOTICE IN CASE OF DEATH OR BANKRUPTCY, ETC**

The Company may send or supply any notice or document on the person entitled to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law, by sending or delivering it in any manner authorised by these Articles for the giving of a notice or document to a member, addressed to that person by name, or by the title of the representative of the deceased or of the trustee of the bankrupt or representative by operation of law or by any like description, at the address (if any) within the United Kingdom to which notices may be sent by electronic means supplied for the purpose by the person claiming to be so entitled. Until such an address has been so supplied, any notice, document or other communication sent or supplied to any member pursuant to these Articles in any manner in which it might have been sent or supplied if the death, bankruptcy or other event had not occurred shall, notwithstanding that the member is then dead or bankrupt or that any other event giving rise to the transmission of the share by operation of law has occurred and whether or not the Company has notice of the death, bankruptcy or other event, be deemed to have been properly served or delivered in respect of any share registered in the name of that member as sole or joint holder.

152 **EVIDENCE OF SERVICE**

152.1 Any notice, certificate or other document addressed to a member at his registered address or address for service in the United Kingdom shall, if sent by post, be deemed to have been served or delivered on the working day after the day when it was put in the post (or, where second-class mail is employed, on the second working day after the day when it was put in the post). Proof that an envelope containing the notice or document was properly addressed and put into the post as a prepaid letter shall be conclusive evidence that the notice was given. Any notice, certificate or other document not sent by post but delivered or left at a registered address or address for service in the United Kingdom shall be deemed to have been served or delivered on the day (or, if not a working day, the next working day) and at the time on which it was so delivered or left.

152.2 Any notice or other document addressed to a member shall, if sent using electronic means, be deemed to have been served or delivered on the day it was first sent or, if the day it is sent is not a working day, on the next working day. In proving such service or delivery it shall be conclusive to prove that the address used for the electronic communication was the address supplied for such purpose and that the electronic communication was properly dispatched by the Company, unless the Company is aware that there has been a failure of delivery of such notice or document following at least two attempts, in which case such notice or document shall be sent to the member at his registered address or address for service in the United Kingdom pursuant to Article 152.1 within 48 hours of the original electronic communication.

152.3 Any notice or other document sent or supplied by means of a website shall be deemed received by the intended recipient when the material was first made available on the website or, if later, when the recipient received, or is deemed to have received, notice of the fact that the material was available on the website.

152.4 In calculating any period for the purposes of this Article, no account shall be taken of any part of a day that is not a working day.

152.5 Any notice or other document sent by a relevant system shall be deemed to have been served or delivered when the Company (or a sponsoring system - participant acting on its behalf) sends the issuer instructions relating to the notice or document.

152.6 Any member present, either personally or by proxy, at any general meeting of the Company or at any meeting of the holders of any class of shares in the Company shall for all purposes be deemed to have received due notice of that meeting, and of the purposes for which the meeting was called.

153 NOTICE BINDING ON TRANSFEREES

Every person who, by operation of law, transfers or by any other means becomes entitled to a share shall be bound by any notice in respect of that share (other than a notice given by the Company pursuant to Article 32 (*Failure to disclose interests in shaRes*)) which, before his name is entered in the Register, has been duly given to a person from whom he derives his title.

154 NOTICE BY ADVERTISEMENT

Any notice to be given by the Company to the members or any of them, and not otherwise provided for by these Articles, shall be sufficiently given if given by advertisement in at least one national newspaper published in the United Kingdom and, where the Company keeps an overseas branch register, in at least one daily newspaper published in the territory in which such register is maintained. Any notice given by advertisement shall be deemed to have been served at noon on the day on which the advertisement first appears.

155 SUSPENSION OF POSTAL SERVICES

Subject to the Statutes and to any other provision of these Articles, if at any time by reason of the suspension, interruption or curtailment of postal services or threat thereof within the United Kingdom the Company is or would be unable effectively to convene a general meeting by notices sent through the post, a meeting may be convened by a notice advertised in accordance with Article 154 (*Notice by* *advertisement*). Such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day on which the first of such advertisements appears. In any such case the Company shall send confirmatory copies of the notice by post if, at least seven days prior to the meeting, the posting of notices to addresses throughout the United Kingdom again becomes practicable in the view of the Board.

PART 30 – DESTRUCTION OF DOCUMENTS

156 DESTRUCTION OF DOCUMENTS

156.1 The Company may destroy:

(a) any instrument of transfer, after six years from the date on which it is registered;

(b) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address, after two years from the date on which it is recorded;

(c) any share certificate, after one year from the date on which it is cancelled; and

(d) any other document on the basis of which any entry in the Register is made, after six years from the date on which an entry was first made in the Register in respect of it,

provided that the Company may destroy any such type of document at a date earlier than that authorised by this Article if a copy of such document is made and retained (whether made electronically, by microfilm, by digital imaging or by any other means) until the expiration of the period applicable to the destruction of the original of such document.

156.2 It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of a document so destroyed was duly and properly made, that every instrument of transfer so destroyed was duly registered, that every share certificate so destroyed was duly cancelled, that every other document so destroyed had been properly dealt with in accordance with its terms and was valid and effective in accordance with the particulars in the records of the Company, provided that:

(a) this Article 156 shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties to it) to which the document might be relevant;

(b) nothing in this Article 156 shall be construed as imposing on the Company any liability in respect of the destruction of any such document otherwise than as provided for in this Article 156 which would not attach to the Company in the absence of this Article 156;

(c) references in this Article 156 to instruments of transfer include, in relation to uncertificated shares, instructions and/or notifications made in accordance with the relevant system relating to the transfer of such shares; and

(d) references in this Article 156 to the destruction of any document include references to the disposal of it in any manner.

PART 31 - INDEMNITY

157 **INDEMNITY**

157.1 Subject to the provisions of the Statutes, but without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was at any time a Director or an officer of the Company or a director or officer of an associated company (except the Auditors or the auditors of an associated company) may at the discretion of the Board be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the Company, or of an associated company, as a trustee of an occupational pension scheme (as defined in section 235(6) CA 2006).

157.2 Subject to the provisions of the Statutes, the Company may at the discretion of the Board provide any person who is or was at any time a Director or officer of the Company or a director or officer of an associated company (except the Auditors or the auditors of an associated company) with funds to meet expenditure incurred or to be incurred by him (or to enable such Director or officer to avoid incurring such expenditure) in defending any criminal or civil proceedings or defending himself in any investigation by, or against action proposed to be taken by, a regulatory authority or in connection with any application under the provisions referred to in section 205(5) CA 2006.

158 **POWER TO INSURE**

Subject to the provisions of the Statutes, the Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a Director or officer or employee of the Company or of an associated company or of any company in which the Company has an interest whether direct or indirect (excluding the Auditors or the auditors of an associated company or of a company in which the Company has an interest however direct or indirect) or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of the Company or of any such other company or subsidiary undertaking is or has been interested indemnifying such person against any liability which may attach to him or loss or expenditure which he may incur in relation to anything done or omitted to have been done, or alleged to have been done or omitted to have been done, as a Director, officer, employee or trustee.

PART 32 - STRATEGIC ASSETS LAWS PROVISIONS

159 **DEFINITIONS**

For the purposes of this Part 32, the following expressions shall have the following meanings:

Affected Shares	any shares in the Company owned by a Non-Compliant Holder
Eligible Transferee	a person who is not a Non-Compliant Holder and who will not upon completion of the proposed transfer become a Non-Compliant Holder, which

categorisation may for the purposes of this Part 32 be determined in relation to any person by the Board

Mandatory Disposal has the meaning given to it in Article 165.1;

Non-Compliant Holder any person whose direct, indirect or beneficial ownership of shares in the Company (whether as result of such ownership or the result of aggregation with any interest of any other person in shares in the Company) in the determination of the Board:

(a) is or may be prohibited pursuant to the Strategic Assets Laws;

(b) has been acquired or is held in circumstances where approval for such acquisition or holding should (in the opinion of the Directors) have been but was not obtained pursuant to the Strategic Assets Law or any other Russian Legislation; and/or

(c) is based on a claim or other action made or taken by a relevant authority or on legal advice, does or may cause the Company or any of its subsidiaries to be unable to exercise voting rights in respect of the shares of any subsidiary of the Company, or to cause any corporate actions or transactions by any such subsidiary to be (or be determined to be) void or voidable or other adverse consequences for the Group

Russian Legislation any legislation or regulation of the Russian Federation

Strategic Assets Law

(a) Russian Federal Law No. 57-FZ dated 29 April 2008 "On the manner of conducting foreign investments into companies having strategic significance for securing the defence of the country and the security of the state" (as may be amended from time to time);

(b) - Russian Federal Law No. 58-FZ dated 29 April 2008 "On introducing amendments in certain legal acts of the Russian Federation and abolishing certain provisions of legal acts of the Russian Federation in connection with the adoption of the Federal law "On the manner of conducting of foreign investments into companies having strategic significance for securing the defence of the country and the security of the state";

(c) Russian Federal Law No. 2395-1 dated 21 February 1992 "On Subsoil" (as may be amended from time to time);

(d) Russian Federal Law No. 160-FZ dated 9 July 1999 "On foreign investments in the Russian Federation" (as may be amended from time to time)

as amended or replaced

Transfer Notice has the meaning given to it in Article 164.1

160 **IMPOSITION OF RESTRICTIONS ON SHARES IN THE COMPANY**

The Directors may impose such restrictions as they may think necessary for the purpose of ensuring that no shares in the Company are acquired or held by or transferred to any person in breach of Russian Legislation, including any person having acquired (or who would as a result of any transfer acquire) shares or an interest in shares which, together with any other shares in which that member is deemed to have an interest for the purposes of the Strategic Assets Law, carry voting rights exceeding 50 per cent. (or such lower number as the Board may determine in the context of the Strategic Assets Law) of the total voting rights attributable to the issued shares of the Company without such acquisition having been approved, where such approval is required, pursuant to the Strategic Assets Laws.

161 **PROHIBITION ON ACQUISITION OF SHARES IN THE COMPANY**

A person may not acquire any interest in shares in the Company, either as part of an initial allotment of shares in the Company or subsequently and whether individually or in conjunction with other persons, if such person and (if applicable any other person(s)) would as a result become (a) Non-Compliant Holder(s).

162 **REFUSAL TO REGISTER TRANSFERS IN FAVOUR OF ANY NON-COMPLIANT HOLDER**

The Board may refuse to register a transfer of shares in the Company which in the Board's opinion:

(a) is to a Non-Compliant Holder; or

(b) if the transfer if implemented would result in the transferee and (if applicable any other person(s)) becoming (a) Non-Compliant Holder(s).

163 **NOTIFICATION OF NON-COMPLIANT HOLDER STATUS**

163.1 The Directors may at any time give notice in writing to any Holder requiring him, within such period as may be specified in the notice, to deliver to the Company at the Office such information, certificates and statutory declaration as the Directors may require to establish that such person is not a Non-Compliant Holder or is otherwise not holding shares in breach of any Russian Legislation. For the purpose of making a determination under this Article 163 (*Notification of Non-Compliant Holder status*), the Company may:

(a) require a member to provide such information as the Board considers appropriate or necessary including copies of any agreements or other documentation which could evidence concerted action between Holders; and

(b) take such other action as the Board thinks fit, including setting deadlines for the provision of information; drawing adverse inferences where information requested is not provided; making determinations or interim determinations; changing any determination previously made; and determining that the voting rights in respect of all or any Shares in respect of which an enquiry has been made pursuant to this Article 163 and not (in the opinion of the Board) been sufficiently responded to shall not be exercisable.

163.2 If any Holder becomes aware that he is, or is likely to be, a Non-Compliant Holder or is otherwise holding or owning shares in the Company in breach of any Russian Legislation, he shall forthwith, unless he has already received a notice pursuant to Article 164.1 (i) transfer all of his shares in the Company to one or more Eligible Transferees or (ii) give a request in writing to the Directors for the issue of a Transfer Notice in accordance with the provisions referred to in Article 164 (*Obligation to dispose/disenfranchisement*) below. Every such request shall, in the case of certificated shares in the Company, be accompanied by the certificate(s) for the shares in the Company to which it relates.

164 **OBLIGATION TO DISPOSE/DISENFRANCHISEMENT**

164.1 If it shall come to the notice of the Board that any shares in the Company are owned directly, indirectly, or beneficially by a person who is, or may be, a Non-Compliant Holder, the Board may at any time give written notice to such person (a **Transfer Notice**) requiring him to sell or transfer his shares in the Company to an Eligible Transferee or Eligible Transferees within 14 (fourteen) days and within such 14 (fourteen) days to provide the Company with satisfactory evidence of such sale or transfer.

164.2 Pending such sale or transfer or at any other time when the Board considers any person(s) to be (a) Non-Compliant Holder(s) the Board may, in its absolute discretion, at any time by notice to such Holder of Affected Shares direct that in respect of all or any part of their shares in the Company the Member shall not be entitled to attend or to vote either personally or by proxy at a general meeting of the Company or a meeting of the Holders of any class of shares of the Company or to exercise any other rights conferred by membership in relation to general meetings of the Company or meetings of the Holders of any class of shares of the Company or otherwise and (to the extent permitted from time to time by the Listing Rules of the UK Listing Authority), except in a liquidation of the Company, no payment shall be made of any sums due from the Company on such shares, whether in respect of capital or dividend or otherwise, and the Company shall not have any liability to pay interest on any such payment when it is finally paid to the Member and no other distribution shall be made on such shares in the Company.

165 MANDATORY DISPOSAL

165.1 If any person upon whom such a Transfer Notice is served pursuant to Article 164.1 does not within 14 (fourteen) days after such Transfer Notice either (i) transfer his shares in the Company to an Eligible Transferee or Eligible Transferees or (ii) establish to the satisfaction of the Directors (whose judgment shall be final and binding) that he is not a Non-Compliant Holder, the Directors may in their sole discretion arrange for the Company to sell such shares in the Company (a **Mandatory Disposal**) to an Eligible Transferee or Eligible Transferees. For this purpose, the Directors may make such arrangements as they deem appropriate. In particular, without limitation, they may authorise any Director or other officer or (if any) employee of the Company to execute any transfer or other document on behalf of the Holder or Holders of the Affected Shares and, in the case of Affected Shares in uncertificated form, may make such arrangements as they think fit on behalf of the relevant Holder or Holders to transfer title to the relevant Affected Shares. The Eligible Transferee shall be entered in the Register as the Holder of the relevant shares comprised in any such transfer and he shall not be bound to see to the application of the relevant purchase moneys nor shall his title to the relevant shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale, and after the name of the Eligible Transferee has been entered in the Register, the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

165.2 Any sale pursuant to Article 165.1 shall be at a price which the Directors consider is the best price reasonably obtainable. The Directors shall not be liable to the Holder or Holders of the relevant shares, to whom the net proceeds will be paid, for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.

165.3 The net proceeds of the sale of any share under Article 165.2 (less the expenses of sale) shall be paid over by the Company to the former Holder or Holders of the relevant shares upon surrender of any certificate or other evidence of title relating to them, without interest. The receipt of the Company shall be a good discharge for the purchase money.

165.4 The Directors shall not be obliged to serve any notice required under this Part 32 upon any person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any person upon whom notice is required to be served under this Part 32 shall not prevent the implementation of or invalidate any procedure under this Part 32.

165.5 The provisions of Part 29 of these Articles shall apply to the service upon any person of any notice required by this Part 32. Any notice required by this Part 32 to be served upon a person who is not a Member or upon a person who is a Member but whose address is not within the United Kingdom and who has failed to supply to the Company an address within the United Kingdom shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that Member or person at the address (if any) at which the Directors believe him to be resident or carrying on business or, in the case of a holder of depositary receipts or similar securities, to the address, if any, in the register of holders of the relevant securities. Service shall, in such a case, be deemed to be effected on the day of posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.

166 GENERAL

166.1 The Directors shall be entitled to presume without enquiry, unless any Director has reason to believe otherwise, that a person is not a Non-Compliant Holder.

166.2 If at any time the Directors believe that a Non-Compliant Holder has an interest in any shares in the Company then the Directors may invoke the above provisions of this Part 32 unless the Directors determine that the continued interest in the shares in the Company by the Non-Compliant Holder shall not constitute a breach of any Russian Legislation.

166.3 The Directors shall be under no liability to any other person or, so long as the Directors act reasonably and in good faith, to the Company, and the Company shall be under no liability to any Member or any other person, for identifying or failing to identify any person as a Non-Compliant Holder or performing or exercising their duties, powers, rights or discretions under this Part 32 in relation to such Shares, or for not doing so.

166.4 The Directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular person) pursuant to this Part 32 and any such determination or decision shall be final and binding on all persons unless and until it is revoked or changed by the Directors. Any disposal or transfer made or other thing done by or on behalf of the Board or any Director pursuant to this Part 32 shall be binding on all persons and shall not be open to challenge on any ground whatsoever.

166.5 If it considers it necessary to do so as a result of the Strategic Assets Law applying to any assets of the Group, the Board can determine that the quorum for general meetings generally or for any specific meeting(s) shall comprise (a) particular percentage(s) of the Shares in issue at the time of the meeting or any such other number(s) as the Board may determine to be desirable by reason of the Strategic Assets Law applying to any assets of the Group.

166.6 The powers vested in the Board in the Part 32 may be exercised by any person to whom such powers have been delegated pursuant to Part 21 of these Articles.

PETROPAVLOVSK

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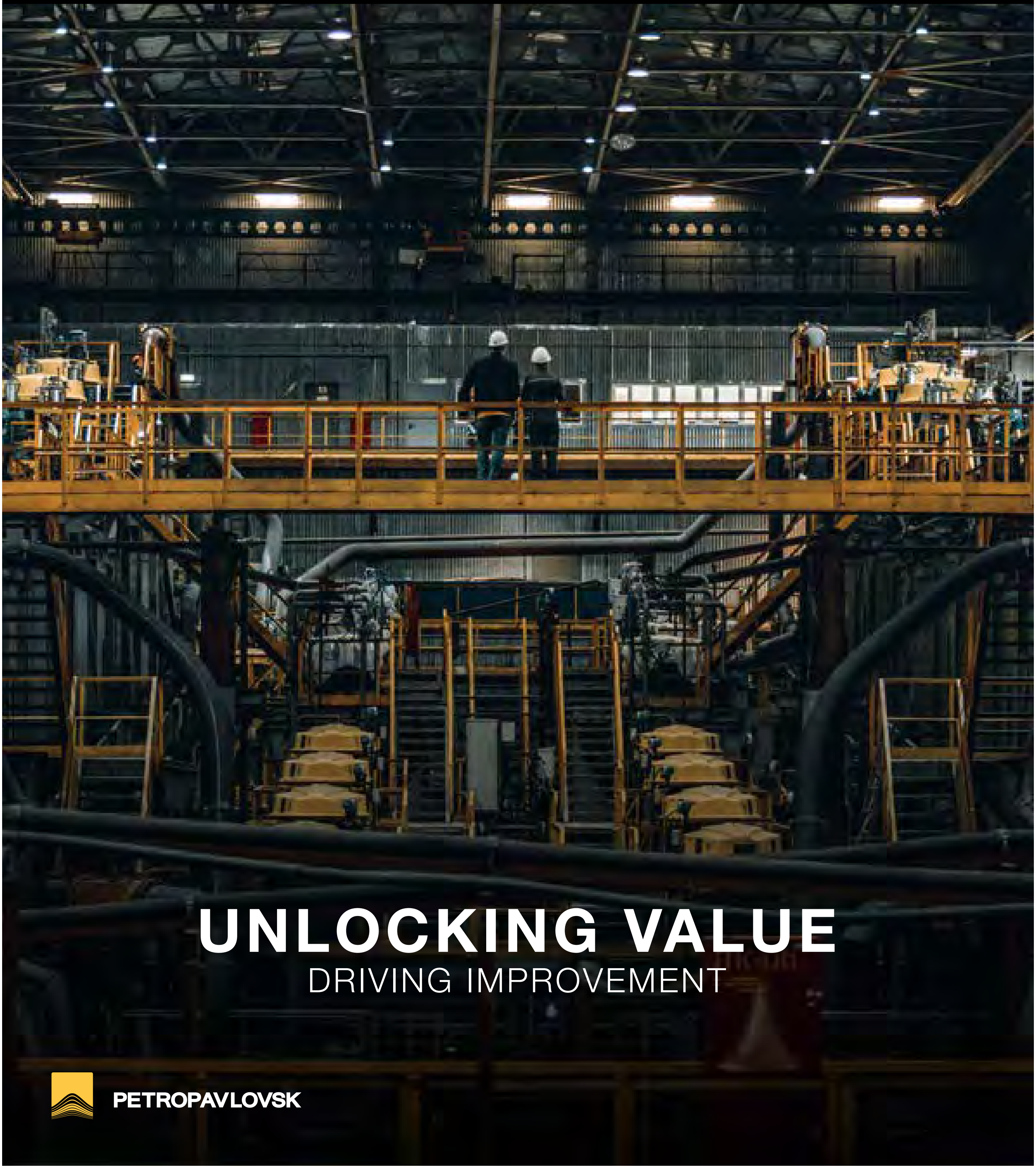

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PETROPAVLOVSK

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CHAIRMAN'S STATEMENT

MR. JAMES W. CAMERON JR.

"I am pleased to say, that we are now in a much better place. We are able to focus on improving the company in all aspects, resulting in better returns for stakeholders."

James W. Cameron Jr., Chairman

Dear Shareholder

These are the first set of annual results as the Chairman of your company and it has obviously been an unusual and, at times, challenging year. I am pleased to say, that we are now in a significantly better place and able to focus on running the company efficiently and providing improved returns for shareholders.

CORPORATE TURBULENCE

During 2020, the company underwent a period of substantial corporate turbulence. At the 2020 AGM, a majority of shareholders voted against the election or re-election of seven out of the eleven members of the board. This vote was an expression of dissatisfaction among major shareholders with the then current board and the company's management.

On becoming aware that shareholders had voted against their remaining in office, the outgoing directors determined to appoint a number of temporary directors, seemingly to avoid the four directors whose appointment had been confirmed at the 2020 AGM having control of the board. The validity of the temporary directors' appointments, the motivation for them, and whether the outgoing directors breached their fiduciary duties to the company became the subject of litigation before the English courts and, at the request of the former Chairman, the Takeover Panel started to investigate the potential that parties were acting in concert. In April 2021, the Takeover Panel determined that there was insufficient evidence to conclude that any parties were acting in concert.

On 10 August 2020 at an RGM convened by the board under the control of the temporary directors, the company's shareholders rejected all resolutions designed to return directors previously removed. As a consequence of the RGM, the board was re-constituted to include only those four directors whose appointments had been confirmed at the 2020 AGM.

From that point onwards during 2020, the board encountered a lack of co-operation from key employees and ex-employees. The company's subsidiaries appeared to have been instructed to withhold documents and operational data and to disregard the board's instructions. In addition, some of the outgoing directors had orchestrated the alteration of constitutional documents of key operating subsidiaries in Russia in a manner designed to impede the board's control over the group. The company's efforts to rectify these changes were obstructed by employees and ex-employees who launched litigation in various courts in Russia, which had no legal basis. The senior employees involved in this litigation in Russia have now left the group and all proceedings have been concluded in the group's favour.

Overall, the events of autumn 2020 had only a temporary adverse impact on the group's financial position and operations. The actions have however resulted in unnecessary delays and unavoidable expense. The board has sought to address these.

Despite the challenges initially faced by the current board, I am pleased to report that there has been a significant improvement in the situation, following key changes in the past six months.

At the RGM 84% of the votes cast were in favour of Resolution 19, which required the board to commission an independent forensic investigation into certain dealings by the group's management. As discussed in more detail below, the company has engaged KPMG LLP to conduct this investigation and the board will update shareholders on the outcomes.

In December 2020, the company's co-founder and former Chief Executive, Pavel Maslovskiy, was arrested in Russia on a charge of embezzlement widely reported as relating to transactions involving certain assets of the group. These proceedings continue. We have offered to cooperate with the Russian authorities in their investigation and will provide such assistance as required.

Despite the unprecedented action to prevent the proper exercise of shareholder rights and the waste of the company's valuable time and resources which ensued, I am pleased to report that the company is in the process of comprehensive strategic and governance overhaul. These initiatives are intended to benefit all stakeholders and we anticipate that they should demonstrate visible results in the near term.

MANAGEMENT CHANGES

On 30 November 2020, we announced the appointment of Denis Alexandrov as CEO. He is ideally qualified and experienced for this demanding but rewarding role and we were extremely pleased to recruit him. There is more on Denis's appointment on pages 87, 97 and 100.

Under Denis's leadership, a number of key senior executive appointments have been made. These changes are critical to delivering more efficient performance and an improved working culture.

The new senior management and the board have commenced a thorough review of the business. The review includes simplifying the corporate structure, improving operational efficiency, introducing new management and financial systems and a fundamental review of the group's culture, human resources and sustainability. It is likely that as part of the review we will reset many of our metrics, targets and standards during 2021. The outcome of this review is expected to be published later in the year.

BOARD AND GOVERNANCE

We have previously committed to expanding the board which was not an appropriate size for a FTSE-350 company listed on the London Stock Exchange. We were delighted to announce the appointment of Mr. Malay Mukherjee in August 2020 and of Mr. Mikhail Irzhevsky in April 2021. We now have a diverse and experienced board of six, three of whom have been appointed since the August 2020 RGM and, including me as Chair, an independent majority.

Our company bridges the differing systems, cultures and traditions of the United Kingdom and the Russian Federation and has responsibilities in both jurisdictions. Petropavlovsk is one of a small number of Russian-based companies with a listing on the London Stock Exchange and Moscow Exchange and stands apart from many Russian natural resources companies by the diversity of its shareholder register.

As mentioned above, in November 2020 the board appointed KPMG as an independent forensic investigator, relating to Resolution 19. KPMG's investigation into transactions with related parties is ongoing, occasionally slowed by difficulties in obtaining access to relevant records and data sources. Their early work suggests that there appears to have been a broad acceptance of individuals personally benefiting from corporate transactions, which was assisted by weak controls and an accepting corporate culture. KPMG and management have already identified a number of potentially concerning arrangements, with a value of at least US$134 million, involving undisclosed related parties and likely conflicts of interest. Other areas also remain under investigation, including significant historic transactions. An interim update is due from KPMG at the AGM on 30 June 2021.

SUSTAINABILITY

Health and safety is fundamental to any mining company and the board firmly believes that a well-run operation is a safe operation. In April 2021 we appointed a new head of health and safety, who visited all of the group's key assets prior to appointment and has already reported on areas for improvement.

Our performance in health, safety and environment is a key focus for the board and the CEO. Accurate and transparent reporting is critical but must be built on genuine action and behaviours.

We have reviewed and updated our speak-up and anti-bribery policies in 2020. Read more on pages 28 to 41 on sustainable development, human rights, labour, environment and anti-corruption topics.

The group was fortunate to suffer no material outbreaks of COVID-19 among its workforce and only minor disruptions to supply and logistics, most visibly in the supply of third-party concentrate.

COVID-19 has however had a significant impact on how we work, including changes to shift patterns, quarantining for employees and visitors from other regions, the consequent need for additional accommodation, frequent testing and, more recently, the roll-out of a vaccination programme.

The CEO has set some key tasks for 2021 including an improvement in working and accommodation conditions for employees and a fairer and more transparent remuneration system. This has the board's full support, recognising the continuing commitment of our 8,860 employees and ensuring they remain appropriately rewarded and incentivised.

We have respect for the environment in which we operate and the communities impacted by our operations. We recognise our responsibility to minimise any impact on biodiversity by ensuring wildlife and local habitats are protected through all stages of mine life. In addition, we fully acknowledge the impact of carbon emissions on climate change and the need to address this on a global scale, and are putting systems in place to manage and reduce our GHG emissions. Further details are provided in the sustainability review on pages 37-38.

The period since the RGM has been a challenging one, combining continued governance disruption and the COVID-19 pandemic. I would like to thank our employees for their forbearance during this difficult period; their hard work and their willingness to adapt to a new way of work has allowed the business to continue with such little disruption.

CAPITAL MANAGEMENT AND DIVIDENDS

The board is clear that, going forward, there must be a greater focus on providing returns to all shareholders, who have helped provide the capital for significant projects and the development of the group. Petropavlovsk has not declared a dividend for eight years.

The board is unwavering in its dedication to resolve the legacy issues that have hampered the group from achieving its potential. It is a matter of priority for us that the output of the CEO's organisational and operational review establishes a path which will drive change and ensure that the company's shares more fully reflect the substantial underlying worth and potential of the business, creating value for all stakeholders.

We finished the year with net debt of US$500.6 million, or 1.4x net debt to EBITDA, a significant improvement from the 2.1x ratio of the prior year, but this reflects the benefit of higher gold prices, over which we have no control.

During 2021 we will continue to focus on strengthening the group's balance sheet, both reducing debt and reducing the cost of debt. Management has indicated that they will seek to settle the outstanding gold pre pay contracts, which stood at c.US$64 million at year end, converting these to a standard credit line. Work has also commenced to refinance the US$500 million of 2022 notes with the aim of reducing the size and servicing cost of the group's debt.

The board acknowledges the importance of dividends as the primary source of returns to shareholders. Having achieved a stronger financial structure, the board is committed to maintaining an appropriate balance between cash returns to shareholders and investment in the business, with the intention of maximising long-term shareholder value.

Going forward, at the end of each financial period, the board hopes to be able to determine an appropriate total level of ordinary dividend per share. This will take into account the results for the financial year, the outlook for gold, the board's view of the long-term growth prospects of the business and the company's objective of maintaining a strong balance sheet.

SUMMARY

In our Interim Results, I mentioned that we believe Petropavlovsk has historically failed to deliver value to its shareholders and employees, despite excellent assets and a committed and skilled workforce. This has principally been due to a mixture of poor leadership, governance and controls. 2020 was a challenging year in many ways, bringing to light a number of issues within the business; 2021 will be a busy year for the board and management, as we continue to review and improve our culture, organisational design, governance framework and operational practices. Changes have been made to operations and organisational design putting us on a much sounder footing to move the group forward, make more of our asset base, provide opportunities for our workforce, improve returns, generate value for all stakeholders and grow the business. The current board seeks to promote a culture of integrity, openness and respect within the company, recognising that this is pivotal to the group's long-term success. The outlook for Petropavlovsk has improved considerably and I look forward to reporting on our progress.

Mr. James W. Cameron Jr.
Non-Executive Chairman

CEO STATEMENT:
INTERVIEW WITH THE CEO

MR. DENIS ALEXANDROV

Denis Alexandrov was appointed as Chief Executive Officer and as a director on 1 December 2020, bringing with him significant experience in the Russian gold mining sector, an in-depth knowledge of the requirements of a listed company and a proven ability to grow businesses for the benefit of all stakeholders.

Following his appointment, Denis sets out his vision for the business going forward.

WHAT ATTRACTED YOU TO THE COMPANY?
Having worked in the Russian gold mining industry for many years, I was attracted to Petropavlovsk's underlying strength. I see strong long-term potential in the company's three active gold mining centres, extensive resource base and prospective licences, and, of course, the state-of-the-art POX Hub, all of which are high-quality assets.

Whilst I have only been in the role for just six months, it is already clear that the company has an exceptionally qualified, committed, and collaborative workforce. I have greatly enjoyed getting to know them, and they share my belief that Petropavlovsk has excellent prospects.

WHAT WERE YOUR IMMEDIATE PRIORITIES?
First and foremost, we needed to establish complete control over our operations. At the time of my appointment, the group was still experiencing uncooperative behaviour from a number of senior employees and ex-employees and addressing litigation in Russia, all of which resulted from legacy issues from the previous management team. Therefore, in my initial months, my priority was to ensure cooperation throughout the group. With this achieved and with the litigation successfully resolved, we were then able to initiate a comprehensive review of the business, its structure and operational policies and processes.

This exercise has already established several priority issues that, when fully addressed, will deliver greater operational efficiency, enhanced health and safety, increased transparency and drive value for the benefit of all of our stakeholders. Work is well underway in addressing these issues, assisted by the ongoing forensic audits on past and current practices being carried out by KPMG and PwC, respectively. One example is the group's procurement and tendering processes, which it is clear can be significantly improved to deliver efficiencies and cost savings.

We are focused on reducing our levels and cost of debt. This includes refinancing our US$500 million notes, which mature in 2022. Evaluating options to remove Petropavlovsk from the onerous IRC loan guarantees is also a priority.

HOW DO YOU INTEND TO ADDRESS THE ISSUES THE COMPANY HAS FACED AND WHAT OPPORTUNITIES DO YOU SEE FOR THE BUSINESS GOING FORWARD?
The group has suffered from an unnecessarily complex corporate structure and a sprawling management structure with duplicated functions spread over several offices. Addressing these issues will help reduce our General & Administrative expenses and increase transparency, accountability, and efficiency.

As a first step, we plan to consolidate most executive functions in the Moscow office, and to combine administrative support functions for our mines into a shared competence centre at the Blagoveshchensk office. We have brought in several executives to fill newly created roles in this structure, including a new Chief Operating Officer and heads of corporate development, human resources and people development, procurement and logistics, corporate communications, capital construction, business transformation, regional affairs, health and safety, and legal affairs. In addition, we have also looked to elevate stand-out employees from within our operations. We have a strong leadership team at asset level, and I am pleased to say that we have successfully retained most key mine personnel.

Historically, Petropavlovsk has a track record of being overly optimistic in its guidance which the implementation of stronger management systems and a higher level of data transparency should enable us to improve.

We will also need to examine the group's many auxiliary businesses, which account for a significant portion of our 9000-strong workforce. These entities conduct a range of services for our operating assets, from exploration drilling and transport to machinery repairs and explosives manufacturing. We need to benchmark each subsidiary against the market to measure the expediency of keeping these functions within the group.

One of our biggest strengths is our capacity for in-house research and development, and that is something we will continue to develop. The group's project bureaus – Irgiredmet and NIC Gydrometallurgia – have played a key role in our success. At the same time, Irgiredmet now derives 98% of its revenue from external contracts, and Gydrometallurgia roughly 50%, attesting to the respect both organizations command in the industry. Similarly, we will continue to support and develop our academic institute, Pokrovskiy Mining College, which provides education and training to hundreds of students and personnel each year, helping to train our next generation of employees and boost the qualifications of current staff.

Our people are critical to the success of Petropavlovsk. We must have HR policies, training and development programmes to ensure that their talent is duly maximised. Under the direction of our new Head of HR and People Development, we are implementing a development strategy for our employees. This includes consistent and best in class personnel and remuneration policies to deliver employee motivation and retention. Our employee incentive programmes should encourage a focus on the company's future development, with KPIs tied to creating shareholder value. We need to instil a culture of continuous improvement and a desire to do better tomorrow than we do today. At the same time, we must ensure our employees are taken care of today, and this is why we included funds in our 2021 budget for improvements to living conditions at our mine accommodation.

Critically, we must deliver a clear pathway for sustainable growth. This will require improving our existing assets, investing in exploration to convert more of our resources to reserves, implementing robust and up-to-date data systems, and instituting a system of medium and long-term budgeting and planning. Better forward planning, for instance, will help us improve procurement practices and sign longer-term contracts, thereby reducing costs or, in the case of purchasing third-party refractory gold concentrate, ensuring a more stable supply going forward.

One of the immediate cash-flow opportunities is maximising the utilisation of the POX Hub using our own concentrates and reducing reliance on low margin third-party material. Key to achieving this is the successful delivery of two major projects for the group, the commissioning and ramp-up of the Pioneer flotation plant in Q2 2021 and the expansion of the Malomir flotation plant, on track to be completed in Q3 2022. These projects will increase our capacity to process refractory gold from our mines from 3.6Mtpa to 9.0Mtpa which means the POX Hub will increasingly be treating our own mined gold with a small balance from third parties.

WHAT MEASURES ARE YOU TAKING TO PROTECT YOUR PEOPLE AGAINST COVID-19? WHAT HAS THE IMPACT BEEN ON THE BUSINESS?

Petropavlovsk reacted swiftly to the pandemic and quickly established a number of anti-COVID-19 and social distancing protocols to protect our people at our sites and in our offices, in addition to strict quarantine protocols at our operations, all of which remain in place. I am pleased to note that we had no material outbreaks of the virus at our operations. Naturally, the pandemic resulted in some operational challenges, and we did experience some COVID-19-related delays and certain logistical issues that impacted the overall performance.

Following the successful development of a vaccine, we are encouraging and assisting our employees to take advantage of the Russian government's extensive inoculation programme.

WHAT ARE YOUR SUSTAINABILITY PRIORITIES FOR PETROPAVLOVSK?

Our first priority is safety, and we must operate without causing harm to our employees, the environment and local communities. Petropavlovsk has a strong safety performance track record, with zero fatalities in 2020. However, we can do more to build a more advanced culture of safety across the company and its contractors. We have recruited a new Head of Health and Safety to instil this culture in our business at every level and will be reviewing all of our ESG KPI's and targets to ensure that they are relevant and accurate. This could result in statistics such as LTIFR rising temporarily as we introduce more robust reporting to help identify and improve potential areas of weakness.

The inclusion of Petropavlovsk shares into the FTSE4Good Index Series in December 2020 is aligned with our commitment to improve our sustainability practices as well as the transparency and disclosure around them.

I strongly believe we should be setting ambitious targets and taking action to prevent climate change. In December last year, Petropavlovsk joined the UN SDG Ambition Accelerator, a global 6-month programme aimed at helping companies to access current performance, identify risk areas and take ambitious action towards achieving the SDGs. I am committed to making operational changes to reduce our carbon footprint. Recent progress has seen Petropavlovsk switch to electric excavators as part of our ongoing renewal of equipment.

By the second half of 2021, we expect to expand our environmental team, which will immediately be tasked with a full and thorough review of environmental practices throughout the group. We see opportunities to improve how we operate our tailings storage, handle our waste management, and our mine reclamation planning. These are reflected in the increased environmental provision included in our financials.

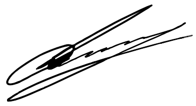
We are mindful of our local stakeholders, and we will remain intricately involved in the public life of Russia's Amur region, where our mines are located and where Petropavlovsk is a prominent member of the local business community. We will continue to support various projects in the region in line with the company's traditions, such as the historically important Albazino archaeological programme and the regional youth football league. We will also continue to work with local indigenous peoples on community development and other issues of importance to them.

WHAT ARE YOU MOST EXCITED ABOUT THIS YEAR?

There is a great deal to look forward to at Petropavlovsk, given the scope and opportunity to improve our operations.

We will continue to assess the development of our assets, with Elginskoye, in particular, having great possibilities that have not previously been fully considered, potentially justifying its own processing or flotation plant. The drilling and exploration work at Elginskoye, ahead of a pre-feasibility study, will give us greater visibility on its upside potential.

I agree with my fellow board members regarding the importance of a clear dividend policy, and I look forward to speaking more on this later in the year.



Mr. Denis Alexandrov,
CEO

OVERVIEW
HIGHLIGHTS

Petropavlovsk has embarked on an ambitious programme to strengthen leadership and controls across the group aimed at reducing costs and improving returns to stakeholders.

FINANCIAL

GROUP REVENUE

US$988.5m

2019: US$741.6m

UNDERLYING EBITDA

US$350.7m

2019: US$264.8m

CAPITAL EXPENDITURE

US$117.8m

2019: US$103.8m

CASH GENERATED FROM OPERATIONS

US$265.9m

2019: US$189.3m

NET DEBT

US$500.6m

2019: US$561.3m

OPERATIONAL

TOTAL GOLD PRODUCTION

548.1koz

2019: 517.3koz

TOTAL CASH COSTS◆

US$1,034/oz

2019: US$749/oz

ALL-IN SUSTAINING COSTS◆

US$1,312/oz

2019: US$1,020/oz

MINERAL RESOURCES

19.50Moz

2019: 21.03Moz

SUSTAINABILITY

LTIFR

1.50

2019: 1.61

TOTAL HEADCOUNT

8,860

2019: 9,080

GENDER DIVERSITY

26.0% FEMALE STAFF

2019: 24.9%

CARBON INTENSITY

0.82tCO_2e/oz

2019: 0.88

CONTENTS
ANNUAL REPORT 2020

STRATEGIC REPORT

GROUP
AT A GLANCE

In addition to 3 large-scale mining centres, the company's flagship asset is the POX Hub, which is unique in its ability to process a wide variety of refractory gold concentrates.

1	2	548.1koz
OF ONLY TWO POX PLANTS IN RUSSIA	PROJECTS UNDERWAY TO EXPAND CAPACITY UTILISATION AT POX HUB	GOLD PRODUCED IN 2020 INCLUDING THIRD-PARTY CONCENTRATE GOLD

MALOMIR

140koz GOLD PRODUCED IN 2020	**MINERALISATION TYPE:** Orogenic-type refractory gold	**MINE TYPE:** Open pit + underground	**MINE LIFE:** 13 years
PLANT CAPACITY 2020: 0.4Mtpa RIP 3.6Mtpa flotation	**2020 RECOVERIES:** 77% RIP 84% Flotation + 91% POX		

PIONEER

119koz GOLD PRODUCED IN 2020	**MINERALISATION TYPE:** Epithermal low sulphidation	**MINE TYPE:** Open pit + underground	**MINE LIFE:** 16 years
PLANT CAPACITY 2020: 6.7Mtpa RIP	**2020 RECOVERIES:** 85% RIP		

ALBYN

127koz GOLD PRODUCED IN 2020	**MINERALISATION TYPE:** Epithermal low sulphidation	**MINE TYPE:** Open pit	**MINE LIFE:** 20 years
PLANT CAPACITY 2020: 4.7Mtpa RIP	**2020 RECOVERIES:** 94% RIP		

POX HUB

CONCENTRATE TREATED IN 2020: 144kt from own material 101.3kt from third-party concentrates	**GOLD RECOVERIES IN 2020:** 91.4% for own material 93.8% for third-party concentrates	**GOLD RECOVERED IN 2020:** 122.4koz from own material 148.0koz from third-party concentrates	**PROCESSING CAPABILITIES:** Refractory and double refractory
PLANT CAPACITY 2020: Up to 500kt p.a. (depending on concentrate qualities)	**NUMBER OF AUTOCLAVES:** Four		

16+ YEARS
AVERAGE MINE LIFE

5.39Moz
REFRACTORY GOLD RESERVES

SIX REASONS TO INVEST IN PETROPAVLOVSK

1 LONG-LIFE ASSET BASE

Petropavlovsk has a long-life asset base with a history of resource & reserve replacement. The group's average mine life is more than 16 years. The group's 18 gold licences cover an area of more than 3,200km^2 which are considered to be highly prospective by its geologists.

READ MORE ON PAGES: 26, 48-52

2 REFRACTORY GOLD PROCESSING CAPABILITIES

The company has invested in pressure oxidation technology to unlock the value of its extensive refractory gold reserves and resources and commissioned its Pressure Oxidation Hub ("POX Hub") in late 2018. The POX Hub is one of only two in Russia and can treat a variety of complex refractory concentrates, both from Petropavlovsk's own mines and third parties, which opens a range of development and growth opportunities from within the group's existing asset base or externally.

READ MORE ON PAGE: 44

3 TECHNICAL EXPERTISE

One of our biggest strengths is our capacity for in-house research and development. The company's world-class institutes, including Irgiredmet and NIC Gydrometallurgia are responsible for the innovative design of its processing plants and continuous improvement of its processing capabilities.

READ MORE ON PAGES: 5, 18

4
DELEVERAGING & REDUCING THE COST OF DEBT

The company's Net debt / EBITDA was 1.4x as at 31 December 2020, and the board has set deleveraging and reducing the cost of debt as a management priority to both strengthen the company's balance sheet and improve cash returns to shareholders.

READ MORE ON PAGES: 54-55

5
BUSINESS TRANSFORMATION

Under the leadership of a new CEO and senior management team, the board intends to simplify the group's complex corporate structure and improve internal controls, operational policies and processes with the aim of delivering greater business transparency, operational efficiency and future growth for the benefit of all stakeholders.

READ MORE ON PAGES: 4-5

6
SUSTAINABILITY PRINCIPLES

Sustainable development is integral to the company's overall business strategy. The group is committed to operating responsibly and is taking important steps to improve all areas of sustainability. Our environmental management system is ISO certified and our goal is to create a "zero-harm" workplace.

READ MORE ON PAGES: 28-41

GROUP STRATEGY

Our strategy is driven by our vision to become a leading Russian gold producer through the application of advanced technologies that unlock value from refractory gold ores. To do this safely, sustainably and for the benefit of all stakeholders.

Our strategic priorities are underpinned by our culture and values (see page 16)

STRATEGIC PRIORITIES	PRINCIPAL RISKS TO STRATEGIC PRIORITIES	PERFORMANCE IN 2020
DERIVE MAXIMUM VALUE FROM OUR GOLD RESERVES AND RESOURCES.	• Gold price risks. • Production risks and business interruption. • Exploration. • Development and construction projects.	**548.1koz** Total group gold production, an increase of c.6% from 2019. **US$350.7m** Underlying EBITDA, an increase of 32% from 2019 driven by higher gold prices.
UNLOCK THE VALUE POTENTIAL OF OUR POX HUB.	• Production risks and business interruption. • Exploration. • Logistic risks, supply shortages and price volatility. • Development and construction projects.	**Pioneer flotation plant construction** Construction largely completed, start-up delayed until Q2 2021 which will add 3.6Mtpa capacity. **Malomir flotation plant expansion** Accelerated construction to offset potential COVID-19 related delays and will add 1.8Mtpa capacity from Q3 2022. **162.5koz** Produced from third-party concentrates, an increase from 45.7koz produced in 2019.
OPTIMISE COSTS AND OPERATIONAL EFFICIENCIES.	• Production risks and business interruption. • Logistic risks, supply shortages and price volatility. • Currency risks.	**US$1,034/oz** Total Cash Costs◆ ("TCC") for hard rock mines increased from US$749/oz in 2019 to US$1,034/oz in 2020 comprising an increase in TCC from own material from US$703/oz in 2019 to US$852/oz in 2020 and an increase in TCC from third parties concentrate from US$1,260/oz in 2019 to US$1,474/oz in 2020.
STRENGTHEN THE BALANCE SHEET AND INCREASE LIQUIDITY.	• Gold price risks. • Production risks and business interruption. • Liquidity risks. • IRC related risks.	**US$501m** Net debt as of 31 December 2020, a reduction of US$61m from 31 December 2019. **1.4x** Net debt / EBITDA as of 31 December 2020 which compares to 2.1x at 31 December 2019, driven by a fall in debt and an increase in EBITDA.
CONTINUOUSLY IMPROVE SUSTAINABILITY PRACTICES.	• Health and safety risks. • Environment. • New diseases and epidemics (including COVID-19).	**No fatal accidents** During the year either among Petropavlovsk employees or the company's contractors. **Zero environmental incidents** Reported in 2020.

Improving the group's governance and culture remains a priority for 2021 and beyond. There is more on this on pages 2-3. Our approach going forward may be adjusted to reflect the output of the CEO's business review, as appropriate. There is more on this on pages 4-5.

OUR APPROACH GOING FORWARD
The company will continue to develop a pipeline of high-quality refractory and non-refractory resources to support and optimise its open pit and underground mining operations and maximise utilisation of existing infrastructure.
In addition to the planned increase in flotation capacity at Malomir and Pioneer to a combined 9.0Mtpa, the company is investigating the potential to add further capacity at Albyn (Elginskoye) to maximise the throughput of higher margin concentrate from its own mines at the POX Hub.
A comprehensive review of the business is being undertaken to determine opportunities to simplify the corporate structure, improve management systems, standardise processes and reduce G&A costs.
Take advantage of the current pricing environment to further reduce the level and cost of debt.
The group is committed to a zero-harm working environment, improving the safety culture, reducing accident-related losses, increasing equipment reliability, maintaining an open dialogue with local communities and respecting the environment.

OUR CULTURE AND VALUES

OUR CULTURE	OUR VALUES
INCLUSIVE We must seek to foster a culture of promoting by ability, respecting the individual, and appreciating diversity.	**RESPONSIBILITY** Responsible practices are a key priority. We aim to operate safely, efficiently, and transparently, continually seeking new ways to ensure an injury-free workplace.
SELF-RELIANT Through its subsidiaries, Petropavlovsk has dedicated exploration, construction, technical R&D, engineering, mining and analytical capabilities.	**INNOVATION** We challenge ourselves and others to constantly look beyond the latest scientific and engineering developments worldwide.
CREATIVE Creativity and problem solving have been part of our history. Our research & scientific institutions are a key differentiator of the group.	**INTEGRITY** Honest communication, sound business ethics and respect for people are the foundation of good business. We aspire to deal with all our stakeholders in a respectful, responsible way.
REWARDING Showing appreciation for achievement, whether professional or private, to reflect the value we place on our employees and the effort made by each team member.	**EXCELLENCE** We are focused on delivering results and on doing what we say we will do.
ENABLING The success of our company is ultimately based on our employees having their successful careers. Their progression and advancement are key for the group	**DIVERSITY** We strive for excellence and recognise that our differences make us stronger

OUR BUSINESS MODEL

HOW WE LEVERAGE OUR RESOURCES		**NATURAL** We mine refractory and non-refractory gold. Processing uses electricity generated by hydropower and surplus water is available in the region **Read more on pages:** 36-37, 42-47	**INTELLECTUAL** Our institutes are responsible for the innovative design of the group's processing plants **Read more on page:** 5
	EXPLORATION & EVALUATION	**MINING & DEVELOPMENT**	**TECHNOLOGY**
WHAT WE DO	Explore and appraise commercially viable gold deposits	Mining and development enables us to maintain and grow production	Petropavlovsk is recognised for its successful implementation of pressure oxidation technologies
HOW WE DO IT	We have a track record of replenishing resources through exploration	Our experience enables optimal ore extraction from our mines	The group's expertise in pressure oxidation is guided by NIC Gydrometallurgia, a scientific research centre
SHORT-TERM EVOLUTION OF BUSINESS MODEL DUE TO COVID-19	Implementation of preventative health and safety measures at all operations	Implementation of preventative health and safety measures at our operations and acceleration of certain development projects to meet original deadlines	Implementation of preventative health and safety measures at all operations
THE VALUE CREATED		**COMMUNITIES** **US$0.7m** **OF SOCIAL INVESTMENT** We support the community through education, financial assistance, local procurement and improvements to infrastructure	**GOVERNMENTS** **US$56.5m** **PAID IN INCOME TAX** Petropavlovsk is one of the major taxpayers in the Amur region

Our business model was designed to implement our purpose of using our technical skill set and mining capabilities to benefit all stakeholders, with sustainable development embedded at every stage of the mining lifecycle, from identifying prospective areas to exploration, development, mining and processing.

SOCIETY
Through technical education we contribute to the socio-economic environment of the region and develop a pipeline of local talent

Read more on page: 40

HUMAN
Many of our skilled workforce team were trained at our own mining college

Read more on pages: 34-35

OPERATIONAL
Our capabilities span exploration, construction, mining and engineering

Read more on page: 199

	PROCESSING	PRODUCTION	MINE CLOSURE & REHABILITATION
WHAT WE DO	Effective processing enhances recoveries and gold production	We produce gold doré to send to refineries for smelting into bullion	Ensures the sustainability of mining operations
HOW WE DO IT	The group can extract gold from both non-refractory and a variety of refractory ores	All doré produced is sold to banks in Russia or exported	Mine closure planning is integrated into the asset life cycle.
SHORT-TERM EVOLUTION OF BUSINESS MODEL DUE TO COVID-19	Implementation of preventative health and safety measures at all operations	Obtaining necessary licences to export doré to both Switzerland and the UK	No impact

EMPLOYEES
US$93.1m

PAID IN WAGES AND SALARIES

Petropavlovsk's average salary in the Amur region is US$903.5 per month which compares to an average of US$726.9 in the Amur region

SUPPLIERS
US$434.4m

TOTAL PAID TO SUPPLIERS

67% of Russian procurement is derived from local suppliers

INVESTORS
155%

GAIN IN SHARE PRICE DURING 2020

US$58.1m paid in interest

COVID-19
COMPREHENSIVE ACTION PLAN

The company has proactively responded to COVID-19 developments to protect the health and wellbeing of all its employees as well as the communities within which they operate. As a result of these actions, no material COVID-19 outbreaks have occurred at our operations so far. The company remains vigilant regarding the potential for new variants of the virus to appear and, at the time of writing, is encouraging employees to participate in the Russian government's free vaccination programmes.

Read more about the COVID-19 pandemic, its short-term impact on our business model on pages 18-19, as a principal risk on pages 68-75, health and safety on page 33 and going concern on page 158.

Emergency response team established to detect and limit possibility of the virus affecting the group's operations.

- Response team includes representatives from each of the group's businesses in Russia.
- If necessary, the response team works with local authorities.

Continuous monitoring of potential impact virus may have on the welfare of employees, communities and operations.

No material COVID-19 outbreaks occurred at our operations in 2020.

- All affected employees have been self-isolating or receiving medical care.

Minor supply chain / logistical delays, with ongoing monitoring and all necessary precautions in place to ensure business continuity.

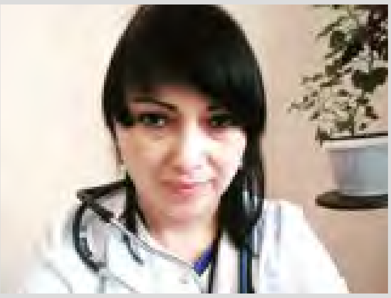
- Supply channels remain functional with production inputs / materials mainly sourced within Russia.
- The company secured the necessary licences to enable it to export gold to both the UK and Switzerland to mitigate interruptions to exports caused by air travel restrictions.

Risk mitigation strategies focused on protecting all employees.

- Provision of regular medical advice to prevent infection / spread.
- Thorough reporting culture of any infection or illness.
- Appropriate resourcing to medical facilities across the group.

EMPLOYEE AND COMMUNITY ACTIONS TAKEN TO DATE:

- Strict precautionary procedures in place at all production sites;
- Mine shift pattern adjustments to lower frequency of new teams arriving onsite;
- Employees and contractors must undertake 14 days quarantine upon arrival from other regions;
- At least two rounds of COVID-19 testing for all employees (1) upon arrival to site for quarantine (2) prior to start of each shift, with additional testing carried out if required;
- Daily check of staff temperature at start of each shift;
- Designated quarantine zones house individuals showing any flu symptoms;
- Restricted contact between employees not connected by common production process at the mines and during shift changes;
- All transport, public places (e.g. dining areas, kitchens), utensils and food undergoes thorough disinfection and cleaning;
- Purchase and distribution of PPE and disinfectants;
- Raising awareness on symptoms, prevention and personal precaution measures;
- Local community support with distribution of masks and hand sanitiser among local businesses; and
- The company is actively encouraging and assisting its employees to participate in the Russian government's free vaccination programme, including raising awareness of the programme, offering financial and other incentives, and working with local medical institutions to organise on-site vaccination days.



TATIANA TURBOVA, PARAMEDIC AT THE POKROVSKIY MINE:

"Working in isolation, the most difficult thing was not to miss something. All COVID-19 symptoms are known, but over 200 people were placed in the temporary accommodation at the same time, with each of them having different immunities. If you fail to notice an alarm bell, a sick person will leave for the mine and all work there has to stop. We are therefore responsible for both people and production. We are very grateful to the management of the Pokrovskiy Mining College and to JSC Pokrovskiy Rudnik. Masks, gloves, medicines, any organizational issues - in fact everything - is resolved promptly on first request."

Petropavlovsk's medical service has been at the forefront of the struggle against the impact of COVID-19. To protect the employees and community, temporary on-site accommodation was organised at many of the company's operations. Doctors, paramedics and nurses lived in isolation together with shift workers during their two weeks of quarantine to monitor their health. Their experience and professionalism has been key to ensuring the stable performance off the group's operations.

MARKET REVIEW
Q&A

HOW DID GOLD PERFORM IN 2020?
Following an 18% gain in prices in 2019, 2020 was an equally strong year with gold prices rising 24% to reach record nominal highs, commencing the year at US$1,527/oz and closing at US$1,888/oz. Gold traded within a wide range (US$1,474/oz – US$2,067/oz), averaging US$1,772/oz, a 27% increase on the 2019 average price. On a relative basis, while gold outperformed platinum (+10%) and the Bloomberg Commodity Index (-4%), it could not quite match the returns generated by palladium (+27%) and silver (+43%). Nonetheless, gold reached a record high of US$2,067/oz in early August 2020, surpassing the previous nominal high achieved in September 2011 of US$1,895/oz.

WHAT FACTORS MAY HAVE INFLUENCED THE GOLD PRICE DURING THE YEAR?
As a liquid asset, the gold price is determined not just by supply and demand dynamics, but in particular by interest rates, inflation / deflation outlook, US$ currency strength / weakness and financial markets performance. In addition, 2020 was eventful in terms of geopolitical and macroeconomic newsflow, helping to underpin gold's momentum with highlights including the escalation in tensions between US-Iran and US-China, protracted Brexit withdrawal negotiations, oil price collapse, the US election and the declaration by the World Health Organization that COVID-19 was a global pandemic. COVID-19, with its far-reaching consequences, was an unanticipated risk for economies and markets and Central Banks responded with aggressive stimulus, helping to preserve gold's status as a hedge against macro risks, stock market volatility, US$ weakness, low interest rates and future inflationary expectations on the back of ballooning government indebtedness.

WHAT WERE THE MAIN DEMAND TRENDS DURING 2020?
Global gold demand consists of jewellery, technology, investment and Central Bank demand. Total 2020 gold demand declined 14% to 120.9Moz, impacted by COVID-19 related disruption, economic weakness, falling disposable incomes / discretionary spending, high gold prices and reduced Central Bank purchases. The key takeaway is the divergence between record investment demand and falling consumer consumption, such as jewellery and technology segments.

The jewellery segment, which accounted for 38% of total demand, fell 34% to 45.4Moz, the lowest annual level on record. On a combined basis, China and India are responsible for just over half of the world's annual jewellery consumption. While India's annual jewellery demand decreased by 42% to 10.2Moz, China's demand fell by 35% to 13.4Moz. COVID-19 related restrictions limited consumer footfall to physical stores in combination with falling disposable incomes and rising prices. However, it is worth noting that Q4 2020 jewellery demand data from China and India showed positive signs of recovery, with Q4 consumption figures not far off long term quarterly averages over the past decade. The likely explanation for stronger jewellery demand in Q4 is a combination of easing lockdown restrictions, recommencement of commerce and trade and higher confidence following the vaccine rollout.

Traditionally, the investment category, consisting of bars, coins and exchange traded funds (ETFs), accounts for the second largest portion of annual gold demand. However, 2020 was unusual in that investment demand (47% of total demand) exceeded jewellery demand, rising by 40% to a record 57.0Moz, primarily driven by unprecedented ETF inflows. Gold ETF demand increased 120% to 28.2Moz with sustained strong inflows supported by heightened risk / uncertainty, stock market volatility, historically low interest rates, Central Bank asset purchases and economic instability, following the spread of the global COVID-19 pandemic. The SPDR Gold Shares, the world's largest physically backed gold ETF, added 8.9Moz in 2020, finishing the year at 37.6Moz (+31% yoy).

Physical gold bars and coins are additional sub-categories of investment demand. On a combined basis, China (6.4Moz) and India (4.2Moz) accounted for 37% of total physical bar and coin demand in 2020, with both nations suffering a year on year decline in demand. Global gold bar demand declined by 9% to 17.0Moz as a result of the liquidation of holdings by investors in Asian and Middle East markets suffering from the impact of COVID-19 and associated economic challenges. In contrast, official gold coin demand was the strongest performing element of retail investment, increasing to a record 9.6Moz (+33% yoy). This robust growth can be attributed to consistent investment interest stemming from North American, European and Turkish investors. In particular, negative interest rates in Germany raised gold's appeal as an alternative means of wealth protection, while Turkish investors focused on gold's role as a safe haven and an inflation hedge.

Gold demand by the technology segment, which makes up 9.7Moz / 8% of total annual demand (and mostly consists of electronics), declined 7% year on year as the effect of COVID-19 closed manufacturing facilities, affecting the availability of electronic goods through the supply chain, compounded by

GOLD APPRECIATED BY 24% IN 2020 (IN US$/oz)

THE AVERAGE ANNUAL GOLD PRICE INCREASED BY 27% IN 2020 TO US$1,772/OZ (IN US$/oz)

2020	1,772
2019	1,392
2018	1,268
2017	1,257
2016	1,248
2015	1,160
2014	1,265
2013	1,410
2012	1,668
2011	1,570

weaker consumer demand. However, as seen with jewellery, Q4 2020 electronics demand in particular saw a resurgence with consumption in line with long term quarterly averages over the past decade, suggesting a recovery in demand as we move into 2021.

Gold is traditionally viewed as an asset class to help diversify Central Bank reserves and net purchases in this category continued in 2020. Although 2020 marked the 11th consecutive year of official sector demand, purchases fell 59% year on year to 8.8Moz / 7% of total demand. Turkey became the largest gold buyer in 2020, acquiring 4.3Moz, after Russia announced in March 2020 that it had suspended its gold buying programme. Prior to this announcement, Russia added 0.9Moz to its reserves during Q1 2020 before drawing down on its gold reserves to protect the Rouble following the economic impact of the COVID-19 outbreak. Russia's significant gold reserves rank it among the top 10 countries globally in terms of the size of its official holdings.

WHAT WERE THE MAIN SUPPLY TRENDS?
Total 2020 mine supply fell 4% to 109.3Moz. The decrease in mine supply is primarily attributable to disruptions caused by the far-reaching effects of COVID-19. Despite a decrease in overall gold production, at an individual country level, some nations were able to increase output as new assets were commissioned or existing assets expanded. Turkey, Burkina Faso, Kazakhstan and Russia all increased gold production volumes on this basis. In addition to COVID-19, production challenges in some countries included lower grades, more demanding environmental standards and industry consolidation.

Despite the strong ascent in prices towards record highs, recycled supply only increased 1% to 41.7Moz due to lockdown restrictions limiting the ability of sellers to easily dispose of their gold.

HOW DID THE ROUBLE (RUB) PERFORM AGAINST THE US DOLLAR (US$) IN 2020?
While Petropavlovsk's gold sales are denominated in US dollars (US$), approximately 70% of the group's costs are Rouble (RUB) based. A weaker RUB is beneficial for the business because operating costs are lower when translated into our reporting currency, the US$. According to Russian Central Bank data, the RUB depreciated by 19%, trading within a range of 60.9RUB to 80.9RUB per US$, commencing the year at 61.9RUB and closing at 73.9RUB. RUB appreciation / depreciation is often correlated to the movement in oil prices, and, as such, the oil price crash of 2020 was a key factor behind the currency's weak performance since oil is a significant Russian export. The sharp oil price decline weighed on Russia's GDP, with a series of rate cuts by the Russian Central Bank down to 4.25% exerting additional downward pressure on the currency.

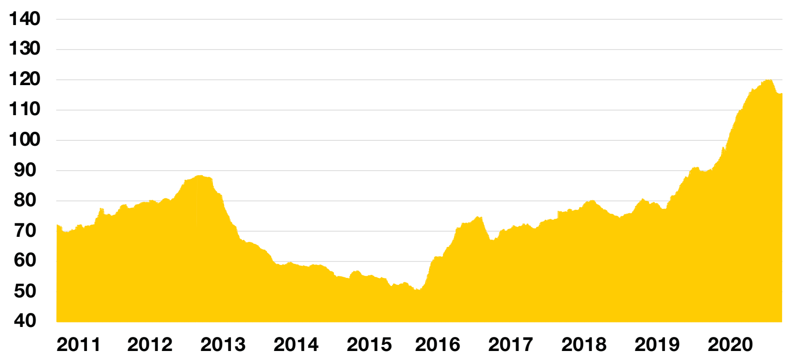
To assist with managing some of our RUB FX exposure, the company has entered into a series of zero cost collars with a RUB:USD price floor of RUB75.00 and a cap ranging between RUB90.65 and RUB100.00 for US$7.0m, maturing every month until December 2021.

HOW DID OIL PRICES AFFECT COSTS?
The widespread global policy response in combatting the pandemic made the oil market especially vulnerable in 2020, leading to the largest fall in annual oil demand ever recorded. The shutdown of major economies and travel routes to curb the spread of COVID-19 temporarily wiped-out oil demand as transportation ground to a halt. However, oil producers continued to pump crude from their wells amidst a catastrophic imbalance between supply and demand.

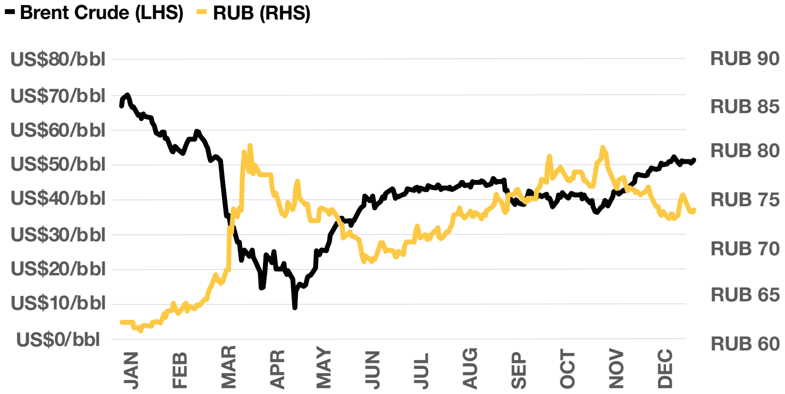
As a consequence, Brent crude, a key global benchmark for oil prices, fell to a low of $9/bbl, averaging US$42/bbl, compared with a low of US$53/bbl and an average of US$64/bbl in 2019. Following the temporary oil price crash in April 2020, crude prices began to recover, but closed the year down 24% at US$51/bbl.

Lower oil prices are beneficial to Petropavlovsk as they translate into lower fuel costs. In 2020, Petropavlovsk's fuel costs declined by 32% to US$29.3m, accounting for 6% of the group's total operating cash expenses figure.

GOLD ETFS FINISHED 2020 WITH TOTAL HOLDINGS OF C.115Moz (IN Moz)



BRENT CRUDE FELL 24% IN 2020
WHILE THE RUB DEPRECIATED 19% AGAINST THE US$

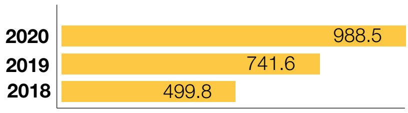


WHAT IS THE OUTLOOK FOR 2021?
During Q1 2021, platinum and palladium outperformed gold, returning 11% and 10% respectively. In contrast, both gold and silver declined by 13%. Gold's lacklustre Q1 returns can be attributed to the fact that the effects of COVID-19 are beginning to recede and the phased easing of restrictions on movement outlined, supported by a global mass vaccination efforts. This seems to suggest that markets are now anticipating a path to economic recovery, higher consumer confidence and a rotation out of gold into riskier assets, such as equities. However, in competition with the pandemic recovery theme, investors continue to face ultra-low interest rates, COVID-19 mutation risk, the possibility of a protracted or weak recovery, high stock valuations, growing budget deficits and future inflationary pressures. Therefore, on balance, investors still face a range of risks and uncertainties which will help to support gold demand in 2021 and quite possibly beyond.

KEY PERFORMANCE INDICATORS
FINANCIAL

The company uses KPIs to measure its financial, operational and sustainability performance each year, as reported below for 2020. These KPIs, together with other strategic priorities set for the group, are taken into account in setting objectives by which to measure the performance of the executive. In 2020, total gold production, revenue, TCC◆, AISC◆, underlying EBITDA◆, profit and loss, and LTIFR KPIs were considered to be relevant performance measures for the executives' variable remuneration. In 2021, the objectives set for the CEO support the corporate KPIs of TCC◆, AISC◆, underlying EBITDA◆ and profit and loss. Read more on remuneration on pages 112-133.

REVENUE (US$m)



DEFINITION
Revenue is the fair value of the consideration received or receivable through the sales of gold and silver as well as the rendering of services by the group's various in-house companies.

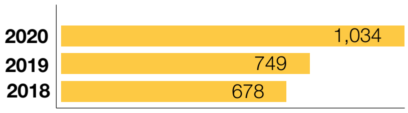
RELEVANCE
Revenue is an indicator of the group's ability to generate operating cash flows which are a source of funding for the group's working capital requirements, capital expenditure and debt service obligations.

PERFORMANCE IN 2020
Group revenue during the period increased by 33% to US$988.5 million (2019: US$741.6 million), due to higher gold sales volumes and an improved average realised gold price. Gold remains the key commodity produced and sold by the group, comprising 97% of total revenue generated in 2020. Physical volume of gold sold increased by 6% from 514,005oz in 2019 to 546,458oz in 2020, at an average realised gold price of US$1,748/oz (2019: US$1,346/oz). The average realised gold price was not affected by hedge arrangements (2019: US$(61)/oz). In addition, the group sold 23,891oz of silver in 2020 at an average price of US$27/oz, compared to 56,568oz in 2019 at an average price of US$15/oz. Revenue generated by the group's in-house service companies decreased by 34% to US$32.5 million in 2020 (2019: US$49.0 million). This revenue stream is substantially attributable to sales generated by the group's engineering and research institute, Irgiredmet, primarily through engineering services and the procurement of materials, consumables and equipment for third parties, which comprised US$30.0 million in 2020 compared to US$45.1 million in 2019.

GOING FORWARD
The company is anticipating total 2021 gold production of between 430koz and 470koz, with total revenue largely dependent on the average realised gold sales price during the period.

For further information on revenue please refer to the financial review on pages 54 to 67 of this report.

TOTAL CASH COSTS◆ (US$/oz)



DEFINITION
Total Cash Cost◆ per ounce ("TCC") is the cost of producing and selling an ounce of gold from the group's hard-rock mines (Pioneer, Malomir and Albyn) and the processing and selling of an ounce of gold by treating third-party sourced refractory concentrate at the POX Hub. The group's hard-rock mines are its key assets, accounting for approximately 70% of total 2020 gold production.

TCC◆ are calculated by the group as operating cash costs less co-product revenue. TCC◆ per oz are calculated as TCC divided by ounces of gold sold and are presented on a segmental basis.

Operating cash costs are defined by the group as operating cash expenses plus refinery and transportation costs, other taxes and mining tax.

The key components of the operating cash expenses are wages, electricity, diesel, chemical reagents and consumables. The key cost drivers affecting the operating cash expenses are production volumes of ore mined and processed, grades of ore processed, recovery rates, cost inflation and fluctuations in the Rouble to US Dollar exchange rate. Refinery and transportation costs are variable costs dependent on production volume. Mining tax is also a variable cost dependent on production volumes and the gold price realised.

The Russian statutory mining tax rate is 6%. Russian Federal Law 144-FZ (dated 23 May 2016), introduced certain amendments to the Russian Tax Code, whereby taxpayers who are participants in Regional Investment Projects have the right to apply a reduced mining tax rate provided certain conditions are met. JSC Pokrovskiy Rudnik and LLC Malomirskiy Rudnik applied full mining tax rates in 2020 while LLC Albynskiy Rudnik applied 1.2% mining tax rate from January until August 2020 and a full mining tax rate from September to December 2020. The resulting US$33.8 million of mining tax expense compares to US$15.9 million in 2019, when a 1.2% mining tax rate was applied by both LLC Albynskiy Rudnik and LLC Malomirskiy Rudnik, with the application a full mining tax rate by JSC Pokrovskiy Rudnik.

RELEVANCE
The group closely monitors its current and projected costs to track and benchmark the ongoing efficiency and effectiveness of its operations. Monitoring includes analysing fluctuations in the components that constitute cash costs and cost per tonne mined and processed to identify whether and where efficiencies may be made.

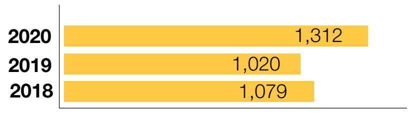
PERFORMANCE IN 2020
TCC◆ increased from US$749/oz in 2019 to US$1,034/oz in 2020. Aside from the impact of lower own mine gold production and sales, the increase in TCC◆ primarily reflects the effect of lower grades of non-refractory ore processed at Albyn and Malomir and lower grades of refractory ore processed at Malomir, the effect of inflation of certain Rouble denominated costs and the effect of mining tax rates as described above. This was partially mitigated by the effect of higher grades and recoveries of non-refractory ore processed at Pioneer and the effect of higher recoveries of refractory ore processed at Malomir, as well as by the effect of Rouble depreciation.

Third-party concentrate TCC are directly dependent on the prevailing market gold price, which is outside the group's control and which significantly increased in 2020, surpassing US$2,000/oz in August.

GOING FORWARD
The group expects TCC for 2021 to be in the range of US$870 – US$970/oz, excluding third-party concentrate, the price of which ultimately depends on the volatility of the gold price.

For further information on TCC◆ please refer to the financial review on pages 54 to 67 of this report.

ALL-IN SUSTAINING COSTS◆ (US$/oz)



DEFINITION
All-in Sustaining Cash Costs◆ ("AISC") include both operating and capital costs required to sustain gold production on an ongoing basis, over and above the direct mining and selling costs shown by TCC◆. AISC◆ are calculated in accordance with guidelines for reporting AISC◆, as published by the World Gold Council.

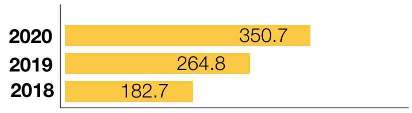
RELEVANCE
AISC◆ allows for a better understanding of the true cost of producing gold once key components such as central admin costs and the cost of sustaining capital and exploration expenditure are taken into account. Management uses this measure to monitor the performance of our assets and their ability to generate positive cash flows.

PERFORMANCE IN 2020
AISC◆ increased from US$1,020/oz in 2019 to US$1,312/oz in 2020. The increase in AISC◆ primarily reflects the increase in TCC◆. During the period, total sustaining capital expenditures relating to existing mining operations, underground mining projects at Pioneer and Malomir, POX project, Malomir flotation plant, sustaining lease and capitalized stripping expenditure at Malomir and Pioneer remained at similar levels as the aggregate of sustaining capital expenditures and capitalized stripping expenditure in 2019.

GOING FORWARD
The group expects AISC◆ for 2021 to be in line with changes in TCC◆.

For further information on AISC◆ please refer to the financial review on pages 54 to 67 of this report.

UNDERLYING EBITDA◆ (US$m)



DEFINITION
EBITDA is a common measure used to assess profitability without the impact of different financing methods, tax, asset depreciation and amortisation of intangibles and items of an exceptional / non-recurring nature, or those that could make comparison of results from prior periods less meaningful.

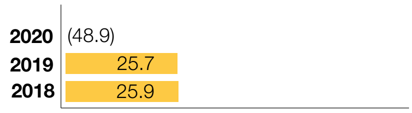
RELEVANCE
Underlying EBITDA◆ is an indicator of the group's ability to generate operating cashflows, which are the source of funding for the group's working capital requirements, capital expenditure◆ and debt service obligations. It is also widely used by various stakeholders.

PERFORMANCE IN 2020
In 2020, the group generated underlying EBITDA◆ of US$350.7 million, compared with US$264.8 million in 2019. The 32% year-on-year increase in underlying EBITDA◆ is due to an increase in physical ounces sold (from 514,005 oz in 2019 to 546,458 oz in 2020), which resulted in a US$19.4 million increase in the underlying EBITDA◆. The increase in the average realised gold price◆ from US$1,346/oz in 2019 to US$1,748/oz in 2020 contributed to a further US$220.0 million to underlying EBITDA◆. This effect was partly offset by higher TCC◆, with a US$(156.1) million effect on underlying EBITDA◆.

GOING FORWARD
The group aims to continue producing and selling gold at competitive margins, which will, amongst other factors, influence the group's future underlying EBITDA◆ levels.

For further information on underlying EBITDA◆ please refer to the financial review on pages 54 to 67 of this report.

PROFIT / (LOSS) FOR THE PERIOD (US$m)



DEFINITION
Profit / (loss) for the period is calculated by deducting operating and net finance expenses, taxation and any relevant share of results of associates for the applicable year from total revenue.

RELEVANCE
Profit / (loss) for the period is often referred to as the 'bottom line' of the income statement and is the income attributable on a per share basis when it is divided by the weighted average number of shares outstanding during the reporting period.

PERFORMANCE IN 2020
The group reported a net loss of US$(48.9) million in 2020, compared to a net profit of US$25.7 million in 2019. The net loss was as a result of three non-cash items: (1) a US$42.8 million loss on the fair value re-measurement of the convertible bond's convertible option (2019: US$31.1 million); (2) a US$74.9 million impairment of mining, exploration and evaluation assets driven by an adjustment in the valuation of the Albyn and Elginskoye projects, where additional exploration and geological modelling has demonstrated that an earlier than anticipated switch to refractory processing at Elginskoye will be required, due to a higher proportion and an uneven distribution of refractory ore as part of the overall deposit; and (3) a US$55.8 million write-down due to re-classification of a 29.9% interest in IRC Ltd (2019: nil), to adjust for the carrying value of the asset, following the decision to dispose of IRC Ltd within the next 12 months.

GOING FORWARD
The group aims to continue producing and selling gold at competitive margins, which will, amongst other factors, influence the group's future profit / (loss) for the period.

KEY PERFORMANCE INDICATORS
OPERATIONAL

MINERAL RESOURCES (Moz)

DEFINITION
A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the earth's crust in such form, grade and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

RELEVANCE
JORC Mineral Resources are a singular measure of the size of the group's mining and exploration assets, indicating medium to long-term production potential. In line with its strategy of maintaining and expanding reserves and resources, the group places emphasis on finding Mineral Resources through near mine exploration and is increasingly investigating the potential of other licences further away from its existing operations given the distance that refractory gold ores can be transported (once concentrated) to the POX Hub. By implementing this strategy in recent years, the group has largely replenished gold resources depleted by mining.

PERFORMANCE IN 2020
During 2020, the group's JORC Mineral Resources decreased from 21.03Moz to 19.50Moz due to mine depletion, a re-evaluation of Mineral Resources at Tokur from JORC Code 2004 to 2012 and the adoption of more conservative open pit constraint assumptions for reporting resources at Elginskoye. In terms of exploration, COVID-19 restrictions caused some delay to field work at Elginskoye, Tokur and Osipkan, slowing the provision JORC estimates for these areas.

GOING FORWARD
The company will continue to develop a high-quality refractory and non-refractory resource pipeline to support future open pit and underground mining and maximise the use of existing group infrastructure. Specifically in 2021, the group's geologists will continue to seek to delineate new mineral resources at Albyn (particularly Elginskoye), as well as at Osipkan and Tokur, both of which are close to Malomir. The company may also seek opportunities to increase and improve its refractory resource base via high-quality yet low-cost acquisitions.

TOTAL GOLD PRODUCTION (koz)

DEFINITION
Measured in troy ounces, total gold production consists of gold produced from the group's hard-rock mines (Pioneer, Malomir, Albyn) as well as from the purchase and processing of third-party refractory concentrate for the applicable years. Gold production data is comprised of gold recovered each year and adjusted for changes in gold remaining in circuit at the end of the period.

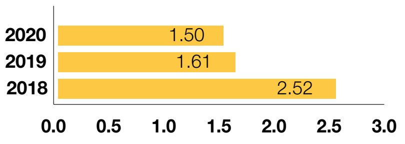
RELEVANCE
Gold production underpins our financial performance, as the majority of the group's operating profit is attributable to the sale of the gold produced by the group. The indicator also demonstrates the strength of our operational and managerial teams and the ability to deliver against the mine plan.

PERFORMANCE IN 2020
Total group gold production increased 6%, from 517.3 in 2019 to 548.1koz in 2020. Own mined gold, accounting for 70% of total production, amounted to 385.6koz compared to 471.6koz in 2019. The lower own gold production figure reflects a number of challenges, including difficult underground conditions at Malomir, a delay to the start-up of the underground Andreevskaya ore zone at Pioneer caused by contractors and delays in obtaining a critical operational permit at Albyn. Gold produced from third-party concentrates increased from 45.7koz to 162.5koz due to higher volumes and the release of gold in circuit, although production was lower than expected due to COVID-19 related supply disruptions.

GOING FORWARD
The company is targeting full year 2021 output of 430 – 470koz. Gold production from the company's own mines is expected to remain flat to slightly higher year-on-year, ranging between 370 – 390koz, while gold production from third-party concentrates is expected to decline in 2021 to between 60 – 80koz due to reduced volumes of concentrate available for purchase and lower concentrate grades.

KEY PERFORMANCE INDICATORS
SUSTAINABILITY

LOST TIME INJURY FREQUENCY RATE



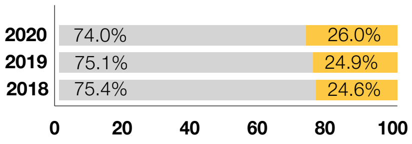
DEFINITION
Lost time injury frequency rate (LTIFR) is a measure of the rate of recorded accidents, including fatalities occurring on the group's premises within the reporting period, per million man hours worked. Contractors are excluded.

RELEVANCE
LTIFR is one of the key performance indicators used to measure the effectiveness of the occupational health and safety policies and practices and to identify trends and areas of focus.

PERFORMANCE IN 2020
Safety is our top priority, and we are committed to achieving a zero-harm workplace and ensuring that our employees return home safely. In 2020, the group's LTIFR decreased further to 1.50, representing a 7% improvement from 1.61 in 2019. We are pleased to report that for the second consecutive year no work-related fatal injuries occurred at any of the group's operations.

For more information on health and safety please go to page 32.

GENDER DIVERSITY



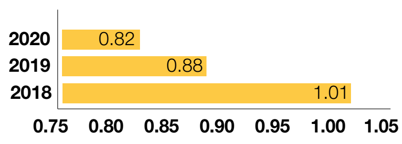
DEFINITION
Gender diversity is the number of male and female staff as a proportion of the overall workforce. The data is reported as at 31 December of each calendar year.

RELEVANCE
We consider the ratio of female workers to be of material importance to the group's diversity profile and look to ensure the equality of opportunities within the business.

PERFORMANCE IN 2020
As at 31 December 2020, c.2,300 employees were females representing over a quarter of the group's total workforce. The ratio of female employees increased slightly when compared to 2019 and remained well above our target of 20%. Although traditionally the mining industry is male dominated, the group actively seeks to apply meritocratic principles and provides equal opportunities and pay for all employees, regardless of gender.

For more information on diversity please go to page 34.

CARBON INTENSITY



DEFINITION
Carbon intensity measures greenhouse gas (GHG) emissions per ounces of gold produced in equivalent tonnes of carbon dioxide (CO_2e). The scope covers the impacts from Petropavlovsk's gold production activities and in-house service functions.

RELEVANCE
Carbon intensity is part of the scope of reporting on climate change-related indicators. Monitoring GHG emissions enables the group to manage climate risks and to identify opportunities to reduce its carbon footprint.

PERFORMANCE IN 2020
In 2020, the group further decreased its carbon intensity by 7%, achieving its annual reduction target of at least 1%. The share of direct GHG emissions decreased to 41% as part of the group's strategy of reducing its dependence on non-renewable sources of energy.

For more information on GHG emissions and methodology please go to page 37.

GOING FORWARD
We are reviewing our current corporate sustainability KPIs and assessing our data management and reporting capabilities so we can design a sustainability KPI framework to reflect our renewed strategy. Further details on the group's sustainability KPIs and targets set for 2021 will be published in our separate sustainability report later this year.

SUSTAINABILITY REVIEW

INTRODUCTION
A comprehensive review of the business, including our sustainability practices, has revealed that there are many things we do well, some very motivated people and well run assets. But it is also clear that there are areas where there is room for improvement.

In our industry, a responsible operator is a company that puts its people first, prioritising the safety of employees, whilst striving to minimize its impact on the environment and local communities, all of which in turn ensure the long-term sustainability of our business.

We are now taking important steps within the company to improve all areas of sustainability. In particular, we are building a culture of safety within our business and reviewing all of our ESG KPIs to track our progress and ensure continuous improvement.

I look forward to providing greater detail and updating you on our next steps in our separate sustainability report, which will be published later this year

Denis Alexandrov,
Chief Executive Officer

WE SUPPORT
UN GLOBAL COMPACT

As a participant of the United Nations Global Compact, Petropavlovsk is committed to aligning strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.

UN Sustainable Development Goals
Whilst we recognise the importance of all 17 United Nations Sustainable Development Goals (SDGs), we have identified five particular goals, which we believe are most relevant to our company, and where we consider the company has not only the best opportunity to maximise its positive contribution but also to minimise its negative impact.

In 2020 we continued to focus on the five goals, presented above, and further information on the group's contribution to each individual goal in detail will be published in our separate sustainability report later this year.

In December 2020 Petropavlovsk joined UN SDG Ambition Accelerator - a global 6-month programme aimed at helping companies to access current performance, identify risk areas and take ambitious business action towards achieving the SDGs.

STAKEHOLDER ENGAGEMENT

The group is committed to maintaining positive relationships with all stakeholders. We consider all persons or groups that are directly or indirectly impacted by the group's operations to be our stakeholders. New stakeholders are regularly identified and included in the consultation process.

Knowing our stakeholders' opinions and concerns helps us set our priorities, identify potential opportunities and areas of improvement. In 2020 we conducted a perception study among our fixed and equity income investors followed by the materiality study extended to all stakeholders in early 2021. Following these interactions helped identify some key areas of focus, including human capital development, corporate governance, and ethical business practices.

ENGAGEMENT FRAMEWORK WITH KEY STAKEHOLDER GROUPS IN 2020

STAKEHOLDER GROUP	MATERIAL TOPICS	WHY WE ENGAGE
Capital markets	- Corporate governance - Climate change - Operational efficiency - Financial performance	Investors, shareholders and capital providers are essential for the future growth, sustainability and long-term value. By having effective engagement processes, we are able to ensure that there is a full spectrum of information available for their decision-making process and build their trust in the future of Petropavlovsk. Robust engagement is also paramount to ensure our cost of capital truly reflects the value of the company
Employees	- Health & wellbeing - Employment practices - Human capital development - Operational performance - Innovation & technology	Our people are our most valuable asset and we believe investing in our employees delivers long term rewards in the form of a skilled and loyal workforce. Our employees' experience and expertise is a major driver of the group's successful operation. The health and safety of our employees and contractors remains our number one priority and we are constantly seeking new ways to achieve a zero-harm workplace
Business partners	- Environmental compliance - Water stewardship - Employment practices - Health & wellbeing - Local communities	Our suppliers and contractors are essential for our operations and business. Responsible supply chain management is an important element of achieving continuous sustainable development
Local communities, including indigenous communities	- Local communities - Environmental compliance - Waste management - Employment practices - Human capital development	Building long-term relationships with local communities, local residents and NGOs is important to us. We aim to engage in an open and transparent manner to ensure that we maintain our social license to operate.
Government and industry authorities	- Local communities - Environmental compliance - Ethical business practices - Human capital development - Employment practices - Health & wellbeing	Good relations with national and regional governments are required for our social license to operate. We recognise our socio-economic influence as one of the major employers and taxpayers in the Amur region
Media	- Operational performance - Innovation & technology - Impact of COVID-19 - Environmental compliance - Health & wellbeing	Media is an important partner and intermediary in engaging with other stakeholder groups, so a strong relationship with the media is crucial for building our relationships with other stakeholders

ENGAGEMENT CHANNELS	WHO IS RESPONSIBLE	RESULTS IN 2020
- AGM - Annual report - Investor conferences - Conference calls and meetings - Perception study - Materiality survey - Company website	- Board - CEO - IR department	- Inclusion into FTSE4Good UK Index - Participation in CDP 2020 Disclosure - Successful listing on Moscow Exchange - 155% gain in share price - Appointing KPMG to undertake the forensic review pursuant to Resolution 19
- Website and Intranet - Corporate newspaper - Sustainability report - Social media - Trade union - Meetings with management - Express survey	- Welfare and community liaison team - HR departments - H&S departments - General directors	- Zero work-related fatal injuries - LTIFR of 1.50 - Effective COVID-19 mitigation measures - 11 issues of corporate newspaper There is more on health and safety on page 32
- Direct correspondence - Meetings and calls - Contractual relationships - Materiality survey	- General directors - Chief engineers - Procurement departments	- Raised awareness on modern slavery covering over 70% of suppliers by spend - 67% of local procurement
- Public consultations - Corporate newspaper - Social media and company website - Social and charity activities - Site visits - Grievance procedure - Materiality survey	- Welfare and community liaison team - Petropavlovsk Foundation team	- 66% of our employees are from local communities - US$0.7 million of social investment - 6 community consultations There is more on communities on page 40
- Meetings - Industry conferences - Direct correspondence - Company website - Circulation of information (brochures, factsheets, leaflets, etc.) - Materiality survey	- CEO - Managing directors at operations - Welfare and community liaison team - Legal team - GR team - Environmental safety team	- 0 environmental fines - 0 licence violations - 6 public consultations held - US$90.4 million taxes paid
- Regular media interviews - Engagement in media activities - Social media - Social and charity activities - Site visits - Materiality survey	- Board - CEO - PR team - Welfare and community liaison team	- 63 press-releases published, 80% increase as compared to 2019, to inform on all important aspects of AGM, RGM, corporate and governance issues

HEALTH AND SAFETY

People are central to the success of any business and we recognise the health, safety and wellbeing of our workforce, contractors and local communities as one of our key responsibilities. At Petropavlovsk, we promote a culture of responsible health and safety management and prioritize its continuous improvement. Our goal is to create a "zero-harm" environment by minimising the risk of accidents and occupational illnesses.

HEALTH AND SAFETY MANAGEMENT
The group's occupational health and safety (OHS) system has been developed to ensure the safety of our employees and to protect their health and wellbeing at all times. This compliance-based approach is integrated into all the group's operations.

The OHS system is designed in accordance with OHSAS 18001, which served as the basis for the company's many internal rules, regulations and practices. OHSAS 18001 is derived from the ILO-OSH 2001, the standards for management systems in occupational safety and health of the International Labour Organization. The OHS is managed at an operational level by the Health and safety(HS) officers, the General Managers, and their deputies in Occupational Safety. The board-level SSW committee oversees and evaluates safety practices at the company.

At Petropavlovsk, we take collective responsibility for safety matters and our employees are involved in the decision-making process when it comes to updating and improving policies, rules and procedures. We listen to our employees' opinions when choosing to adopt new safety and security systems or personal protective equipment (PPE).

Government authorities make regular visits to the group's operations to conduct safety inspections and request compliance information and their findings are documented and submitted to the relevant committees. In addition, the group conducts regular internal health and safety inspections, and our contractors are audited by the group's HS officers to ensure they act in accordance with Petropavlovsk's health and safety requirements. In addition, meetings are held internally and with contractors to review any matters arising as well as find solutions to improve measures and communicate these to all involved

Both employees and contractors receive health and safety induction training as well annual refresher courses to update them on the latest health and safety techniques and procedures being implemented by the group.

HEALTH AND SAFETY STRATEGY
The group's health and safety strategy is aimed at maintaining a safe working environment, preventing accidents and mitigating occupational illnesses. The major pillars of the strategy are:

- OHS risk assessment and minimisation;
- Compliance with the legislation of the Russian Federation;
- Provision of training; and
- Standard health and safety reporting and record-keeping.

We encourage our people to flag any health and safety related matters requiring attention, take measures when possible or request clarification and educational support. Our employees have access to the HS officers at all times, either directly or via their line manager.

RISK MANAGEMENT
Risk management is integral to health and safety and risk assessments are regularly conducted at all sites.

- Our approach to OHS risk assessment is based on five principles:
- Identification of the potential hazard;
- Evaluation of the level of the risk(s) it bears on people, equipment, facilities;
- Assessment of the severity and probability of an incident occurring;
- Control and mitigation of risks and hazards as per the developed assessment; and
- Regular revision of the risk assessment matrices.

In 2021, we plan to develop a health and safety maturity matrix to measure our safety performance in addition to LTIFR, which measures the frequency of actual accidents.

INCIDENT INVESTIGATION AND PREVENTION
All accidents and incidents are investigated by the on-site committee in line with Russian legislative requirements and, where necessary, with the attendance of the representatives of the Russian authorities. The investigation is aimed to identify the cause of the accident, to ensure appropriate measures are introduced and implemented to prevent recurrence of similar cases. In the most serious cases the report is distributed directly to the board of directors.

Employees receive additional training in the event of an accident, incorporating the findings of the respective investigation.

LOST TIME INJURY FREQUENCY RATE (LTIFR)*

MEMBERS	2020	2019	2018
POX (Pokrovskiy)	0.85	1.77	1.65
Pioneer	1.01	2.10	2.38
Malomir	2.49	2.46	6.28
Albyn	0.33	0.71	1.04
Group	**1.50**	**1.61**	**2.52**

**Number of accidents with lost time per million hours worked.*

NUMBER OF FATAL INJURIES

	2020	2019	2018
Group	0	0	1

SUPPORTING HEALTHY LIFESTYLES

At Petropavlovsk we promote sports and health activities among our employees at all sites to help maximise the benefits of recreational time between shifts. The company regularly organises sports events to promote healthy lifestyles and contribute to overall team building; although these activities have naturally been impacted by the COVID-19 pandemic in 2020.

All employees at the mine sites undergo an annual medical examination, and any occupational illness is followed up or identified at an early stage. All drivers across the group undergo a routine medical inspection at the start of each shift.

Medical aid stations are present at every mine, with medical staff essential medication on-site. It is also part of the company's protocol to provide relevant vaccinations or assist in making them readily available at a municipal medical facility, such as against tick encephalitis.

COVID-19 MITIGATION

While all our mining operations are naturally isolated and away from populated centres, from the start of the pandemic the group has proactively implemented various measures to minimise its impact on the employees, operations and communities. As a result, there were no material outbreaks at the company's mines, and operations continued without interruption.

The company continues to monitor the situation and ensure the risks are addressed and mitigated. In March 2021 management initiated a vaccination program with the aim to make vaccines available for employees in Russia through government programs and state-run clinics. The company provides information, financial incentives and opportunities to shorten or eliminate quarantine times when arriving to mine. Over 500 of our employees have been already vaccinated.

PERFORMANCE IN 2020

2020 was a challenging year for the health and safety teams due to the unprecedented pressure of the pandemic, with multiple tasks arising in the field of health protection that had to be addressed speedily and comprehensively. Notwithstanding the challenges, the group's LTIFR improved to 1.50 in 2020, the lowest in the last ten years.

GOING FORWARD

Health and safety is a key priority for the group and the company will continue to proactively focus on further improvements. In April 2021 Roman Dertinov was appointed as Head of Health and Safety to establish clear leadership and bring the OHS systems in line with best international practice. Following a comprehensive review of the group's health and safety and in-depth analysis of recent accident data, a roadmap for improvement has been developed with the aim of implementing a unified health and safety management and reporting system based on ISO 45001 and ICMM principles.

Further details of the improvements that will be made, which include the development of the safety culture, increased level of engagement and motivation, transparent approach to health and safety reporting will be published in a separate sustainability report later this year.

OUR PEOPLE

We are committed to responsible employment practices, by promoting the fair treatment of our workforce, providing equal opportunity, preventing discrimination and upholding human rights, including our workers' rights to exercise freedom of association or collective bargaining.

We believe that attracting the best talent and maintaining an inspired, driven and enthused workforce with a strong culture, underpinned by our values of responsibility, innovation, integrity, excellence and sustainability is essential to our future success.

DIVERSITY AND EQUAL OPPORTUNITY
Petropavlovsk is committed to operating as a responsible employer, both by promoting the fair treatment of its workforce through equal opportunity, and by the absence of discrimination required under both Russian and UK law. The group considers professional qualities of employees and is committed to providing equal opportunity to all, regardless of gender, ethnicity, race, disability or sexual orientation.

We are proud of the gender diversity demonstrated amongst our broader workforce. Over a quarter of our employees are female and 26% of 2020 hires were female. The ratio of women in senior and executive positions across the business is higher still, reaching 32% in 2020. 29 people with disabilities are employed by the group.

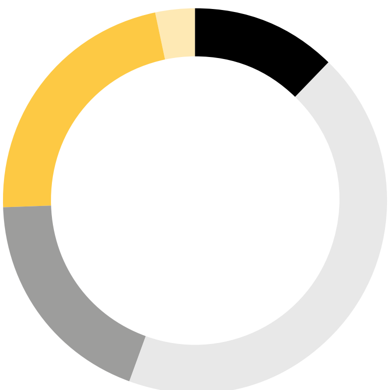
EMPLOYEE EDUCATION AND DEVELOPMENT
Employee education and development are critical to the company and to the mining industry as a whole.

Over 22% of our employees hold university diplomas, with another 19% having obtained professional education. Employees are trained and have access to in-house educational opportunities at the Pokrovskiy Mining College. Established in 2008, the Pokrovskiy Mining College is well equipped, has a modern campus and highly qualified teachers. It offers a wide range of in-house training courses, which include:

- Secondary education (training of mid-level specialists, skilled workers and employees);
- Additional education (retraining for a new activity, advanced training); and
- Professional training (with over 40 programmes available – ranging from analytical chemistry to electrical fitting.

TURNOVER RATE

OUR EMPLOYEE LEVEL OF EDUCATION



UPPER AND COMPULSORY SECONDARY (44.7%)

ELEMENTARY PROFESSIONAL TRAINING (10.8%)

PROFESSIONAL/VOCATIONAL EDUCATION (18.8%)

UNIVERSITY DEGREE (22.5%)

OTHER (3.2%)

In 2020, over 1,550 employees were trained and educated at the Pokrovskiy Mining College, over 230 employees were trained at other educational institutions. There were 28 hours per person on average training and education at the Pokrovskiy Mining College in 2020.

MENTORING AND WORK EXPERIENCE PROGRAMMES
With a balanced distribution of ages amongst our workforce, we have good opportunities for mentoring and transfer of optimal work practices. Mentoring programmes are designed to pass on work experience, knowledge, as well as corporate culture from our employees to those joining the company, and to facilitate the induction and adjustment process.

In 2020, 203 students from Russian universities completed internships at Petropavlovsk, where they acquired a practical understanding of a modern mining enterprise operation.

TRADE UNION AND FREEDOM OF ASSOCIATION
We believe that upholding workers' rights is a fundamental way of maintaining an engaged and committed workforce. We recognise the rights of our employees to join a trade union, to bargain collectively or to engage in trade union activities. Today, 1,472 employees (c.17%) are members of the trade union.

In February 2020, the group adopted a freedom of association policy, officially recognising the rights of our employers and workers to join or create an employee organisation such as a trade union, a worker association, a worker council or committee for the promotion and defence of occupational interests of their choice, without negative consequences to them.

EMPLOYEE ENGAGEMENT AND SATISFACTION
Petropavlovsk targets long-term relationships with employees. Over 39% of our employees have been with the company for more than 5 years.

We consider employee turnover to be one of the indicators that demonstrates our progress in building long-term relationships with employees. In 2020, we had turnover rate 34.8%, which is at the same level as during the two previous years. We continue to see a higher turnover rate among employees working at our remote mines. Longer shift patterns as well as quarantine measures introduced as a part of our COVID-19 action plan contributed to a high turnover rate in 2020. We consider the current turnover rate

too high and our goal remains to reduce this rate to 25% by 2025.

Reducing staff turnover and increasing employee satisfaction are immediate management priorities in 2021.

Employee engagement is facilitated via multiple channels, including social media and the internal ‘PokrovkaPlus’ newsletter, which is delivered in both digital and print formats to ensure the involvement of on-site employees with limited computer access. Employee feedback can be directed to HR departments and the Head of Welfare and Community Liaison via e-mail or telephone. In early 2021 we conducted an express-survey to monitor employee satisfaction, gather feedback and better understand material issues for our employees. We plan to develop new engagement channels throughout the year.

EMPLOYMENT PRACTICES, COMPETITIVE REMUNERATION AND BENEFITS

We aim to employ local residents wherever possible. The vast majority of our workforce (66%) is from the Amur region, many of whom trained at our Pokrovskiy Mining College.

Petropavlovsk provides competitive remuneration to its employees, with average wages of 27% above the national average. Average and minimum Petropavlovsk wages increased both in Rouble and in US$ terms compared to 2019. In order to motivate and encourage our workforce, the group also has variable, performance-based components to remuneration, available for all employees who have worked for the company for over a year.

GOING FORWARD

In March 2021 the group appointed Svetlana Chekalova as Head of HR and People Development. Under her leadership, Petropavlovsk will implement a new employee development strategy including the creation of a unified and consistent personnel policy. In addition to ensuring a fair and transparent remuneration system, this strategy will also focus on maintaining higher motivation and retention of employees in the company.

ENVIRONMENTAL STEWARDSHIP

At Petropavlovsk we recognise that our operations have the potential to negatively impact the natural environment. We have developed policies, systems and tools to manage, reduce and mitigate these impacts. We believe we must strive to continuously improve our environmental practices for our business to have a sustainable future.

ENVIRONMENTAL MANAGEMENT SYSTEMS

Modern and effective environmental protection is a key element of our business strategy and is fundamental to our daily operations, planning and decision making.

We recognise the human right to a healthy and sound environment and accept full responsibility for environmental protection at all our operations.

We have developed and implemented environmental management systems (EMS) to help us identify and manage environmental risks and achieve resource efficiency. EMS at all our operational sites are fully certified for compliance with ISO 14001. Our environmental risk management strategies are based on continuous monitoring, regular training, external assurance by the state bodies and emergency preparedness. Detailed emergency response plans are developed every year.

We promote transparency and foster accountability by providing detailed environmental information it to all interested parties about incidents that have occurred, their environmental consequences and measures to eliminate them in a timely manner.

In 2020 local communities, NGOs and officials of Zeyskiy and Selemdjinskiy districts were consulted regarding the expansion of our facilities over three public hearings held in strict compliance with COVID-19 measures. The key focus of the discussions was environmental safety.

Our approach to environmental challenges is integrated into our site-based environmental policies. Our policies are regularly reviewed as the business evolves and grows.

ENVIRONMENTAL COMPLIANCE

Petropavlovsk manages its operations in strict compliance with Russian environmental legislation which regulates discharges to air, water, soil, tailings and waste management. The environmental impact assessment (‘EIA’), which evaluates the state of the environment and anticipated impact on water, mineral resources, land, soil, air and biodiversity for each of our projects, is fundamental to the management of our operations. To ensure transparency and stakeholder engagement we hold public hearings to provide information about the environmental impacts of our projects.

Environmental training is regularly organised for our specialists and directors in areas such as waste management, environmental safety and emergency preparedness.

MONITORING AND COMPLIANCE

The group conducts continuous monitoring of groundwater, rivers and streams, soil, air, plant and animal life, both to determine their state and also better understand the impact of our operations. Samples are collected and analysed in the group’s state-accredited laboratories and the data analysed in detail by the relevant authorities to confirm compliance.

External audits and on-site reviews are regularly conducted by various state and local authorities. No violations were found during the environmental audits conducted in 2020.

In 2020 the group had no environmental fines for the tenth consecutive year. No significant or moderate spills occurred during the year.

WATER MANAGEMENT

Water is a vital resource shared with our host communities, natural ecosystems and wildlife. The company does not operate in water stressed areas, however we are committed to using water responsibly.

Water is essential to our processing operations. Water withdrawal at the group’s operations is carried out in strict accordance with the terms set out in our licences. As part of our water reduction strategy, all our operations sites have been designed as “zero-discharge” facilities and re-cycled water systems are in place. This allows us to minimise the freshwater intake by maximising the use of re-cycled water and also minimise the risk of polluting local water basins

The quality of water at local surface and underground water bodies is monitored on an ongoing basis. At the end of each year, a report is submitted to all relevant state authorities. In 2020, there was no depletion of surface or underground water sources resulting from our water intake.

Our freshwater consumption increased by 6% in 2020, mostly due to higher throughput. Overall intensity, however, which enables us to monitor efficiency, has remained at the same level. All our operations are working to increase their water re-use rate, which currently varies between 95% and 83%, depending on the operational site.

In 2020 we reported our water risk exposure by responding to CDP Water Security questionnaire (former carbon disclosure project). Petropavlovsk received a management band score (B-): Taking coordinated action on water issues.

WATER MANAGEMENT	UNIT	2020	2019	2018
Freshwater withdrawal by source:				
Underground	000m^3	1,213	1,129	661
Surface	000m^3	4,999	4,713	4,551
Total freshwater consumed	000m^3	6,212	5,842	5,212
Water discharged	000m^3	0	0	0
Share of recycled and re-used water	%	91	91	89
Freshwater intensity	m^3/oz	11.3	11.3	12.3

Water discharge refers to total volumes discharged to surface or underground water bodies.
A new methodology to estimate the consumption of recycled and reused water has been applied since 2020. Data for 2019 and 2018 has been restated accordingly for comparative purposes.

ENERGY MANAGEMENT AND CLIMATE CHANGE

Mining and processing are energy intensive and various sources are required to sustain the operations. Energy represents some 9% of the net operating expenses with approximately 4% corresponding to fuel and 5% to electricity. Supply of electricity is via several power supply agreements with a major supplier to the Amur region.

The group's operations benefit from the production of renewable energy in the Amur region. This energy is generated from two major hydropower dams, which are a reliable source of low cost and high value electricity. We are committed to decreasing the amount of energy used in our operations and we implement measures to increase our energy efficiency.

During 2020, in line with our commitment to reduce our reliance on fossil fuel, the group further increased the share of electricity to 50% in overall energy mix compared to 46% in 2019. We also continue to work towards our ultimate target of becoming a coal-free business by 2030. Energy usage decreased in 2020 by 2% and the group recorded another year of improvement in energy efficiency by 8%.

The group recognises the importance of addressing climate change and is committed to adopting the recommendations of the task force on climate- related financial disclosures (TCFD) next year.

ENERGY CONSUMPTION AND EFFICIENCY	UNIT	2020	2019	2018
Coal	000 kWh	91,963	90,168	91,780
Diesel	000 kWh	639,106	721,676	733,791
Petrol	000 kWh	8,519	7,546	6,641
Kerosene	000 kWh	704	693	1,123
Electricity	000 kWh	753,087	708,992	576,554
Total	000 kWh	1,493,378	1,529,076	1,409,888
Energy efficiency	kWh/oz	2,725	2,956	3,339

The UK total energy consumption was 69,043kWh, comprising 46,041kWh of direct energy and 23,002kWh of indirect energy. The energy efficiency was 0.13kWh/oz. The assumption was made to calculate direct UK energy consumption as the company does not have a control over the energy usage. It is excluded as considered non material representing less than 0.005% of total energy consumption.

CARBON FOOTPRINT

Recognising the impact of carbon emissions on climate change we look to manage and minimise our GHG emissions. Our reduction strategies are focused on the implementation of energy efficiency measures, which have the added benefit of cost savings.

The following measures have been used to help us reduce our carbon footprint:

- Obtaining optimum coarseness for the material sent to the processing plants;
- Using grinding technologies and mills with a light rubber lining;
- Operating electrical mining excavators; and
- Installing a waste heat recovery system at the POX Hub to utilise heat.

GHG emissions is a strategic KPI that we have reported since 2007. In 2020 Petropavlovsk further reduced its total GHG intensity by 6%.

GREEHOUSE GAS (GHG) EMISSIONS		2020	2019	2018
Scope 1 Direct emissions	t CO_2e	186,162	206,379	209,164
Scope 2 Indirect emissions	t CO_2e	267,992	248,502	218,854
Total emissions	t CO_2e	454,154	454,881	428,018
GHG intensity	t CO_2e/oz	0.83	0.88	1.01

Petropavlovsk PLC UK total direct and indirect carbon emissions were 14.7t comprising direct emissions (Scope 1) of 9.36t and indirect emissions (Scope 2) of 5.36t. The intensity ratio was 27 g/oz. DEFRA conversion factors for 2020 were used for calculation. It is excluded as considered non material representing less than 0.005% of total GHG emissions.

ENVIRONMENTAL STEWARDSHIP CONTINUED

GHG SCOPES, DEFINITIONS AND CALCULATION METHODOLOGIES
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard details principles and requirements is used for designing, developing, managing, and reporting group-level GHG emissions. Financial control approach used to determine the scope for corporate reporting.

From the Kyoto protocol CO_2, CH_4, N_2O are included. HFCs, PFCs and SF6 are almost absent from the group's emissions and are therefore excluded.

Scope 1 emissions (direct CO_2 emissions) are defined as those from on-site energy consumption of fuel sources, such as petrol, kerosene, diesel and gas. De minimis quantities, typically from office sites, up to a maximum of 50 tonnes CO_2e, are excluded. We follow the Guidelines for the inventory of greenhouse gas emissions in Russia at the regional level (based on IPCC Guidelines for National Greenhouse Gas Inventories) for the quantification of GHG emissions, including definition of country-specific emission factors and categorisation of mobile sources.100-year GWP factors are used for the included gases.

Scope 2 emissions (indirect CO_2e emissions) are defined as those from purchased electricity. They are reported as location-based and calculated using the latest available International Energy Agency (EIA) electricity conversion factor for the Russian Federation.

GHG intensity of our operations is reported in tonnes of carbon dioxide equivalent and includes Scope 1 and Scope 2 emissions. As a gold producer, we consider ounces of gold as the appropriate measurement unit for intensity calculations.

All emissions values disclosed are presented as gross, with no deductions for export of renewable energy or purchases of certified emission reduction.

Both energy and GHG data are consolidated and checked by each business unit before being verified at group level. Following a detailed asset review in 2020 further minor sources associated with admin sites were included into the calculations of our total GHG emissions.

AIR QUALITY
Mining operations such as stripping, transportation infrastructure, waste storage facilities and energy use are all sources of air emissions which can impact on people, environment and equipment if not managed properly. These include carbon dioxide, nitrogen, sulphur oxides and inorganic dust. All the group's operations hold state-issued permits regulating the discharge of emission into atmosphere.

We aim to prevent or minimise air pollution at all our sites and emissions are strictly monitored according to the complex programme agreed with the federal authorities

WASTE MANAGEMENT
We are committed to the safe and responsible management of waste and implement waste management programmes, approved by regulatory authorities, at all operations. Waste management data is reviewed independently by local authorities.

We aim to reuse and recycle the generated waste wherever we can within our operations. Our systems and procedures enable us to maximise the amounts we recycle and minimise waste to landfill. Where we cannot utilise, re-use or recycle waste, we dispose of it at our own waste facilities or transfer it to authorised contractors for recycling.

MINERAL RESIDUE MANAGEMENT
Mineral residue from mining includes both the waste rock from which the ore is extracted, and the mineral residue that remains after processing.

Mining generates a significant amount of waste rock as overburden needs to be removed to uncover the ore deposits. While fertile soil is stored to be used in land rehabilitation, waste rock is used in a wide range of construction works and backfilling. Surplus waste rock is sold to third parties as a certified natural stone. Demonstrating our commitment to responsible mining, all profits received from the sales are used for environmental protection measures. The group operates four main hydraulic storage facilities (HSFs) that are used to store water, maintain recycling water supply and temporary store processed mineral residue. Optimal management of HSFs is one of the most important areas of focus for the group, and all facilities are insured, operated and monitored in accordance with the Russian legislation.

Our approach is based on complex measures to ensure the highest standards of design and construction aimed at minimising risk and enabling safe functioning and operation. Ongoing monitoring and regular internal and external audits provide up-to date information on their stability. Emergency plans for each facility are prepared and approved annually.

There have been no incidents relating to the integrity or stability of the group's dams over the entire period of their operations.

PRESERVING BIODIVERSITY
We work to ensure that wildlife and local habitats are protected at all stages of mine life. The company does not operate in protected areas or areas of high biodiversity value.

Potential impacts of the operations on wildlife, alongside with the measures and actions to be taken to minimise these possible risks are included the EIA. Preventative measures and prohibited activities are developed and implemented at all our operations. Our initiatives include annual release of carp hatchlings in the local rivers and environmental campaigns to raise awareness on the devastating effect of wildfires, in addition to wildlife monitoring.

MINE CLOSURE AND REHABILITATION
It is the group's intention to ensure that after decommissioning the landscape will be restored as far as possible to its original state. Ongoing rehabilitation is an integral part of the mining operations at all sites.

Closure plans for our operations are prepared as part of the initial permitting process and are updated as the mines approach the end of their operating lives. The financial provisions to cover the cost of the rehabilitation are regularly revised to reflect the operational and financial changes.

To date, the group has not decommissioned any of its mines. Pokrovskiy is the only mine to have reached end of life and its facilities have been fully utilised for reuse by the POX Hub.

COMMUNITY DEVELOPMENT

LOCAL COMMUNITIES

Building long-term relationships with local communities and residents is important to us and we aim to engage in an open and transparent manner.

We are aware of our duty to engage and maintain the acceptance and approval of our local stakeholders and recognise our responsibility to make a meaningful socio-economic contribution to the communities in which we operate.

66% of our employees are from the Amur region. 23% are residents of other regions of the far east. We also look to support the community through education (both at our college and also by providing assistance to educational institutions), other financial assistance, preferential local procurement and the provision of local infrastructure.

COMMUNITY CONSULTATIONS AND ENGAGEMENT

Local community engagement is carried out at all our operations. 6 community consultations and 2 site visits were organised in 2020 to facilitate open dialogue with local residents, NGOs and regional and municipal level officials. The key focus of the discussion was on the environmental safety review. At the start of the year, before COVID-19 restrictions were imposed, our company organized site visits to BMRP and the central laboratory in Blagoveschensk.

We have a group-wide grievance mechanism in place covering all operations, which enables members of the public and other stakeholders to raise complaints or issues concerning the company's activities and to be assured that these complaints will receive due consideration and a written response.

An information campaign planned in 2020 to raise awareness of the service was disrupted due to the pandemic and corporate governance matters; this campaign has resumed in 2021.

PROVIDING EDUCATIONAL SUPPORT

We are proud of the training we are able to facilitate not only for our employees but also for community members.

By facilitating technical education, we not only contribute to the socio-economic environment but also develop a pipeline of local talent for the company. School graduates in the Amur region have access to mining education at our Pokrovskiy Mining College, where study, tuition and accommodation are free for students for the duration of their training.

Petropavlovsk also partners with leading universities in the Amur region, including t Blagoveschensk Pedagogical University

SUPPORTING INDIGENOUS COMMUNITIES

We value open and transparent engagement with our local stakeholders and look to uphold cultural traditions and respect indigenous communities. Our Albyn mine is located approximately 20km from Ivanovskoye village, with a population of c.370 people, the majority of whom are Evenk, an Indigenous people of the Amur region. As one of our primary stakeholder groups in the region, we are committed to protecting their rights, acknowledging that they face similar socio-economic challenges to others in the region but are also confronted with the unique issue of saving their culture and traditional lifestyle. As a part of Petropavlovsk's commitment to respect and form long-lasting relations with the Indigenous community, Albyn mine signed an agreement with the association of indigenous minorities of the north of the Selemdzhinsky district, legally represented by its head Sergey Nikiforov. Under this agreement Petropavlovsk has committed to assisting in the development of the local community.

PETROPAVLOVSK FOUNDATION

Established in 2010, the Petropavlovsk Foundation invests in programmes aimed at encouraging socio- economic development, improving the quality of life for local communities and maintaining a positive socio-cultural environment.

The Foundation's social projects fall under 6 strategic areas:

- Education;
- Future generations (child development);
- Research and development;
- Culture;
- Quality of life; and
- Sport.

CREATING LONG-LASTING SOCIO-ECONOMIC BENEFITS

Given the remote location of our mines and the local socio-economic environment, the economic value we can bring to our stakeholders in the regions in which we operate is our most material impact and one that we take very seriously.

We are committed to the transparent payment of taxes, preferential recruitment of local people with fair and favourable remuneration, prioritised spend with local suppliers and community-led investment and support. Strong economic performance by the company directly impacts all our stakeholders and enables us to contribute to sustainable development and provide long-term benefits.

In 2020, Petropavlovsk distributed US$702.4 million, which included payments to suppliers and capital providers, wages and benefits to our employees, taxes, and US$0.7 million invested in local community projects in the Russian far east.

CONTRIBUTING TO LOCAL INFRASTRUCTURE

Some of our operations are located in remote areas, with inherent transport and accessibility issues, specifically in the northern Selemdzhinskiy district. Petropavlovsk actively invests in the construction of infrastructure, which is instrumental to the development of our projects but also significantly improves the quality of life for local residents.

In 2020 local infrastructure projects included:

- Funding and constructing road networks, including repair of a car and pedestrian bridge across Verkhnya Stoiba river, the only transport route to the north of the region.
- Cooperation with government in the construction of fibre-optic line 'Koboldo Zlatoustovsk' to provide high-speed mobile Internet of the 4G / LTE standard in Albyn and nearby communities.

SUPPORTING LOCAL SUPPLIERS

In our procurement processes, we give preference to regional suppliers and work to strengthen relationships with them. In 2020, we conducted business with over 1,200 suppliers of various sizes operating in 55 regions of Russia.

Moscow and region	28%
Amur region	15%
Khabarovsk region	22%
Other regions of the far east	2%
Other regions of Russia	33%

ETHICAL BUSINESS CONDUCT

ETHICS AND HUMAN RIGHTS
Petropavlovsk is fully committed to upholding the human rights of all stakeholders, including our employees, suppliers, business partners and host communities, and supports the Ten Principles of the United Nations Global Compact.

We recognise and respect international human rights frameworks wherever we operate, in particular the Universal Declaration of Human Rights, the Fundamental Conventions of the International Labor Organization, the UN Guiding Principles on Business and Human Rights. In 2021 we also plan to formalise our commitment and develop a corporate human rights policy.

In 2020 we adopted a speak-up policy which provides detailed guidance on how employees can raise their ethical concerns. We added a hotline to our existing communication channels to encourage employees to voice any concerns.

2020 proved to be a challenging year; the pressure of COVID-19 pandemic and corporate uncertainties delayed our plans to conduct information campaigns, throughout the group to ensure all employees are aware of their rights and responsibilities. At the end of the year our internal communication and IT teams started working on designing user-friendly portal to share all the group policies. This will offer new and existing employees easy access to both corporate and internal policies.

Our next step is to develop a new corporate code of conduct and business ethics and to ensure it is understood and followed at all business levels.

As part of the business review all group policies will be assessed and where necessary renewed or updated with a view to create a unified policy register.

GRIEVANCE MECHANISMS
Petropavlovsk has a grievance procedure in place to enable members of the public and other stakeholders to raise the complaints or express concerns related to Petropavlovsk activities.

No complaints were received through this mechanism in 2020, and we understand that the grievance procedure needs to be actively publicised among local communities and our business partners. In 2021 we will assess and review our current communication tools in order to further integrate the grievance procedure into our business processes.

ANTI-CORRUPTION
Petropavlovsk is committed to preventing corruption and the consequences of such actions. The responsibility for ensuring enforcement of any decisions is taken by the CEO, who then formally reports on this to the board of directors.

The company has in place an anti-tax evasion policy, overseen by the board and applicable across the group, which sets out its zero-tolerance approach to any form of tax evasion or the facilitation of tax evasion.

At the start of 2020, the board approved an anti-bribery policy to combat and reduce bribery and corruption and to reinforce its zero-tolerance approach, and this was reviewed at the end of the year. Due diligence of new business partners addresses corruption, and an explicit clause regarding anticorruption is included within our contractual terms with all suppliers, in line with our anti-bribery policy.

Training on anti-corruption management system ISO 37001: 2016 was provided to employees responsible for anti-corruption work.

In 2020, following the instruction of shareholder vote, the board commenced a review of related party transactions ('Resolution 19') by an external and independent audit firm. Alongside this work, and as part of the operational review of the business by Denis Alexandrov, the board will be evaluating how it can strengthen the group's anti-corruption policies to improve behaviours and outcomes.

MODERN SLAVERY ACT
In compliance with the UK's Modern Slavery Act 2015, the group has published a statement setting out the steps taken to ensure that slavery and human trafficking are not occurring in its supply chain or in any part of its business. This statement is available at www.petropavlovskplc.com.

RESPONSIBLE PROCUREMENT AND SUPPLY CHAIN
We are committed to working with suppliers who share our approach to legal compliance, industrial safety, human rights, fair employment practices and environmental protection. All our suppliers are required to comply with our health and safety and environmental policies.

Suppliers of hazardous substances and gold concentrate are subject to special controls to ensure that their activities comply with all legal standards and responsible business practices.

In 2020 we conducted a high-level modern slavery risk assessment intended to identify any potential risks in the supply chain across our operations. The screening was based on readily identifiable risk factors, obtained through publicly available research. A detailed questionnaire sent to the company's top 30 biggest suppliers representing over 70% of the total group's procurement spent. No high or medium risk suppliers were identified through the assessment.

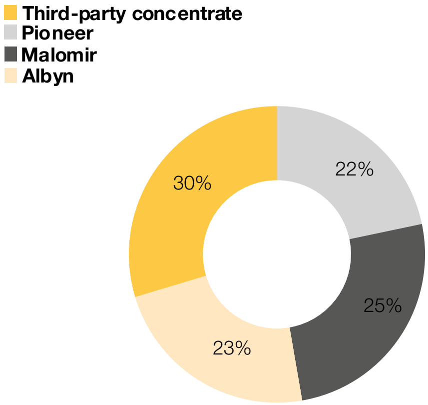
Petropavlovsk maintains open channels of communication with its suppliers and encourages them to raise any issues or concerns that arise in the conduct of their business.

OPERATIONAL
REVIEW

KEY OPERATING HIGHLIGHTS

	FY 2020	FY 2019	CHANGE
Production			
Total material moved, m³ '000	39,202	39,164	0%
Ore mined, kt	10,035	15,712	-36%
Ore processed, kt	14,066	14,607	-4%
Average grade (processed), g/t	1.0	1.1	-9%
Concentrate processed, kt	245	187	31%
incl. third-party concentrate, kt	101	33	206%
Gold production (own material), koz	385.6	471.6	-18%
Gold production (third-party concentrate), koz	162.5	45.7	256%
Gold production (total), koz	548.1	517.3	6%
Opex			
Mining cost (open pit), US$/m³	3.3	3.9	-15%
Processing cost (RIP), US$/t ore	5.6	5.6	0%
Processing cost (flotation), US$/t ore	6.3	6.2	2%
Processing cost (POX Hub), US$/t conc.	181.9	213.6	-15%
TCC (own material), US$/oz	852	703	21%
TCC (third-party concentrate), US$/oz	1,474	1,260	17%
TCC◆ (total), US$/oz	1,034	749	38%

TOTAL GOLD PRODUCTION



	FY 2020	FY 2019	CHANGE
Pioneer	119.0	120.4	-1%
Malomir	140.1	180.3	-22%
Albyn	126.5	170.9	-26%
Third-party concentrate	162.5	45.7	256%
Total gold production	548.1	517.3	6%

548.1 koz
TOTAL GOLD PRODUCTION 2019: 517.3koz

162.5 koz
GOLD PRODUCTION FROM THIRD-PARTY CONCENTRATE 2019: 45.7koz

10.0 Mt
GOLD ORE MINED 2019: 15.7Mt

245kt
REFRACTORY GOLD CONCENTRATE PROCESSED AT THE POX HUB (INCL. THIRD-PARTY) 2019: 188kt

INTRODUCTION
2020 was the second consecutive year of higher gold production, driven by a significant uplift in the amount of refractory gold concentrates processed at the POX Hub. Now in its second full year of successful operations, the POX Hub accounted for slightly more than half of total gold produced, of which c.30% was derived from the processing of third-party concentrates.

Own mined gold production declined to 385.6koz compared to 471.6koz in 2019. There were a number of challenges. Difficult underground conditions at Malomir, a delay to the start-up of the underground Andreevskaya ore zone at Pioneer caused by contractors and COVID-19 as well as a delay in obtaining a critical operational permit at Albyn.

Gold produced from third-party concentrates increased 256% to 162.5koz due to higher volumes and the release of gold in circuit, although production was lower than expected due to COVID-19 related supply disruptions.

MINING
While the total material moved was essentially flat year-on-year, ore mined decreased to 10.0Mt in 2020 from 15.7Mt in 2019 principally due to waste stripping work undertaken to access refractory orebodies at Pioneer and permitting delays at Albyn. Average grades fell slightly to 1.0g/t from 1.1g/t in 2019, largely due to the processing of lower grade stockpiled ore in the Albyn RIP plant as the mine reached its end of life.

Performance at the company's open pit mines was largely in-line with expectations, despite the delay in obtaining an official permit for mining and treating Elginskoye ore at the Albyn processing plant.

Of the company's two underground mines, the NE Bakhmut zone at Pioneer performed according to expectations, while mining at the deeper levels of the Quartzitovoye deposit at Malomir encountered challenging geological conditions leading to higher dilution which negatively affected mined grades.

PROCESSING
Despite the drop in volumes of ore mined, the amount of ore delivered to the company's processing facilities remained broadly flat year-on-year at 14.0Mt as a result of active stockpile management. Milling operations performed in-line with expectations, while recoveries remained high for both RIP and flotation plants.

Recoveries at the POX Hub remained high and in-line with expectations for both own and third-party concentrates at 91.4% and 93.8%, respectively.

DEVELOPMENT
Solid progress was made with the group's two key development projects, the Pioneer flotation plant and the expansion of capacity at the Malomir flotation plant. However, delays to the commissioning of some equipment items and a desire to avoid full commissioning during the winter months meant that management decided to delay full commissioning of the Pioneer flotation plant until mid-2021.

COSTS
An overview of our TCC◆ and AISC◆ along with our expectations for own-mined TCC in 2021 may be found on pages 24-25. A detailed breakdown by each mining operation may be found on the following pages.

EXPLORATION
Exploration activities primarily focused around the group's existing operations, comprising early stage regional exploration of potential future orebodies on the company's extensive licences, near mine exploration as well as definition drilling and metallurgical test-work to grow reserves and resources or increase confidence in near-term mine plans.

Exploration was particularly successful at the Kera project near Elginskoye through increasing known mineralisation and this orebody warrants further exploration. The Tokur and Osipkan projects near Malomir are also considered prospective and exploration work was focused on upgraded resources to reserves.

Earlier stage exploration work was undertaken at the Verkhne-Udskaya & Chogarskaya licences which demonstrated promising results at Chogarskaya with potential to become resources once further drilling has been undertaken.

Near mine exploration was successful in extending reserves at Pioneer, both for open pit (Pokrovka 2 of the Pokrovskiy) and underground mining (NE Bakhmut zones 2 and 3). These findings could not fully compensate for mine depletion and the removal of certain marginal and higher risk areas from the JORC Reserves, leading to a modest decrease in Pioneer Reserves. At Elginskoye (Albyn) exploration increased confidence in the existing resource estimate.

OUTLOOK
2021 gold production from the company's own mines is expected to remain flat to slightly higher year-on-year, ranging between 370 – 390koz and driven mainly by higher grades at Pioneer which includes the start-up of underground mining at the high grade Andreevskaya zone. This increase is partly offset by lower volumes and lower recoveries at Albyn resulting from the switch to processing ore from the nearby Elginskoye deposit, as well as reduced throughput at Pioneer given the increase in refractory ore which is harder to mill.

Total gold production from third-party concentrates is expected to decline in 2021 to between 60 – 80koz due to reduced volumes of low-margin concentrate available for purchase and lower concentrate grades. The decrease partly reflects management disruption which occurred during a key annual contracting window when material should normally have been secured for 2021.

In 2021, TCC for own material are expected to be between US$870 - US$970/oz

OPERATIONAL REVIEW
THE POX HUB

c.50%
TOTAL OF GOLD PRODUCTION IN 2020 FROM POX HUB

13.15 Moz
REFRACTORY MINERAL RESOURCES, INCLUDING 5.39Moz ORE RESERVES

4 AUTOCLAVES
EACH ABLE TO PROCESS DIFFERENT CONCENTRATE TYPES

OPERATING PERFORMANCE
2020 was the second successful year of operations at the POX plant, although planned production was affected by the availability of third-party concentrate which was lower than expected due mainly to the COVID-19 pandemic. Recovery rates for both Malomir and third-party concentrates were consistently high, ranging between 90.6 – 92.1% and 91.1 - 95.1%, respectively, with third-party concentrate being sourced from several operators in Kazakhstan and Russia. The high recovery rates are a result of measures implemented to reduce gold losses at the neutralisation & filtration and RIP stages.

In total, the POX Hub processed 144kt of Malomir and 101kt of third-party concentrate to recover 270.4koz of gold. The fall in volumes of Malomir concentrate compared to 2019 reflected the one-off processing of concentrate stockpiles in 2019 that were accumulated during 2018 prior to the commissioning of the POX Hub. For the year, processing costs averaged US$181.9/t which is expected to fall further as throughput increases and the plant is fully utilised.

TCC for third-party material increased 17% to US$1,474/oz from US$1,260/oz in 2019 reflecting the higher cost of purchasing refractory gold concentrates given TCC for third-party concentrates are directly dependent on the price of gold.

OUTLOOK
In 2021, the POX Hub is expected to treat c.130kt of concentrate from Malomir and c.60kt from the new flotation plant at Pioneer. The company conservatively expects gold concentrates from third parties to be lower than in 2020 due to reduced availability from key suppliers. Longer-term, further potential exists to expand the flotation plant at Pioneer, develop concentrate production capacity at Albyn or to develop or acquire new mines.

POX HUB (OWN MATERIAL AND THIRD-PARTY CONCENTRATES)

	UNITS	FY 2020	FY 2019
Malomir concentrates			
Concentrate treated	t '000	144	155
Average grade	g/t	29.0	30.0
Recovery	%	91.4	88.6
Gold recovered	oz. '000	122.4	132.0
Third-party concentrates			
Concentrate treated	t '000	101.3	32.5
Average grade	g/t	48.4	61.6
Recovery	%	93.8	94.9
Gold recovered	oz. '000	148.0	61.2

OPERATIONAL REVIEW
PIONEER

OPERATING PERFORMANCE

Pioneer produced 119.0koz of gold in 2020, in line with 2019 (120.4koz) but below expectations due to delays in developing an underground mine targeting the high grade Andreevskaya ore zone. This operation was due to start production in Q4 2020 but was delayed until Q2 2021.

Waste stripping works intensified at the principal refractory orebodies of Promezhutochnaya-Bakhmut and Yuzhnaya ahead of the commissioning of the new flotation plant. Whilst stripping works were being undertaken, lower grade non-refractory gold ore was mined during the year for processing at the RIP plant. A higher grade refractory ore section will also be mined from the Nikolaevskaya zone at Pioneer and the Porkovka 2 orebody at Pokrovskiy with the expectation that Pokrovka 2 will supply c.10% of flotation feed in 2021 and 2022 until higher grade ore can be sourced from Promezhutochnaya – Bakhmut.

Underground development continued throughout the year, with a total of c.82,000m^3 of underground workings completed at NE Bakhmut and Andreevskaya. In total, 248.5kt of underground ore with an average gold grade of 3.51g/t were mined from NE Bakhmut pay shoots 2 and 3.

TCC◆ increased 26% to US$1,311/oz from US$1,040/oz in 2019, primarily reflecting the higher cost of purchasing refractory gold concentrates given TCC for third-parties concentrate are directly dependent on the price of gold.

TCC for own-mined material increased 13% to US$1,092/oz from US$963/oz in 2019. The increase for own-mined material reflects the inflation of certain Rouble denominated costs which was partly mitigated by the effect of higher grades and recoveries for non-refractory ore processed at Pioneer in 2020.

AISC◆ increased 15% to US$1,562/oz from US$1,363/oz driven by higher TCC for own-mined and third-party material as well as higher central administration expenses, offset by lower sustaining capital expenditure and decrease in capitalised stripping costs and sustaining exploration expenditures.

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OUTLOOK

Production is expected to increase in 2021 to between 135 and 140koz due to the switch to mining higher grade refractory ores and a greater contribution of higher grade underground ore from NE Bakhmut and Andreevskaya in the RIP feed. Refractory ore grades are expected to improve further in the medium-term once stripping at the higher grade Promezhutochnaya-Bakhmut open pit is completed. Longer-term, the group is considering expanding the capacity of the flotation plant as an alternative to continued RIP processing given the low grades of remaining non-refractory reserves and resources

1,337 km^2
TOTAL GOLD LICENCE AREA

7.34 Moz
MINERAL RESOURCES, INCLUDING ORE RESERVES

119.0 koz
GOLD PRODUCED IN 2020

PIONEER OPEN PIT AND UNDERGROUND OPERATIONS

	UNITS	FY 2020	FY 2019
Mining operations			
Total material moved	m^3 '000	19,884	19,042
Ore mined	t '000	3,145	3,795
Average grade	g/t	1.00	0.97
RIP Plant			
Ore milled	t '000	5,410	5,707
Average grade	g/t	0.81	0.78
Recovery	%	84.6	81.7
Total gold production (doré)	oz. '000	119.0	120.4

OPERATIONAL REVIEW
ALBYN

1,053 km²

TOTAL GOLD LICENCE AREA

4.21 Moz

MINERAL RESOURCES, INCLUDING ORE RESERVES

126.5 koz

GOLD PRODUCED IN 2020

OPERATING PERFORMANCE
Production at Albyn fell c.26% to 126.5koz from 170.9koz in 2019 due to a combination of the scheduled completion of the main Albyn pit and a delay in processing ore from the Elginskoye pit. As a result, the main source of ore was the central zone of the main pit at Albyn supplemented by low grade stockpiles. Recoveries at the processing plant were consistently high, averaging over 93% for the year.

Total Cash Costs◆ increased 55% to US$727/oz from US$468/oz in 2019, reflecting the effect of lower grades of non-refractory ore processed at the Albyn plant, as well as a decline in the volume of gold sold which fell from 170.8koz to 126.7koz. The increase also reflects the inflation of certain Rouble denominated costs, as well as a higher rate of mining tax which increased from 1.2% in 2019 to 1.2% between January and August 2020 and 6.0% between September and December 2020. AISC◆ increased 31% to US$904/oz from US$690/oz driven by higher TCC◆ as well as higher central administration expenses, which were offset by a reduction in sustaining capital expenditure.

OUTLOOK
2021 production is expected to be below 2020 levels, between 95 and 105koz, due to a decrease in plant throughput, head grade and recovery. The decrease is associated with the switch to mining at the Elginskoye open pit where ore is harder to mill and has lower RIP recovery. In the longer-term, mining is expected to move to the satellite Unglichikanskoye deposit. As the Albyn orebody remains open at depth, the group is also investigating the potential for mining under the existing open pit, either by expanding the current open pit or undertaking underground mining. Refractory reserves are known to exist at the Elginskoye and Unglichikanskoye deposits and are currently scheduled for processing from 2028 when a flotation plant is planned to concentrate refractory ores prior to transportation to the POX plant for further processing and gold recovery.

ALBYN OPEN PIT OPERATIONS

	UNITS	FY 2020	FY 2019
Mining operations			
Total material moved	m^3 '000	9,451	12,465
Ore mined	t '000	2,338	6,222
Average grade	g/t	0.87	1.22
RIP Plant			
Ore milled	t '000	4,368	4,602
Average grade	g/t	0.95	1.22
Recovery	%	93.9	93.9
Total gold production (doré)	oz. '000	126.5	170.9

OPERATIONAL REVIEW
MALOMIR

OPERATING PERFORMANCE
Malomir produced a total of 140.1koz of gold in 2020, a fall of 22% (2019: 180.3koz) due mainly to a reduction in RIP production and a decline in the volume of Malomir concentrate stockpiles processed at the POX plant. In total, c.4.1Mt of refractory ore grading 1.16g/t was mined with 122.4koz gold recovered from processing at the POX Hub where recovery rates were 91.4% and in-line with expectations. Mining of non-refractory ore was largely from underground operations with some non-refractory gold mined from the Magnetitovoye open pit.

In total, 423kt of non-refractory ore was mined grading 2.24g/t with 22.9koz gold recovered from the RIP plant. Underground mining occurred at the deeper levels of the Quartzitovoye deposit where the complex configuration of ore body led to increased dilution which negatively affected mined grades throughout 2020.

Total Cash Costs◆ increased 1% to US$761/oz from US$752/oz in 2019, reflecting the effect of lower grades of refractory and non-refractory ore processed at the Malomir plant as well as a decline in gold sold, which fell from 179.8koz to 140.4koz. The increase also reflects the inflation of certain Rouble denominated costs, as well as a higher rate of mining tax which increased from 1.2% in 2019 to 6.0% in 2020. The increase was partly mitigated by higher recoveries for refractory ore processed at Malomir as well as Rouble depreciation.

AISC◆ increased 16% to US$1,181/oz from US$1,022/oz driven by higher TCC◆ as well as an increase in capitalised stripping costs, sustaining capital expenditure and higher central administration expenses.

OUTLOOK
Malomir production is expected to be in a range between 140 and 145koz in 2021, in line with 2020 production level. Longer-term production rates at Malomir will be increased via the construction of an expansion to the flotation plant which would increase the capacity of the Malomir flotation plant from 3.6Mtpa to 5.4Mtpa from Q3 2022.

MALOMIR OPEN PIT AND UNDERGROUND OPERATIONS

	UNITS	FY 2020	FY 2019
Mining operations			
Total material moved	m^3 '000	9,867	7,658
Non-refractory Ore	t '000	423	413
Average grade	g/t	2.24	3.96
Refractory Ore	t '000	4,128	5,282
Average grade	g/t	1.16	1.11
Processing Operations			
RIP Plant			
Ore milled	t '000	414	536
Average grade	g/t	2.23	3.38
Recovery	%	77.1	87.7
Flotation Plant			
Ore milled	t '000	3,874	3,762
Average grade	g/t	1.26	1.15
Recovery	%	84.2	87.1
Yield	%	3.7	3.5
POX Plant			
Concentrate treated	t '000	144	155
Average grade	g/t	29.0	30.0
Recovery	%	91.4	88.6
Total gold production (doré)	oz. '000	140.1	180.3

230 km^2
TOTAL GOLD LICENCE AREA

6.62 Moz
MINERAL RESOURCES, INCLUDING ORE RESERVES

140.1 koz
GOLD PRODUCED IN 2020

RESERVES & RESOURCES

REVIEW OF ORE RESERVES AND MINERAL RESOURCES AS AT 31/12/2020

In line with industry practices, Petropavlovsk reports its Mineral Resources and Ore Reserves in accordance with the JORC Code. The Mineral Resource and Ore Reserve estimates are an update to independent estimates prepared by Wardell Armstrong International (WAI), a UK based independent technical consultancy firm, in April 2017. The updated estimates incorporate all material exploration completed in 2017, 2018 and 2019. 2020 exploration results were included with the exception of data on Elginskoye, Unglichikanskoye, Tokur and Osipkan. On-going exploration work at these areas is considered to be incomplete due to delays caused by the COVID-19 pandemic and management changes. Tokur Mineral Resources, which previously were reported as a 2010 historical estimate prepared in accordance with JORC Code (2004), were re-stated in accordance with the JORC Code (2012). To reflect gold price trends, the company increased its long-term gold price assumption for Mineral Resource reporting from US$1,500/oz, used in 2017, to US$1,700/oz for the 2020 and 2021 updates. Similarly, the long-term gold price assumption for Ore Reserve reporting was increased from US$1,200/oz to US$1,400/oz for the 2020 and 2021 updates.

As of 31 December 2020, the total group Mineral Resources (including Reserves) amounted to 19.50Moz of gold compared to 21.03Moz twelve months previously, with total Reserves amounting to 7.16Moz compared to 8.46Moz in the previous year. The reduction in Mineral Resources is due to the use of more conservative open pit constraints at Elginskoye and a re-evaluation of the Tokur Mineral Resource in accordance with JORC Code 2012. The previous Tokur historical estimate included in the 2020 disclosure was prepared in 2010 by WAI following guidelines of the older version of the code.

The prime reason for the decrease in Ore Reserves is the removal of Tokur Ore Reserves which could not be reported under JORC Code 2012, the removal of Ore Reserves for the Quartzitovoye open pit, Malomir tailings and low grade stockpiles across all assets. The Quartzitovoye open pit, Malomir tailings and low grade stockpiles were removed from the reserve estimate due to uncertainties around the feasibility of gold production from these assets. Mine depletion also contributed to the reduction of Mineral Resource and Ore Reserves.

The tables below provide a summary of the group's Mineral Resources and Ore Reserves as of 31/12/2020. Detailed Mineral Resource and Ore Reserve statements by asset are available on the company's website at www.petropavlovskplc.com.

GROUP ORE RESERVES AS AT 31/12/2020

(in accordance with the JORC Code 2012)

TOTAL OPEN PIT AND UNDERGROUND ORE RESERVE

	CATEGORY	TONNAGE (kt)	GRADE (g/t Au)	METAL (Moz)
Total	Proved	22,806	0.96	0.70
	Probable	204,909	0.98	6.46
	Proved+Probable	227,715	0.98	7.16
Non-Refractory	Proved	5,865	0.75	0.14
	Probable	50,748	1.00	1.63
	Proved+Probable	56,612	0.97	1.77
Refractory	Proved	16,941	1.03	0.56
	Probable	154,161	0.97	4.83
	Proved+Probable	171,103	0.98	5.39

TOTAL OPEN PIT ORE RESERVE

	CATEGORY	TONNAGE (kt)	GRADE (g/t Au)	METAL (Moz)
Total	Proved	22,806	0.96	0.70
	Probable	203,765	0.95	6.22
	Proved+Probable	226,571	0.95	6.93
Non-Refractory	Proved	5,865	0.75	0.14
	Probable	50,098	0.95	1.53
	Proved+Probable	55,962	0.93	1.67
Refractory	Proved	16,941	1.03	0.56
	Probable	153,667	0.95	4.70
	Proved+Probable	170,609	0.96	5.26

TOTAL UNDERGROUND ORE RESERVE

	CATEGORY	TONNAGE (kt)	GRADE (G/T AU)	METAL (MOZ)
Total	Proved	-	-	-
	Probable	1,144	6.37	0.23
	Proved+Probable	1,144	6.37	0.23
Non-Refractory	Proved	-	-	-
	Probable	650	4.90	0.10
	Proved+Probable	650	4.90	0.10
Refractory	Proved	-	-	-
	Probable	494	8.32	0.13
	Proved+Probable	494	8.32	0.13

(1) Group Ore Reserves statements were prepared internally in April 2021 as an update of the April 2017 WAI estimate.
(2) Ore Reserves for open pit extraction are estimated within economical pit shells using a US$1,400/oz gold price assumption and applying other modifying factors based on the projected performance of these operating mines.
(3) The Open Pit Reserves cut-off grade for reporting varies from 0.30 to 0.70g/t Au, depending on the asset and processing method.
(4) Underground Ore Reserves estimates use a mine design with decline access, trackless mining equipment and a sublevel open stope mining method with or without back fill.
(5) The Underground Reserves cut-off grade for reporting is 1.5g/t Au.
(6) Reserve figures have been adjusted for anticipated dilution and mine recovery.
(7) Group Ore Reserve estimates were prepared under the supervision of and verified by Mr. Anton Kornitskiy, who is a 'Competent Person' as defined by JORC Code 2012. Mr. Kornitskiy is an employee of Petropavlovsk PLC.
(8) Figures may not add up due to rounding.

GROUP MINERAL RESOURCES AS AT 31/12/20

(In accordance with the JORC Code 2012.)

TOTAL OPEN PIT AND UNDERGROUND MINERAL RESOURCES

	CATEGORY	TONNAGE (kt)	GRADE (g/t Au)	METAL (Moz)
Total	Measured	44,916	0.88	1.28
	Indicated	438,968	0.83	11.69
	Measured+Indicated	483,884	0.83	12.97
	Inferred	314,861	0.65	6.53
Non-Refractory	Measured	15,240	0.94	0.46
	Indicated	102,797	0.98	3.23
	Measured+Indicated	118,037	0.97	3.69
	Inferred	137,589	0.60	2.67
Refractory	Measured	29,676	0.85	0.81
	Indicated	336,172	0.78	8.46
	Measured+Indicated	365,847	0.79	9.28
	Inferred	177,272	0.68	3.87

RESERVES & RESOURCES — CONTINUED

TOTAL OPEN PIT MINERAL RESOURCES

	CATEGORY	TONNAGE (kt)	GRADE (g/t Au)	METAL (Moz)
Total	Measured	43,650	0.77	1.08
	Indicated	433,231	0.79	11.03
	Measured+Indicated	476,882	0.79	12.11
	Inferred	304,140	0.58	5.70
Non-Refractory	Measured	13,975	0.58	0.26
	Indicated	98,024	0.87	2.76
	Measured+Indicated	111,999	0.84	3.02
	Inferred	127,449	0.46	1.89
Refractory	Measured	29,676	0.85	0.81
	Indicated	335,207	0.77	8.28
	Measured+Indicated	364,883	0.78	9.09
	Inferred	176,690	0.67	3.81

TOTAL UNDERGROUND MINERAL RESOURCES

	CATEGORY	TONNAGE (kt)	GRADE (g/t Au)	METAL (Moz)
Total	Measured	1,265	4.93	0.20
	Indicated	5,737	3.56	0.66
	Measured+Indicated	7,002	3.81	0.86
	Inferred	10,721	2.43	0.84
Non-Refractory	Measured	1,265	4.93	0.20
	Indicated	4,772	3.08	0.47
	Measured+Indicated	6,037	3.47	0.67
	Inferred	10,139	2.38	0.78
Refractory	Measured	-	-	-
	Indicated	965	5.96	0.18
	Measured+Indicated	965	5.96	0.18
	Inferred	581	3.31	0.06

(1) Mineral Resources include Ore Reserves.
(2) Mineral Resource estimates were prepared internally by the group in accordance with JORC Code 2012 as an update of the April 2017 statement audited by WAI.
(3) Open Pit Mineral Resources are constrained by conceptual open-pit shells at a US$1,700/oz long term gold price.
(4) The cut-off grade for Mineral Resources for open pit mining varies from 0.30 to 0.50g/t depending on the type of mineralisation and proposed processing method.
(5) A cut-off grade of between 1.0 and 1.5g/t is used to report Mineral Resources for potential underground mining.
(6) Mineral Resources are not Reserves until they have demonstrated economic viability based on a feasibility or pre-feasibility study.
(7) Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery.
(8) Group Mineral Resource estimates were prepared under the supervision of and verified by Mr. Anton Kornitskiy, who is a 'Competent Person' as defined by JORC Code 2012. Mr. Kornitskiy is an employee of Petropavlovsk PLC.
(9) Figures may not add up due to rounding.

1255

EXPLORATION UPDATE

PIONEER

Exploration at Pioneer and Pokrovskiy was focused on the Alexandra and Pokrovka 2 deposits. Exploration relating to underground production at the NE Bakhmut zone also generated some positive results.

Eight holes were drilled at Alexandra which increased confidence in the Mineral Resource estimate. Following these positive results, the company is considering an expansion of the open pit which, if completed, would add between 50 and 80koz of non-refractory reserves.

Metallurgical tests were also completed on the Pokrovka 2 and Vodorazdelniy zones of the Pokrovskiy deposit to check their suitability for processing via the Pioneer flotation plant. Positive metallurgical tests results on Pokrovka 2 material enabled the partial conversion of the Pokrovka 2 resources to refractory JORC Reserves, adding 74koz of gold to the Reserve statement. This material has been scheduled for mining and processing in 2021-2022. The results of the Vodorazdelniy tests were less encouraging and indicated this zone is less suitable for processing due to the low quality of its flotation concentrate.

Underground development completed at NE Bakhmut zones 2 and 3 proved mineralisation continues down-dip and added c.30koz to Mineral Resources. High grade mineralisation remains open down-dip at both zones. There are signs of grade and thickness decline at NE Bakhmut 3; however, the quality of the orebody at the deepest level of NE Bakhmut 2 remains high. The group plans underground drilling at NE Bakhmut 2 in 2021 to explore the orebody further down-dip.

ALBYN

Elginskoye

Exploration continued at Elginskoye which improved confidence in the resource estimate and identified further extensions of the deposit towards the north west. A total of 38,222m of drilling and 54,779 m^3 of trenching were completed at Elginskoye. Further metallurgical tests completed during 2020 indicated that Elginskoye might be more efficiently exploited using a gravity-flotation-POX processing route without selective mining of refractory and non-refractory types.

687m of drilling and 160,774 m^3 of trenching and pre-strips were completed at the Kera prospect to the west of Elginskoye. Pre-strips confirmed grade and structural continuity of a key mineralised zone at Kera. Using a cut-off grade of 0.5g/t, the mineralisation sampled in the pre-strip has an average thickness of 2.4m@4.79g/t. Drilling comprised of 5 drill holes which confirmed mineralisation down-dip to a depth of 130m. The best drill intersections include 6.1m@3.35g/t and 7.3m@4.72g/t. Two maiden metallurgical tests completed on core material showed mixed results with cyanide recoveries of 89.15% and 61.02%. Overall, the Kera prospect is considered as being a potential satellite deposit of Elginskoye, warranting further exploration.

Drilling completed to the west of the Albyn pit at the Sukholozhskoye mineralised zone identified several high-grade intersections, including 6.5m@27.71g/t and 1.0m@8.04g/t.

Exploration at Unglichikanskoye comprised of drilling (2,478m) and trenching (19,438.1m^3). Drilling was concentrated at the south group of mineralised zones and it proved c.70m of down dip extensions to the mineralisation. The best intersections include 6.0m@2.25g/t, 5.1m@2.10g/t, 4.1m@2.19g/t, 4.8m@2.71g/t. These results are yet to be reflected in the Unglichikanskoye resource statement. Trenching at the periphery of the Unglichikanskoye property failed to identify significant gold mineralisation.

MALOMIR

Exploration at Malomir concentrated on the surrounding areas, including Tokur, Osipkan and Mariinskoye. Some exploration was also completed at the Quartzitovoye underground mine.

Underground drilling and samples taken from underground workings did not confirm earlier assumptions of ore continuity at deeper levels of the deposit. This resulted in a decrease in underground resources at Quartzitovoye which shortened the Quartzitovoye underground mine life.

Exploration completed at Tokur and Osipkan included drilling and trenching. Approximately 6km of drilling and 73,216.5m^3 of trenching were completed at Tokur, whilst almost 11km of drilling and 130,521.4m^3 of trenching were completed at Osipkan. The exploration program is aiming to upgrade parts of the Tokur and Osipkan resources into the JORC Indicated category which should allow a maiden Ore Reserve estimate to be made for Tokur in 2021. Drill intersections at Tokur have an average thickness of 13.5m@1.78g/t. At Osipkan, the average grade of drill intersections is 0.94g/t with an average thickness of 6.0m. Both Tokur and Osipkan drilling and trenching results are consistent with historical data. This exploration program is still in progress with many assays pending and results have yet to be evaluated and reflected in the group JORC Resource statement.

Exploration at Mariinskoye commenced in 2020. Work included geological reconnaissance, geochemical and chip samples, ground magnetic and electrical geophysical surveys. Many indications of the presence of gold mineralisation were discovered, including sulphide mineralisation with gold grades of up to 0.5g/t in chip samples and up to >1.0g/t in geochemical samples (1.0g/t being upper detection limit of the assay method employed). The exploration program is at an early stage and work is expected to continue in 2021.

Verkhne-Udskaya & Chogarskaya

These two properties in the Khabarovsk region are considered as potential satellites to the Malomir deposits. The 2020 exploration focus was on the Verkhne-Udskaya property where 6,797.3m of drilling and 194,292m^3 of trenching were completed. Earlier work discovered the Zapadniy, Egokonga and Kolbokan prospects within Verkhne-Udskaya. The majority of exploration in 2020 took place at Zapadniy were two mineralised zones hosted by thrust zones of potential economic interest were explored by drilling and trenching. Based on assays completed so far, the average grade of Zapadniy mineralisation is 1.06g/t with an average thickness of 5.7m. A formal resource estimate in accordance with the JORC Code is yet to be prepared for Zapadniy, although preliminary estimates show a mineral resource target of c.70koz. Preliminary metallurgical tests showed mixed response to cyanidation, with recoveries varying between 57 and 96%. Early stage exploration work completed at the Egokonga prospect has discovered a 10km long gold-bearing structure which is yet to be systematically sampled. A few trenches completed here discovered grades up to 2.04g/t in selected samples. Early-stage prospecting competed at Kolbokan in 2020 discovered an encouraging mineralised zone hosted by conglomerates with grades up to 1.29g/t.

Exploration and prospecting at Chogarskaya included geological reconnaissance, ground magnetic and lithochemical surveys as well as some trenching. The lithochemical survey discovered a 3km long gold bearing zone that warrants further investigation. Trenches completed at a geochemical anomaly discovered in a 2018 survey found some high-grade mineralisation with grades up to 25g/t in selected samples. The best intersections include 1.3m@14.03g/t and 3.0m@2.17g/t. Chogarskaya exploration results are considered encouraging and further work is planned for 2021.

2021 EXPLORATION OUTLOOK

At Elginskoye and Unglichikanskoye, exploration will continue to de-risk and grow the project reserves. Exploration at Tokur and Osipkan will continue to focus on verifying historical exploration results and preparing a maiden reserve estimate. Underground drilling is planned at NE Bakhmut 2 to explore deeper extensions of the mineralisation potentially suitable for underground mining. Early-stage exploration will continue in the promising Mariinskiy area. Further greenfield exploration is expected to take place at Chogarskaya and Verkhne Udskaya.

IRC

IRC Limited ("IRC") is a producer and developer of industrial commodities, based in the Russian Far East. IRC was part of Petropavlovsk's Non-Precious Metal Division before it was listed as a separate entity on The Stock Exchange of Hong Kong (ticker: 1029.HK) in 2010. With a total holding of 31.1%, Petropavlovsk is IRC's largest shareholder, although it should be noted that IRC is an associate of the company, not a subsidiary.

IRC ASSETS
IRC's key mining assets are K&S and Kuranakh:

- K&S: a mine producing 65% iron ore concentrate with a 20-year mine life, located in the Jewish Autonomous Region (EAO) of the Russian Far East. The project is currently in the first of two phases, and once ramped up, is expected to have a full annual capacity of 3.2Mtpa; and
- Kuranakh: a mine producing iron ore / ilmenite concentrate with a 20-year mine life, located in the Amur region, Russian Far East. The plant is currently in administration and has been placed under care and maintenance, but is available for re-opening should markets permit the investment decision.

IRC's non-core mining assets include:

- Bolshoi Seym: an ilmenite deposit located north of Kuranakh;
- The Garinskoye flanks: which is at an early stage of exploration; and
- Kostenginskoye: an area 18km south of K&S which is at an early stage of exploration.

OPERATIONAL PERFORMANCE IN 2020
K&S
In 2020, IRC continued to gain momentum during the first phase of the ramp up of K&S, transitioning the project from development stage into a cash generating mine. Once fully ramped up, phase one is expected to result in the production of 3.2Mtpa of iron ore concentrate with a 65% iron (Fe) content. Iron ore prices continued rising in 2020, with the benchmark 65% Fe Platts spot price index averaging US$122/t.

Annual iron ore concentrate production at K&S increased by 7% to 2.7Mt, with the plant operating at a c.87% production rate. Q1 operations were temporarily affected by capacity issues at the Drying Unit. The issues were successfully mitigated, and the need for the Unit was reduced towards the end of the quarter as the weather improved.
Despite adverse weather conditions affecting production in Q3 2020, K&S achieved c.90% operating capacity by the end of September 2020. As capacity issues at the Drying Unit were addressed in H1, this enabled K&S to operate normally during the winter.

In Q4 2020, due to logistical issues caused by COVID-19, Russian Railways stopped accepting shipments to Suifenhe border and K&S's railway shipments to Chinese customers were suspended. Towards the end of December 2020, the railway service to Suifenhe border was partially resumed and K&S was able to ship one train per day, equivalent to about half of the mine's daily production capacity. To further address the issue, IRC has been diversifying its customer base by selling to customers in the more southern part of China and delivering by sea.

In December 2021, the Amur River Bridge is expected to be completed. Once the bridge is operational in March 2022, it is expected to reduce congestion and shorten shipment times to IRC's Chinese customers from 3-5 days to 1-3 days, saving IRC c.US$5/t.

COVID-19
IRC has set up an emergency response office at K&S to prevent the spread of COVID-19 and has taken organisational and administrative measures to prevent the spread of the virus, including quarantine arrangement, medical screening, travel restriction and reduction in face-to-face interaction, is in place. While production at K&S continues without interruption, employees from head office and administrative staff are encouraged to work from home.

REFINANCING OF THE ICBC PROJECT FINANCE FACILITY
In December 2018, IRC announced the agreement of a US$240 million facility with Gazprombank to repay in full K&S's outstanding loan facility with ICBC (US$169 million). The ICBC facility was originally entered into by IRC in 2010 to fund development of the K&S deposit. In March 2019, refinancing of the loan was successfully completed and the facility fully drawn down.

In 2020, a total of c.US$36.6 million was paid by IRC to Gazprombank as principal and interest, in accordance with the repayment schedule for the facility agreements guaranteed by Petropavlovsk.

TERMINATION OF IRC GUARANTEES AND DISPOSAL OF PETROPAVLOVSK'S SHAREHOLDING
On 18 March 2020, Petropavlovsk signed a preliminary agreement with Stocken Board AG (Stocken) as the first step towards the termination and release of Petropavlovsk from all loan guarantees given to Gazprombank in relation to IRC and disposal of Petropavlovsk's 29.9% equity holding in IRC for a cash consideration of US$10 million (or lesser amount to reflect any dilution caused through an issuance of IRC shares).

Although, the progress was impeded due to disruptions elsewhere within Petropavlovsk group in 2020, the company intends to realise the fair value of its shareholding in IRC. Since the end of 2020, Petropavlovsk has continued to explore disposal options and engaged with several parties to dispose of the equity holding and release the group's obligation to guarantee IRC's $240 million loan facilities with Gazprombank.

FY 2020 FINANCIAL RESULTS
In 2020, IRC reported iron ore concentrate sales of over 2.6Mt, a c.5% increase compared to 2019, at a selling price of US$100/t (2019: US$87/t). Due to increased sales, IRC reported a c.27% increase in revenue totalling US$225 million (2019: US$177 million). IRC achieved its first profit from mining, processing and selling 65% iron ore concentrate, amounting to a maiden underlying profit of US$24 million (2019: loss of US$21 million).

The positive operational performance and strong iron ore price resulted in a significantly improved adjusted EBITDA (excluding foreign exchange), to US$80 million (2019: US$33 million).

FINANCIAL
REVIEW

"The strengthening of the company's balance sheet will allow the group to address the refinancing of its US$500 million notes due November 2022 on significantly more favourable terms."

Danila Kotlyarov, CFO

INTRODUCTION
Despite the many difficulties related to the COVID-19 pandemic and corporate changes within the group, 2020 was a further year of strong headline financial performance by Petropavlovsk.

Helped by strong gold prices and increases in production volumes attributable to improved POX capacity utilisation, the company's revenues increased by 33% YoY (2019 YoY: 48% increase), resulting in an increase in EBITDA, which improved by 32% YoY (2019 YoY: 45%). This has enabled the company to continue its trend of significant deleveraging, reaching a Net debt/EBITDA of 1.4x, as at 31 December 2020 (2019: 2.1x), which is the lowest in the company's recent history.

In line with its strategy, the company has also prioritised the repayment of its interest-bearing gold advances, decreasing this amount by US$123.6 million over 2020, with the remaining balance at the end of 2020 being US$63.8 million (2019: US$187.4 million). Together with the partial conversion of the convertible bonds, this helped decrease the total amount of interest paid in 2020 by 14% to US$58.1 million (2019: US$67.2 million).

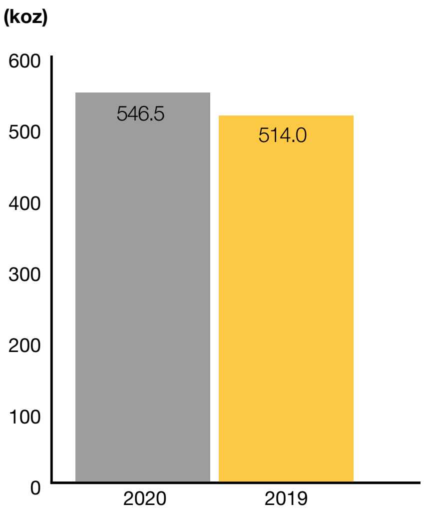
Cash generated from operations before working capital ("WC") changes increased significantly to US$328.5 million (2019: US$250.5 million) reflecting the growth in EBITDA. In line with the group's 2020 capital allocation priorities, this cash was used primarily to repay the gold advances and fund capital expenditures aimed at increasing the group's refractory ore processing capabilities, including: the Pioneer flotation plant, initial spending for a third flotation line at Malomir, POX plant upgrades, as well as development of the Elginskoye deposit in advance of the planned transfer of mining operations from the depleted Albyn deposit to Elginskoye.

Reducing the cost of debt remains a key priority in 2021, with the group aiming to significantly optimise its debt and portfolio of liquidity sources by converting the gold advances credit limit with Gazprombank into Revolving Credit Facilities ("RCF") at much more favourable terms which reflect the strong fundamentals of the business. This work is already proceeding with the group entering into a RCF agreement with a c.US$67 million limit with Gazprombank in April 2021, with the aim of increasing this amount substantially by the end of the year.

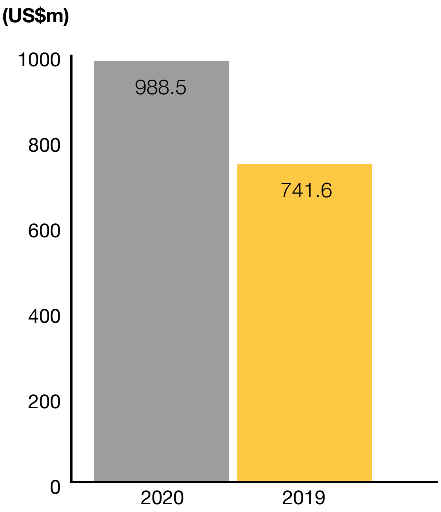
The significant strengthening of the company's balance sheet will allow the group to address the refinancing of its US$500 million notes due November 2022 on significantly more favourable terms. That is a key priority for the company and detailed plans are being discussed to be actioned in H2 2021.

Cost control remains a management priority; however, TCC for own gold production increased 21% to US$852/oz, reflecting an 18% decline in the volume of own gold sold, the effect of lower grades of non-refractory ore processed at Albyn and Malomir and lower grades of refractory ore processed at Malomir, the impact of inflation of certain Rouble denominated costs, and the effect of higher mining taxes paid. This effect was partially mitigated by the effect of higher grades and recoveries of non-refractory ore processed at Pioneer and the effect of higher recoveries of refractory ore processed at Malomir, as well as by the effect of Rouble depreciation.

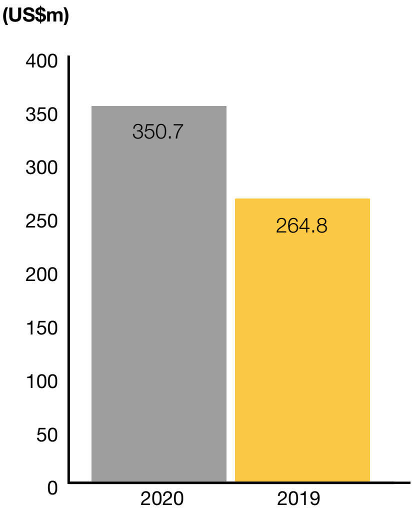
GOLD SOLD



GROUP REVENUE

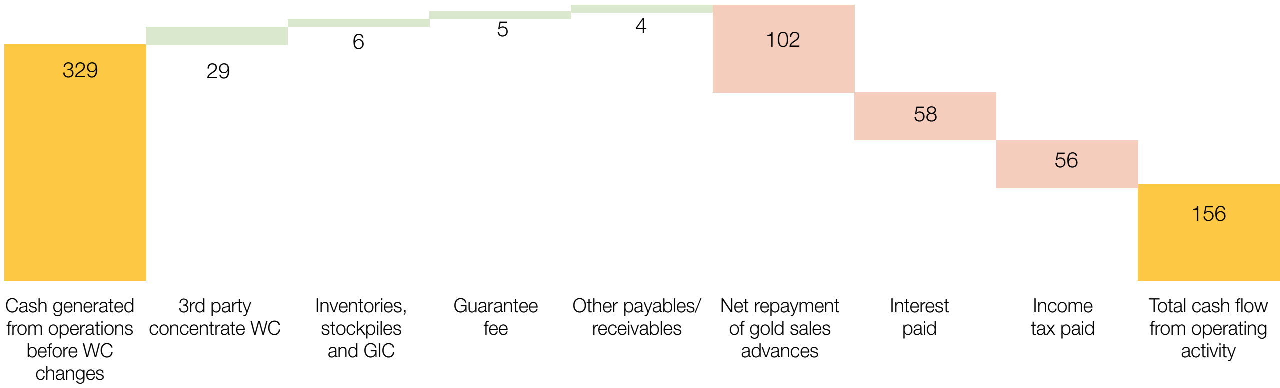


UNDERLYING EBITDA



FY 2020 OPERATING CASHFLOW BREAKDOWN

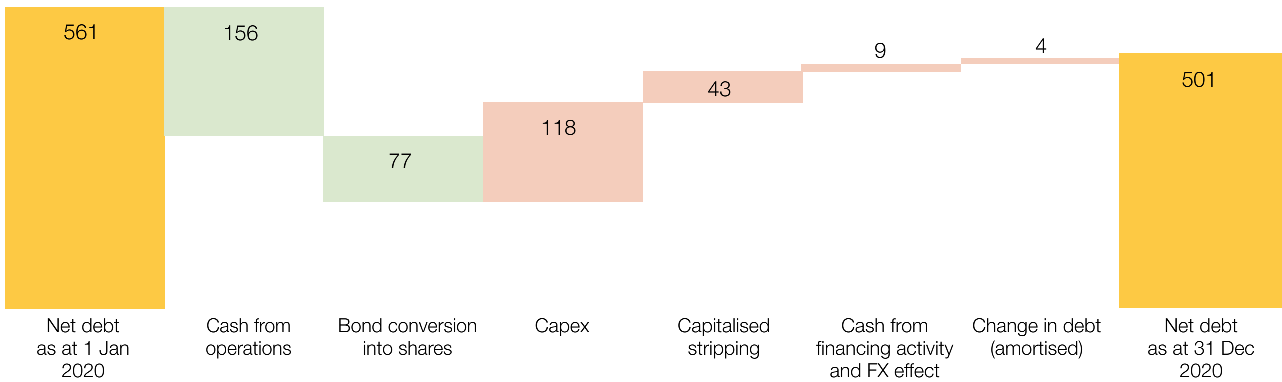
The company continues to reduce the size of the outstanding prepay position, with a net movement of US$102m in 2020[1]. As at 31 December 2020, US$64m was outstanding (31 December 2019: US$187m).



(1) The net repayment of gold advances amounts to US$102m reflecting the fact that gold advances are denominated in RUB.

FY 2020 CHANGE IN NET DEBT

YE 2020 Net debt down by 11% / US$61m to US$501m



The company has showed a net loss of US$(48.9) million (2019: net profit of US$25.7 million) that has primarily resulted from the following three non-cash items: a) US$42.8 million loss on the fair value re-measurement of the convertible option of the convertible bonds (2019: US$31.1 million) which resulted primarily from the increase in the share price of the company, as the conversion option of the convertible bonds represents the fair value of the embedded option for the bondholders to convert into the equity of the company. As the company can elect to pay the cash value in lieu of delivering the ordinary shares following exercise of the conversion right, the conversion option is a derivative liability. Accordingly, the conversion option is measured at fair value with the relevant loss included in net other finance (losses) / gains; b) impairment of mining and exploration and evaluation assets of US$74.9 million driven by an adjustment in the valuation of the Albyn and Elginskoye projects, which were historically accounted as a single cash generating unit ("CGU"), with assets being depreciated on the basis of reserves unit-of-production using the combined Albyn and Elginskoye reserve base. The valuation adjustment happened as a result of additional exploration and geological modelling which showed a decrease in average grades, an increase in the proportion of refractory ores as well as uneven distribution of refractory and non-refractory ores. That resulted in an earlier than anticipated switch to processing refractory ore from Elginskoye, which dictated the necessity to allocate part of the POX assets to the Albyn CGU and, combined, these factors led to the impairments being recognised. It is important to note that the Elginskoye deposit is underexplored and currently significant exploration works are planned for 2021, targeting the conversion of resources to reserves, increasing resources as well as clarifying the metallurgical quality of all types of ore. As such, the current production plan for Albyn is intermediate and significant changes are expected by the end of 2021; and c) following a re-classification of a 29.9% interest in IRC as assets held for sale, the group recognised a US$55.8 million write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell.

FINANCIAL
REVIEW

Note: Figures may not add up due to rounding

FINANCIAL HIGHLIGHTS

		2020	2019
Gold sold	'000oz	546.5	514.0
Group revenue	US$ million	988.5	741.6
Average realised gold price	US$/oz	1,748	1,346
Average LBMA gold price afternoon fixing	US$/oz	1,770	1,393
Total Cash Costs◆ (a)	US$/oz	1,034	749
Total Cash Costs from own material (a)	US$/oz	852	703
Total Cash Costs from third parties concentrate (a)	US$/oz	1,474	1,260
All-in Sustaining Costs◆ (b)	US$/oz	1,312	1,020
All-in Costs◆ (b)	US$/oz	1,451	1,103
Underlying EBITDA◆	US$ million	350.7	264.8
Operating profit (c)	US$ million	148.0	150.7
Profit before tax	US$ million	27.2	52.9
(Loss)/profit for the year	US$ million	(48.9)	25.7
(Loss)/profit for the year attributable to equity shareholders of Petropavlovsk PLC	US$ million	(45.6)	26.9
Basic (loss)/profit per share	US$	(0.01)	0.01
Cash generated from operations before working capital changes	US$ million	328.5	250.5
Net cash from operating activities	US$ million	156.3	95.4

(a) Calculation of Total Cash Costs◆ ("TCC") is set out in the section Hard rock mines below.
(b) All-in Sustaining Costs◆ ("AISC") and All-in Costs◆ ("AIC") are calculated in accordance with guidelines for reporting All-in Sustaining Costs◆ and All-in Costs◆ published by the World Gold Council. Calculation is set out in the section All-in Sustaining Costs◆ and All-in Costs◆ below.
(c) In the 2020 annual report operating profit is now presented from the perspective of group operations excluding the results of the associate, IRC. This is more representative of how the business is viewed following the classification of IRC as held for sale and this change in classification also been applied to the comparative period.

		31 DECEMBER 2020	31 DECEMBER 2019
Cash and cash equivalents	US$ million	35.4	48.2
Notes (d)	US$ million	(502.0)	(500.4)
Convertible bonds (e)	US$ million	(34.0)	(109.1)
Net debt◆	US$ million	(500.6)	(561.3)

(d) US$500 million Guaranteed Notes due on 14 November 2022 at amortised cost.
(e) US$125 million convertible bonds due on 03 July 2024 at amortised cost.

◆ Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APM), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.

REVENUE

		2020	2019
Revenue from hard rock mines	US$ million	956.0	692.6
Revenue from other operations	US$ million	32.5	49.0
	US$ million	988.5	741.6

Group revenue during the period was US$988.5 million, 33% higher than the US$741.6 million achieved in 2019.

Revenue from hard rock mines during the period was US$956.0 million, 38% higher than the US$692.6 million achieved in 2019. Gold remains the key commodity produced and sold by the group, comprising 97% of total revenue generated in 2020. The physical volume of gold sold from hard rock mines increased by 6% from 514,005 oz in 2019 to 546,458 oz in 2020. The average realised gold price◆ increased by 30% from US$1,346/oz in 2019 to US$1,748/oz in 2020. The average realised gold price◆ was not affected by hedge arrangements (2019: US$(61)/oz). Hard rock mines sold 23,891 oz of silver in 2020 at an average price of US$27/oz, compared to 56,568 oz in 2019 at an average price of US$15/oz.

Revenue generated as a result of third-party work by the group's in-house service companies was US$32.5 million in 2020, a US$(16.5) million decrease compared to US$49.0 million in 2019. This revenue is substantially attributable to sales generated by the group's engineering and research institute, Irgiredmet, primarily through engineering services and the procurement of materials, consumables and equipment for third parties, which comprised US$30.0 million in 2020 compared to US$45.1 million in 2019.

CASH FLOW HEDGE ARRANGEMENTS

In March 2020 the group entered into a number of gold option and currency option contracts, in both cases structured as zero cost collars where the company purchased a put option and sold a call option, in order to increase certainty in respect of a proportion of its operating cash flows.

Zero cost collars for the underlying aggregate of US$63 million (US$7 million per month for the period from April to December 2020) with a RUB:USD exercise price of RUB75.00 for put options and a RUB:USD exercise price in the range of between RUB90.65 and RUB100.00 for call options matured during 2020 and resulted in US$1.4 million net cash settlement received by the group.

Zero cost collars for the underlying aggregate of US$84 million (US$7 million per month until December 2021) with a RUB:USD exercise price of RUB75.00 for put options and a RUB:USD exercise price in the range between RUB90.65 and RUB100.00 for call options were outstanding as at 31 December 2020.

Zero cost collars for the underlying aggregate of 31,500 oz of gold (3,500 oz of gold per month for the period from April to December 2020) with an exercise price of US$1,600/oz for put options and US$1,832/oz for call options matured during 2020 and resulted in US$(1.5) million net cash settlement paid by the group. In 2019 the group used gold forward contracts as cash flow hedge arrangements which resulted in US$(31.5) million net cash settlement paid by the group on forward contracts to sell 230,000 oz of gold. Zero cost collars for the underlying aggregate of 42,000 oz of gold (3,500 oz of gold per month until December 2021) with an exercise price of US$1,600/oz for put options and US$1,832/oz for call options were outstanding as at 31 December 2020.

The aforementioned contracts did not qualify for hedge accounting under IFRS 9. Accordingly, there was no adjustment to the average realized gold price in 2020 for the effect of net settlement under these arrangements.

Corresponding fair values for gold and currency option contracts are disclosed in note 18 to the group's consolidated financial statements for the year ended 31 December 2020.

	UNDERLYING AGGREGATE AMOUNT	PUT OPTION EXERCISE PRICE	CALL OPTION EXERCISE PRICE
Option contracts matured in 2020:			
Gold option contracts	31,500 oz (3,500 oz of gold per month for the period from April to December 2020)	US$1,600/oz	US$1,832/oz
Currency option contracts	US$63 million (US$7 million per month for the period from April to December 2020)	RUB75.00	RUB90.65 - RUB100.00
Option contracts outstanding as at 31 December 2020:			
Gold option contracts	42,000 oz of gold (3,500 oz of gold per month until December 2021)	US$1,600/oz	US$1,832/oz
Currency option contracts	US$84 million (US$7 million per month until December 2021)	RUB75.00	RUB90.65 - RUB100.00

UNDERLYING EBITDA

	2020 US$ MILLION	2019 US$ MILLION
(Loss)/profit for the period	(48.9)	25.7
Add/(less):		
Net impairment reversals on financial instruments	(1.0)	(30.8)
Investment and other finance income	(7.8)	(8.8)
Interest expense	58.5	59.9
Net other finance losses [(a)]	68.0	42.2
Foreign exchange (gains)/losses	(32.6)	20.8
Taxation	76.1	27.2
Depreciation	134.1	137.8
Impairment/(reversal of impairment) of mining assets and in-house service	58.8	(52.2)
Impairment of exploration and evaluation assets	16.1	-
Write-down of inventory to net realisable value	1.2	-
Reversal of impairment of ore stockpiles	-	(2.8)
Impairment of gold in circuit	0.1	0.1
Impairment of bullion in process	0.0	-
Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell	55.8	-
Share of results of associate [(b)]	(27.7)	45.7
Underlying EBITDA◆	350.7	264.8

(a) Including US$42.8 million fair value loss from re-measurement of the conversion option of the convertible bonds (2019: US$31.1 million).
(b) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognised by an associate and impairment/reversal of impairment recognised against investment in the associate.

Underlying EBITDA◆ as contributed by segment and the associate is set out below.

	2020 US$ MILLION	2019 US$ MILLION
Pioneer	119.9	53.3
Malomir	141.1	104.2
Albyn	129.1	149.3
Total Hard rock mines	390.1	306.8
Corporate and other	(64.3)	(52.3)
Underlying EBITDA by segment	325.7	254.5
IRC	25.0	10.3
Underlying EBITDA◆	350.7	264.8

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HARD ROCK MINES

During the period, hard rock mines generated Underlying EBITDA◆ of US$390.1 million compared to US$306.8 million of Underlying EBITDA◆ in 2019.

Total Cash Costs◆ for hard rock mines increased from US$749/oz in 2019 to US$1,034/oz in 2020.

The increase in Total Cash Costs from own material from US$703/oz in 2019 to US$852/oz in 2020 primarily reflects the effect of lower grades of non-refractory ore processed at Albyn and Malomir and lower grades of refractory ore processed at Malomir, the impact of inflation of certain Rouble denominated costs, and the effect of mining tax rates as set out below. This effect was partially mitigated by the effect of higher grades and recoveries of non-refractory ore processed at Pioneer and the effect of higher recoveries of refractory ore processed at Malomir, as well as by the effect of Rouble depreciation.

Total Cash Costs from 3rd parties concentrate increased from US$1,260/oz in 2019 to US$1,474/oz in 2020. Total Cash Costs from 3rd parties concentrate are directly dependent on gold price which has significantly increased in 2020.

The increase in physical ounces sold from 514,005 oz in 2019 to 546,458 oz in 2020 resulted in US$19.4 million increase in Underlying EBITDA◆. The increase in the average realised gold price◆ from US$1,346/oz in 2019 to US$1,748/oz in 2020 contributed to a further US$220.0 million increase in Underlying EBITDA◆. This effect was partly offset by the increase in TCC◆ with US$(156.1) million effect on Underlying EBITDA◆.

The key components of the operating cash expenses are wages, electricity, diesel, chemical reagents and consumables, as set out in the table below. The key cost drivers affecting the operating cash expenses are production volumes of ore mined and processed, grades of ore processed, recovery rates, cost inflation and fluctuations in the Rouble to US Dollar exchange rate.

The Rouble depreciated against the US Dollar by 12% in 2020 compared to 2019, with the average exchange rate for the period of 72.18 Roubles per US Dollar in 2020 compared to 64.69 Roubles per US Dollar in 2019, somewhat mitigating the effect of Rouble denominated cost inflation.

Refinery and transportation costs are variable costs dependent on production volume. Mining tax is also a variable cost dependent on production volume and the gold price realised. The Russian statutory mining tax rate is 6%. Under the Russian Federal Law 144-FZ dated 23 May 2016 which introduced certain amendments to the Russian Tax Code, taxpayers who are participants in Regional Investment Projects (“RIP”) have the right to apply the reduced mining tax rate provided certain conditions are met. JSC Pokrovskiy Rudnik and LLC Malomirskiy Rudnik applied a full mining tax rate in 2020, LLC Albynskiy Rudnik applied 1.2% mining tax rate from January till August 2020 and a full mining tax rate from September till December 2020, resulting in US$33.8 million mining tax expense compared to US$15.9 million mining tax expense in 2019 when a 1.2% mining tax rate was applied by both LLC Albynskiy Rudnik and LLC Malomirskiy Rudnik and a full mining tax rate by JSC Pokrovskiy Rudnik.

	2020 US$ MILLION	%	2019 US$ MILLION	%
Staff costs	77.6	16	83.2	21
Materials	83.5	17	86.6	22
Flotation concentrate purchased	201.6	41	74.0	19
Fuel	29.3	6	43.3	11
Electricity	33.8	7	34.0	8
Other external services	41.0	8	42.3	11
Other operating expenses	26.8	5	32.0	8
	493.6	100	395.5	100
Movement in ore stockpiles, gold in circuit, bullion in process, limestone and flotation concentrate attributable to gold production	30.0		(34.2)	
Total operating cash expenses	523.6		361.4	

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	HARD ROCK MINES				
	PIONEER US$ MILLION	MALOMIR US$ MILLION	ALBYN US$ MILLION	2020 TOTAL US$ MILLION	2019 TOTAL US$ MILLION
Revenue					
Gold	486.2	247.9	221.2	955.4	691.7
Including:					
Gold from own material	212.0	247.9	221.2	681.1	631.4
Gold from 3rd parties concentrate	274.2	-	-	274.2	60.3
Silver	0.3	0.1	0.2	0.6	0.9
	486.5	248.0	221.4	956.0	692.6
Expenses					
Operating cash expenses	352.9	86.3	84.4	523.6	361.4
Refinery and transportation	0.5	0.2	0.2	0.8	0.9
Other taxes	2.3	3.9	1.6	7.8	7.6
Mining tax	11.0	16.6	6.2	33.8	15.9
Depreciation	49.8	53.8	28.0	131.6	135.9
Impairment/(reversal of impairment) of mining assets and in-house service	-	-	58.8	58.8	(42.8)
Impairment of exploration and evaluation assets	-	-	16.1	16.1	-
Impairment/(reversal of impairment) of ore stockpiles, bullion in process and gold in circuit	0.1	-	-	0.1	(2.7)
Operating expenses	416.6	160.7	195.2	772.5	476.3
Result of precious metals operations	69.9	87.3	26.2	183.5	216.3
Add/(less):					
Depreciation	49.8	53.8	28.0	131.6	135.9
Impairment/(reversal of impairment) of mining assets and in-house service	-	-	58.8	58.8	(42.8)
Impairment of exploration and evaluation assets	-	-	16.1	16.1	-
Impairment/(reversal of impairment) of ore stockpiles, bullion in process and gold in circuit	0.1	-	-	0.1	(2.7)
Segment EBITDA	119.9	141.1	129.1	390.1	306.8
Physical volume of gold sold, oz	279,364	140,436	126,658	546,458	514,005
Including:					
Gold sold from own material, oz	119,173	140,436	126,658	386,267	471,563
Gold sold from 3rd parties concentrate, oz	160,191	-	-	160,191	42,442
Cash costs					
Operating cash expenses	352.9	86.3	84.4	523.6	361.4
Refinery and transportation	0.5	0.2	0.2	0.8	0.9
Other taxes	2.3	3.9	1.6	7.8	7.6
Mining tax	11.0	16.6	6.2	33.8	15.9
Operating cash costs	366.7	107.0	92.3	565.9	385.8
Deduct: co-product revenue	(0.3)	(0.1)	(0.2)	(0.6)	(0.9)
Total Cash Costs◆	366.3	106.9	92.1	565.3	384.9
Including:					
Total Cash Costs from own material	130.2	106.9	92.1	329.1	331.5
Total Cash Costs from 3rd parties concentrate	236.2	-	-	236.2	53.4
TCC◆, US$/oz	1,311	761	727	1,034	749
TCC from own material, US$/oz	1,092	761	727	852	703
TCC from 3rd parties concentrate, US$/oz	1,474	-	-	1,474	1,260

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ALL-IN SUSTAINING COSTS◆ AND ALL-IN COSTS◆

AISC◆ increased from US$1,020/oz in 2019 to US$1,312/oz in 2020. The increase in AISC◆ primarily reflects increase in TCC◆ explained above. Aggregate of sustaining capital expenditures related to the existing mining operations, underground mining projects at Pioneer and Malomir, POX project, Malomir flotation plant, sustaining lease and capitalized stripping expenditure during the period at Malomir and Pioneer remained at approximately the same level as the aggregate of sustaining capital expenditures and capitalized stripping expenditure in 2019.

AIC◆ increased from US$1,103/oz in 2019 to US$1,451/oz in 2020, reflecting the increase in AISC◆ explained above, development expenditure for Elginskoye infrastructure, Pioneer flotation plant, a 3rd flotation line at Malomir and capitalized stripping expenditure in respect of refractory ore at Pioneer. This was partially offset by a decrease in Capital Expenditure◆ in relation to the POX project, with the POX Hub commissioned in 2019 and being considered as sustaining in 2020.

	HARD ROCK MINES				
	PIONEER US$ MILLION	MALOMIR US$ MILLION	ALBYN US$ MILLION	2020 TOTAL US$ MILLION	2019 TOTAL US$ MILLION
Physical volume of gold sold, oz	279,364	140,436	126,658	546,458	514,005
Total Cash Costs◆	366.3	106.9	92.1	565.3	384.9
TCC◆, US$/oz	1,311	761	727	1,034	749
Impairment/(reversal of impairment) of ore stockpiles, bullion in process and gold in circuit	0.1	-	-	0.1	(2.7)
Adjusted operating costs	366.5	106.9	92.1	565.4	382.3
Central administration expenses	31.4	15.8	14.2	61.4	52.5
Capitalised stripping	11.2	22.6	-	33.8	27.1
Close down and site restoration	1.3	0.5	0.1	1.8	1.1
Sustaining exploration expenditures	0.5	-	0.4	0.9	4.1
Sustaining capital expenditure	25.1	18.1	6.0	49.2	57.2
Sustaining lease	0.4	2.1	1.7	4.2	-
All-in Sustaining Costs◆	436.4	165.9	114.5	716.8	524.3
All-in Sustaining Costs◆, US$/oz	1,562	1,181	904	1,312	1,020
Exploration expenditure◆	-	3.1	5.7	8.8	10.1
Capital expenditure◆	23.1	3.5	32.2	58.8	32.4
Capitalised stripping	8.7	-	-	8.7	-
All-in Costs◆	468.2	172.5	152.4	793.1	566.8
All-in Costs◆, US$/oz	1,676	1,228	1,203	1,451	1,103

CORPORATE AND OTHER

Corporate and other operations contributed US$(64.3) million to Underlying EBITDA in 2020 compared to US$(52.3) million in 2019. Corporate and other operations primarily include central administration function, results of in-house service companies and the group's share of results of its associate IRC.

The group has corporate offices in London, Moscow and Blagoveschensk, which together represent the central administration function. Central administration expenses increased by US$8.8 million from US$52.5 million in 2019 to US$61.4 million in 2020.

RESULTS OF ASSOCIATE

The group's share of profit generated by IRC is US$52.7million, including US$23.6 million effect from partial reversal of impairment at K&S mine and a further US$21.4 million reversal of impairment of investment in IRC (2019: US$(12.0) million share of losses generated by IRC and a further US$23.4 million impairment of investment in IRC). Following re-classification of 29.9% interest in IRC as assets held for sale, the group recognised a US$55.8 million write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell. IRC contributed US$25.0 million to the group's Underlying EBITDA◆ in 2020 (2019: US$10.3 million).

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IMPAIRMENT REVIEW

IMPAIRMENT OF MINING ASSETS
At 31 December 2020 the group undertook a review of impairment indicators of the assets attributable to its gold mining projects and supporting in-house service companies. Detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared, which concluded an impairment in relation to Albyn CGU was required. This was primarily driven by latest changes in the geological block model, including decrease in average grade of both non-refractory and refractory ore, essential changes in the proportion of the non-refractory and refractory ore, uneven distribution of non-refractory and refractory ore bodies, which lead to the deficit of non-refractory ore to fill the Albyn RIP Plant after 2024 and the requirement to move the construction of the flotation line from 2027 to 2023 with consequent re-scheduling of the commissioning of the flotation line from January 2028 to January 2024.

All these factors lead to the increase of the operating and capital costs of the Albyn CGU and corresponding decrease of its recoverable amounts, and combined with increased carrying values of the Albyn CGU due to the proportional allocation of the POX Hub facilities, resulted in the corresponding impairment as set out below.

As at 31 December 2020, the group recognised a pre-tax impairment of an aggregate of US$74.9 million to the extent that recoverable amounts no longer supported the relevant carrying values of assets that are part of Albyn CGU as set out below:

- US$58.8 million (US$47.0 million post-tax) has been recorded against the associated assets within property, plant and equipment; and
- US$16.1 million (US$12.9 million post-tax) has been recorded against the associated exploration and evaluation assets.

As at 31 December 2019, the group recognised impairment reversals at the Pioneer CGU and the supporting in-house service companies of US$43.5 million (US$34.8 million post-tax) and US$9.4 million (US$7.8 million post-tax), respectively.

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS
As at 31 December 2020, the group performed a review of its exploration and evaluation assets and concluded no impairment was required, except as referred to above (31 December 2019: the group performed a review of its exploration and evaluation assets and concluded no impairment was required).

Exploration and evaluation assets in the statement of financial position primarily relate to the areas adjacent to the existing mines.

FINANCIAL INCOME AND EXPENSES

INVESTMENT AND OTHER FINANCE INCOME

	2020 US$ MILLION	2019 US$ MILLION
Investment income [(a)]	1.1	3.2
Guarantee fee income [(b)]	6.7	5.6
	7.8	8.8

(a) Interest income on bank deposits.
(b) Guarantee fee income under Gazprombank Guarantee arrangements, as set out in section “Corporate activities” below.

INTEREST EXPENSE

	2020 US$ MILLION	2019 US$ MILLION
Interest expense	61.9	71.6
Interest capitalised	(4.1)	(12.3)
Other	0.8	0.6
	58.5	59.9

Interest expense for the period comprised of US$42.2 million of effective interest on the Notes, US$9.2 million of effective interest on the Convertible Bonds, US$9.9 million of interest on prepayments on gold sale agreements and US$0.5 million interest on finance lease (2019: US$42.0 million of effective interest on the Notes, US$13.0 million of effective interest on the Convertible Bonds, US$16.0 million of interest on prepayments on gold sale agreements and US$0.6 million interest on finance lease). As the group continued with construction of Elginskoye infrastructure, Pioneer flotation plant, 3rd flotation line at Malomir, these projects met eligibility criteria for borrowing costs capitalization under IAS 23 “Borrowing Costs” with US$4.1 million of interest expense capitalized within property, plant and equipment (2019: US$12.3 million of interest expense was capitalised within property, plant and equipment).

NET OTHER FINANCE GAINS/(LOSSES)
Net other finance losses for the period totalled US$(68.0) million compared to US$(42.2) million of net other finance losses in 2019. Key elements of other finance gains and losses this period include:

- US$(42.8) million fair value non-cash loss from re-measurement of the conversion option of the convertible bonds;
- US$(11.0) million fair value loss on the call option to acquire 25% interest in the group's subsidiary LLC TEMI from its current shareholder as set out in section "Corporate activities" below;
- US$(9.5) million loss on bonds conversion;
- US$(7.0) million fair value loss on gold option contracts;
- US$4.1 million fair value gain on currency option contracts;
- US$(1.7) million net other losses.

NET IMPAIRMENT REVERSALS ON FINANCIAL INSTRUMENTS
In 2020, the group recognised US$0.3 million reversal of impairment of financial assets (2019: US$2.3 million reversal of impairment of financial assets) and net of US$0.7 million reversal of provision for expected credit losses under Gazprombank guarantee arrangements (2019: US$28.5 million reversal of provision for expected credit losses under Gazprombank and ICBC guarantee arrangements).

TAXATION

	2020 US$ MILLION	2019 US$ MILLION
Tax charge	76.1	27.2

The group is subject to corporation tax under the UK, Russia and Cyprus tax legislation. The statutory tax rate for 2020 was 19% in the UK and 20% in Russia.

The tax charge for the period primarily related to the group's gold mining operations and is represented by a current tax charge of US$48.7 million (2019: US$29.7 million) and a deferred tax charge, which is a non-cash item, of US$27.4 million (2019: deferred tax credit of US$2.4 million). Included in the deferred tax charge in 2020 is a US$33.1million charge (2019: US$20.4 million credit) from the effect of foreign exchange which primarily arises because the tax base for a significant portion of the future taxable deductions in relation to the group's property, plant and equipment are denominated in Russian Roubles, whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value.

The effective tax rate was also affected by expenses that are not deductible for tax purposes which primarily relate to fair value losses on re-measurement of the conversion option of the Convertible Bonds and write-down of investment in IRC to fair value less costs to sell, effect of tax losses for which no deferred income tax asset was recognised which primarily related to interest expense incurred in the UK and Russian withholding tax on intercompany dividends.

During the period, the group made corporation tax payments in aggregate of US$56.5 million in Russia (2019: corporation tax payments in aggregate of US$32.7 million in Russia).

EARNINGS PER SHARE

	2020	2019
(Loss)/profit for the period attributable to equity holders of Petropavlovsk PLC	US$(45.6) million	US$26.9 million
Weighted average number of Ordinary Shares	3,564,250,949	3,309,193,559
Basic (loss)/profit per ordinary share	US$(0.01)	US$0.01

Basic loss per share for 2020 was US$(0.01) compared to US$0.01 basic profit per share for 2019.
The total number of Ordinary Shares in issue as at 31 December 2020 was 3,957,270,254 (31 December 2019: 3,310,210,281).

FINANCIAL POSITION AND CASH FLOWS

	31 DECEMBER 2020 US$ MILLION	31 DECEMBER 2019 US$ MILLION
Cash and cash equivalents	35.4	48.2
Notes [(a)]	(502.0)	(500.4)
Convertible bonds [(b)]	(34.0)	(109.1)
Net debt◆	(500.6)	(561.3)

(a) US$500 million Guaranteed Notes due on 14 November 2022 at amortised cost.
(b) US$125 million convertible bonds due on 03 July 2024 at amortised cost.

	2020 US$ MILLION	2019 US$ MILLION
Net cash from operating activities	156.3	95.4
Net cash used in investing activities [(c)]	(159.1)	(84.7)
Net cash (used in)/from financing activities	(6.3)	8.9

(c) Including US$117.8 million Capital Expenditures◆ (2019: US$103.8 million).

KEY MOVEMENTS IN CASH AND NET DEBT◆

	CASH US$ MILLION	DEBT US$ MILLION	NET DEBT◆ US$ MILLION
As at 1 January 2020	48.2	(609.5)	(561.3)
Net cash generated by operating activities before working capital changes	328.6		
Changes in working capital	(62.7)		
Corporation tax paid	(56.5)		
Capital Expenditure◆	(117.8)		
Capitalized stripping	(42.5)		
Bonds conversion		77.5	
Interest accrued		(51.5)	
Interest paid	(58.1)[(d)]	47.4	
ICBC Guarantee fee	5.0		
Interest received	1.1		
Other	(9.9)		
As at 31 December 2020	35.4	(536.0)	(500.6)

(d) Including US$10 million interest paid in relation to advance payments from Gazprombank and Sberbank.

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CAPITAL EXPENDITURE

The group invested an aggregate of US$117.8 million in 2020 compared to US$103.8 million in 2019. The key areas of focus in this period were on Pioneer and Malomir flotation, Elginskoye mine development and development to support the underground mining at Pioneer. The group capitalised US$4.1 million of interest expense incurred in relation to the group's debt into the cost of construction of Elginskoye infrastructure, Pioneer flotation plant, 3rd flotation line at Malomir (2019: US$12.3 million of interest expense incurred in relation to the group's debt into the cost of the POX Hub, Malomir flotation and Pioneer flotation).

	EXPLORATION EXPENDITURE US$ MILLION	DEVELOPMENT EXPENDITURE AND OTHER CAPEX◆ US$ MILLION	TOTAL CAPEX◆ US$ MILLION
POX	-	5.6	5.6
Pioneer [(a), (b)]	0.5	42.5	43.0
Malomir [(c), (d), (e)]	0.8	16.4	17.2
Albyn [(f)]	6.1	36.6	42.7
Other	2.3	-	2.3
Corporate and in-house services	-	7.0	7.0
Total	9.7	108.0	117.8

(a) Including US$0.2M of exploration in relation to Pioneer Underground project, US$6.9M of development expenditure in relation to underground project to be sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.
(b) Including US$23.1M of development expenditure in relation to Pioneer Flotation project (US$17.4M of expenditure in relation to flotation and US$5.7M of expenditure in relation to hydrotechnical storage facilities) to be non-sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.
(c) Including US$2.0M of development expenditure in relation to Malomir Underground project to be sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.
(d) Including US$7.1M of development expenditure in relation to Malomir flotation (US$2.6M of expenditure in relation to flotation and US$4.5M of expenditure in relation to hydrotechnical storage facilities) which is considered to be sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.
(e) Including US$3.5M of development expenditure in relation to Malomir 3rd line flotation which is considered to be non-sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.
(f) Including US$5.7M of exploration expenditure in relation to Elginskoye, US$21.5M of development expenditure in relation to road between Elginskoye and Albyn processing facilities, US$9.8M of development expenditure in relation to hydrotechnical storage facilities for Elginskoye project and US$0.9M in relation Albyn processing facilities , which are considered to be non-sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.

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FOREIGN CURRENCY EXCHANGE DIFFERENCES

The group's principal subsidiaries have a US Dollar functional currency. Foreign exchange differences arise on the translation of monetary assets and liabilities denominated in foreign currencies, which for the principal subsidiaries of the group are the Russian Rouble and GB Pounds Sterling.
The following exchange rates to the US Dollar have been applied to translate monetary assets and liabilities denominated in foreign currencies.

	31 DECEMBER 2020	31 DECEMBER 2019
GB Pounds Sterling (GBP: US$)	0.73	0.75
Russian Rouble (RUB: US$)	73.88	61.91

The Rouble depreciated by 19% against the US Dollar during 2020, from RUB61.91: US$1 as at 31 December 2019 to RUB73.88 : US$1 as at 31 December 2020. The average period-on-period depreciation of the Rouble against the US Dollar was approximately 12%, with the average exchange rate for 2020 being RUB72.18 : US$1 compared to RUB64.69 : US$1 for 2019. The group recognised foreign exchange gains of US$32.6 million in 2020 (2019: US$21.0 million losses) arising primarily on Rouble denominated net monetary liabilities (including advance payments received from Gazprombank and Sberbank under gold sales agreements).

CORPORATE ACTIVITIES

GUARANTEE OVER IRC'S EXTERNAL BORROWINGS

The group historically entered into an arrangement to provide a guarantee over its associate's, IRC, external borrowings, the ICBC Facility ('ICBC Guarantee'). Under the terms of the arrangement the group was entitled to receive an annual fee equal to 1.75% of the outstanding amount.

In March 2019, IRC refinanced the ICBC Facility through entering into a US$240 million new facility with Gazprombank ('Gazprombank Facility'). The facility was fully drawn down during the year ended 31 December 2019. The outstanding loan principal was US$204 million as at 31 December 2020. A new guarantee was issued by the group over part of the Gazprombank Facility ('Gazprombank Guarantee'), the guarantee mechanism is implemented through a series of five guarantees that fluctuate in value through the eight-year life of the loan, with the possibility of the initial US$160 million principal amounts guaranteed reducing to US$40 million within two to three years, subject to certain conditions being met. For the final two years of the Gazprombank Facility, the guaranteed amounts will increase to US$120 million to cover the final principal and interest repayments. If certain springing recourse events transpire, including default on a scheduled payment, then full outstanding loan balance is accelerated and subject to the guarantee. Under the Gazprombank Guarantee arrangements, the guarantee fee receivable is determined at each reporting date on an independently determined fair value basis, which for the years ended 31 December 2020 and 2019 was calculated at the annual rate of 3.07% by reference to the average outstanding principal balance under Gazprombank Facility. The guarantee fee charged for the year ended 31 December 2020 was US$6.7 million, with corresponding value of US$6.3 million after provision for expected credit losses (2019: US$$5.6 million, with corresponding value of $5.0 million after provision for expected credit losses).

The following assets and liabilities have been recognised in relation to the ICBC Guarantee and Gazprombank Guarantee as at 31 December 2020 and 31 December 2019:

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	31 DECEMBER 2020 US$ MILLION	31 DECEMBER 2019 US$ MILLION
Other receivables – ICBC Guarantee	0.0	4.4
Other receivables – Gazprombank Guarantee	11.9	5.0
Financial guarantee contract – Gazprombank Guarantee [(a)]	(8.2)	(8.9)

(a) Classified as "held for sale" and presented separately in the statement of financial position as at 31 December 2020.

POTENTIAL DISPOSAL OF INTEREST IN IRC

On 18 March 2020, the group signed a preliminary agreement to dispose of its 29.9% out of 31.1.% interest in IRC to Stocken Board AG for a cash consideration of US$10 million, subject to certain conditions precedent being met, including the release of the group's obligation to guarantee IRC's external debt under the Gazprombank Facility. This was a non-adjusting event and the investment was not considered to be an asset held-for sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 31 December 2019.

Throughout 2020, the group has continued to explore disposal options for the interest in IRC and further engaged with several parties to dispose of the equity holding and release the group's obligation to guarantee IRC's external debt under the Gazprombank Facility (note 26). Following negotiations with several interested parties the directors resolved to approve the potential disposal of 29.9% investment in IRC. In the opinion of the directors it is highly probable this disposal to be completed within 12 months after the reporting date and accordingly 29.9% investment in IRC together with the financial guarantee contract were considered to be a disposal group held-for-sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 31 December 2020.

OPTION TO ACQUIRE NON-CONTROLLING 25% INTEREST IN LLC TEMI

In May 2019, the group entered into the option contract to acquire non-controlling 25% interest in LLC TEMI, holder of licenses for the Elginskoye Ore Field and Afanasievskaya Prospective Ore Area, from its shareholder Agestinia Trading Limited for an aggregate consideration of US$60 million (adjusted to US$53.5 million if certain conditions are met). The option premium payable is US$13 million, which was paid in 2019. The exercise period of the option is 730 days from 22 May 2019.

The group employed an independent third-party expert to undertake the valuations of the underlying 25% interest in LLC TEMI and the call option. As at 31 December 2020, the fair value of the derivative financial asset was US$nil.

PARTIAL CONVERSION OF US$125 MILLION CONVERTIBLE BONDS

The company has received Conversion Notices in respect of the exercise of conversion rights under the US$125 million Convertible Bonds. The principal amount of the Convertible Bonds in respect of which the Conversion Notices have been served amounted to an aggregate of US$87 million, which, at a fixed exchange price of US$0.1350 per ordinary share, resulted in the issue and allotment of an aggregate of 644,444,432 new ordinary shares.

GOING CONCERN

Please refer to the note 2 to the group's consolidated financial statements for the year ended 31 December 2020.

2021 OUTLOOK

Production outlook is on track to meet the full year target of 430 – 470koz of gold in 2021. The group expects own metal TCC in 2021 to be in the range of US$870 – US$970/oz, excluding third-party concentrate as the pricing of concentrate depends on highly volatile gold price.

PRINCIPAL RISKS

INTRODUCTION

The group inevitably encounters events and circumstances that might threaten the achievement of its strategic objectives. These risks and uncertainties may be accepted as unavoidable or may be capable of being fully or partially mitigated to an acceptable level. The company's risk management process is designed to identify, analyse, define and monitor any such threats and to determine the extent to which and actions through which the potential impact of such risks might best be reduced. Risk management is key in balancing the risks and rewards inherent in the pursuit of the group's strategy, enabling the group to determine whether the level of risk is acceptable for a given economic return and, through awareness and planning, to reduce the likelihood, occurrence or impact of events such as a prolonged or severe bad weather, a shortfall in production or supply of key materials or other unbudgeted cost.

RISK MANAGEMENT

The group has in place a risk management system which operates on a 'top-down' and 'bottom-up' basis throughout the organization, integrating differing roles and responsibilities at various levels.
The group aims to promote a risk-aware culture among all its employees, including those directly engaged in day-to-day operations, thus facilitating the company's timely response to changes in the business environment.

Process owners are responsible for the implementation, maintenance and improvement of risk management compliance within their areas of responsibility.
The group's internal audit team provides methodological support and assesses management of risk during its audits, when the effectiveness and efficiency of business processes and applicable controls are reviewed. Thus, the group's risk management system is based on good practice implemented by process owners and recommendations from audits. Internal audit reports the results of audits, as well as other activities related to internal controls, to the audit committee.

The group maintains risk registers to record the risks identified for different areas or functions within the business. The risk registers include details of risk mitigations as well as where primary operational responsibility for monitoring and managing the risk. The executive committee evaluates which of the risks detailed in the group's risk registers constitute the principal risks for the group, in terms of potential impact and financial cost, with reference to its strategy and the operating environment, and whether there may be other new or emerging risks not included in the registers which are relevant for consideration. They look at risks in their 'gross' and 'net' forms to evaluate the effect they might have on the group's business or operations and how and the extent to which they are managed. Those risks which are considered to give rise to the highest potential impact are then presented to the board which has overall responsibility for assessing and monitoring the principal and emerging risks of the group. The board's role in monitoring risks is supported by the work of its committees. Financial risks are in the first instance monitored by the audit committee and health, safety and environmental risks by the SSW committee. The remuneration committee takes account of risk mitigation in determining remuneration policies and practice for the executive directors. The committees report any material risks to the board which considers these risks and the mitigating action being taken to address and manage them. Oversight of the effectiveness of the internal control environment of the group is the responsibility of the board, as a key part of its duty to ensure a sound system of internal controls enabling risks to be assessed and managed. This oversight is delegated to the audit committee, which reports back on this to the board.

Like all risk management systems, the group's risk framework can only provide reasonable assurance against material misstatement or loss and is designed to manage rather than eliminate the risk of failure to achieve business objectives.

For more information on risk management during the year under review and planned actions for 2021, see pages 104 to 111.

PRINCIPAL RISKS

The most significant risks that may have an adverse impact on the group's ability to meet its strategic objectives and to deliver shareholder value are set out on pages 70 to 75. The group seeks to mitigate these risks wherever possible, although some such as political risks, are largely beyond the group's control. Summarised alongside each risk is a description of its potential impact on the group. Measures in place to manage or mitigate against each specific risk, where this is within the group's control, are also described. The risks set out below should not be regarded as a complete or comprehensive list of all potential risks and uncertainties that the group may face which could have an adverse impact on its performance. Additional risks may also exist that are currently unknown to the group and certain risks which are currently believed to be immaterial could turn out to be material and significantly affect the group's business and financial results. Petropavlovsk's principal risks and uncertainties are detailed in the table below and are supported by the risk management and internal control systems and procedures outlined on pages 110 to 111.

CHANGES TO PRINCIPAL RISKS IDENTIFIED IN THE 2019 ANNUAL REPORT

For greater clarity, the company has re-categorised several of the principal risks reported last year. Risks defined as Processing Risks in 2019 are now included as a sub-set of Operational Risks. Now that the POX has been operational for two years, the risk of failure at the POX Hub reported in 2019 has been incorporated into the more general risk of Production or Business Interruption. The risks associated with loss of personnel and employee retention are now included under Sustainability Risks.

The risk of a demand under the company's guarantee of IRC's obligations to Gazprombank is considered to have receded in 2020 following the increase in the price of iron ore.

The group's health and safety and compliance risks are viewed as having increased in 2020 and 2021 to date. This is due to the complex nature of the group's mining, exploration, processing and development operations, the increase in legislation globally and the ongoing review of the group's operations being carried out under the new management appointed in late 2020/early 2021. This review will identify areas for improvement in the group's standards, policies and processes.
The risks arising from the COVID-19 pandemic were newly disclosed in our annual report for 2019. The group has been fortunate in not being more significantly affected and has been able to put appropriate monitoring and mitigations in place. However, it recognizes that the COVID-19 risk has not fully abated and that, as new strains emerge, the risk of additional waves of infection or other pandemics remain. The COVID-19 pandemic risk is therefore retained.

A new risk recognising the importance to the group of development and construction projects has been added, as the board is mindful of the challenges and associated risks new development projects bring.

EMERGING RISKS

The company has identified the following emerging risks for the business:

REPUTATIONAL RISK

As reported in the Chairman's statement on page 2, the work underway as a result of Resolution 19 and the overall review of governance and systems is ongoing. If this reveals systemic failures of controls or that significant transactions were entered into with related parties without proper authorisation, the reputation of the company may be damaged. This could in turn affect the willingness of individuals to join the group as employees and/or of third parties to deal with the group. This has already been experienced to some extent following events in 2020, as evidenced by PricewaterhouseCoopers' declining its appointment as auditor. While controls and the company's governance are being continually strengthened by the new management in place, the effect of past malfeasance or poor management may affect the group's standing in the market going forward. The risk of legal action arising from former practices is included in the Legal and Compliance risk below.

CYBER RISK

The increased dependency on IT to enable remote working during the pandemic and the greater reliance on automation and IT systems across the group, together with the ever-growing sophistication of cyber-attacks, dictates that cyber risk is an emerging risk even for business such as the group's where the operations are not heavily dependent on information technology or automation.

TAX RISK

Due to the complex nature of mining, exploration, processing and development operations, the group is exposed to numerous levels of governmental controls and regulations which might become more challenging and stringent. Specifically, tax legislation is subject to differing interpretations, enforcement and revisions over time and the board considers tax to be an area of emerging risk for the group.

Operational risks

Risk	Description	Potential impact
Production risks and business interruption	The major risks which might have a significant impact on production capabilities are: - The Amur Region is prone to a high risk of natural phenomena, including freezing, flooding and earthquakes. - The failure of critical assets and long downtime. - Geotechnical instability could lead to pit slope failure and the suspension of mining works. - POX technology is complex and inherently dangerous due to the high operating temperature and pressure. - Any major tailings incident might result in a mine operating on a limited basis due to regulatory interventions.	High
Logistic risks, supply shortages and price volatility	The group relies on the supply and availability of services and equipment to run its operations. The key supply management risks are: - POX production depends upon third-party concentrate which might be subject to an increase in cost or decrease in availability. - Higher electricity costs or interruption to power supply could have a material impact on the group's operations. - The remote locations of the group's production sites could be a major bottleneck in the supply chain. - High local inflation for major consumables and spares might cause an increase in operational costs in roubles (without a concurrent devaluation of the rouble against the US dollar).	High
Exploration	Exploration activities are speculative, time-consuming and can be unproductive. In addition, these activities often require substantial expenditure to establish reserves through drilling, metallurgical and other testing, to determine appropriate recovery processes to extract gold from the ore and to construct or expand mining and processing facilities. Once deposits are discovered it can take several years to determine whether reserves exist. During this time, the economic viability of production may change. As a result of these uncertainties, the exploration programmes in which the group is engaged may not result in the expansion or replacement of the current production with new reserves or operations.	High
Development and construction projects	Delays in commissioning (including late regulatory approvals) and capital expenditure overruns for key strategic and sustaining projects may affect the ability of the group to achieve strategic goals. Development and construction projects are considered increasingly important to the group's strategy.	Medium

Mitigation/comments/ 2020 Progress	Change
- Preventative maintenance procedures are undertaken on a regular basis to ensure that machines will function properly under extreme cold weather conditions. Operational equipment is fitted with cold weather options. - Management monitor natural conditions in order to pre-empt any disaster and come up with appropriate mitigating action. - The in-house R&D group companies are engaged to regularly monitor the technical and operational conditions of key production facilities. - Thorough routine maintenance procedures are scheduled and performed on a frequent basis for all equipment and facilities. - Ongoing control of the planned/actual downtime of the production equipment and mining fleet and scheduled downtime to prevent excessive load. - The successful commissioning and further smooth build-up in production at the POX Hub has increased the group's expertise in pressure oxidation technology, reducing the risk of failure due to inexperience.	Stable
- Long-term production forecasts and monthly reviews are in place to plan raw material demand and optimal supply schedules. - Equipment is ordered in accordance with preapproved CAPEX project schedules and there is a contingency plan in place to prevent possible delays in delivery. - The procurement function evaluates lead times and safety stock levels on a monthly basis. - The group has increased stock levels for some key spares and consumables to prevent stockouts due to COVID-related constraints.	Stable
- The group uses core drilling combined with modern geophysical and geochemical exploration and surveying techniques. The group employs an experienced team of geologists with considerable regional expertise and experience. They are supported by a network of fully accredited laboratories experienced in performing a range of assay work to high standards. - Group Mineral Resource and Ore Reserve estimates are prepared by a team of qualified specialists following the guidelines of the JORC Code 2012. Mineral Resource and Ore Reserve estimates are subject to regular independent reviews and audits. - The group employs a team of qualified mining engineers to undertake mine planning, detailed open pit and underground mine design and production scheduling. - There is more on the group's exploration programme at page 52.	Stable
- Management and the board are regularly updated on the progress, achievement of key milestones and risks of projects to ensure they are delivered on time, on budget and in line with approved specifications. - Investment evaluation and approval processes include rigorous review of geological, metallurgical and financial assumptions to forecast cash flows and key project output parameters. - There is a project management control framework in place, with focus on management of project critical roles, equipment delivery deadlines, contractor management, HSE regulations, government permits and approvals. - In-house construction and design companies with broad experience and an excellent track record of ramp-up of production facilities are engaged in project development.	Increasing

Financial risks

Risk	Description	Potential impact
Gold price risks	The company's sales revenue is dependent on the price of one commodity over which it has no control and which over the longer-term has been very volatile and difficult to forecast. Open pit mining offers limited opportunity to recover higher grade ore in the event of substantially lower gold prices.	High
Currency risks	The company's functional currency is US Dollars primarily dictated by the gold price being denominated in US dollars. At the same time, with operating assets being in Russia, the majority of capital and operating costs are rouble denominated.	Medium
Liquidity risks	The group needs access to funding and liquidity to service and refinance existing debt, support existing operations including sustaining capital needs and invest in new projects and exploration as and when these opportunities arise. As the repayment date of the 2022 notes approaches, the company must be in a position to re-finance its repayment obligations.	High
IRC related risks	- Funds may be demanded from Petropavlovsk under a guarantee provided in relation to project finance facilities provided to K&S, a wholly owned subsidiary of IRC. - A delay in the commissioning of Sutara open pit of K&S mine may result in a decrease in K&S output and affect the value of the group's holding in IRC, and/or its ability to complete its disposal on commercially acceptable terms. - A decrease in the price of iron ore could result in a decrease in the value of the group's shareholding in IRC.	Medium

Sustainability risks

Risk	Description	Potential impact
Health and safety risks	Certain of the group's operations are carried out under potentially hazardous conditions. Group employees may become exposed to health and safety risks which may lead to work-related accidents and harm to the group's employees. These could also result in production delays and financial loss.	High

Mitigation/comments/ 2020 Progress	Change
The group constantly monitors trends in the gold price and influencing factors. To reduce the negative impact of gold price volatility on cash flow and financial results, the following measures are applied: - Commodity hedging; - Operating and capital cost reductions; and - Deleveraging and careful capital budgeting. As at 31 December 2020, the group had commodities hedging which comprised zero cost collars with a gold price floor of $1,600/oz and a cap of $1,832/oz for 3,500oz maturing every month until December 2021.	Stable
- The group aims to limit its exposure to exchange rates in respect of its USD denominated debt by limiting cash held in non-USD currencies to amounts required to meet non-USD operating expenses. - FX hedging is used to limit the impact of fluctuations in USD/RUB exchange rate. - At 31 December 2020, the group had 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. - In the past year the rouble has depreciated which is favourable for the group as it sells a US dollar denominated product but bears its main operating costs in roubles.	Stable
To mitigate liquidity risks the group: - Maintains a detailed annual budget and five-year strategic plan with monthly & quarterly forecast updates; - Prepares weekly treasury reports and one to three months' rolling cash flow forecasts and carefully manages cashflows; and - Maintains close relationships with potential equity and debt providers and ensures additional sources of liquidity are available if required (including, without limitation, revolver credit facilities, forward sales funding, etc). The group is actively working on refinancing the 2022 notes. Please see page 54 for more information.	Increasing
- The company has two representative directors on the board of IRC and is entitled to receive certain financial and other information from IRC on its performance and assets: factors designed to enable the company to monitor IRC's financial performance and prospects. - Improvements in iron ore pricing in 2020 have significantly improved IRC's financial position. - IRC has made payment of the fees due from it to the company in respect of the provision of the guarantee for 2020. - The K&S operation has ramped-up close to full capacity.	Decreasing

Mitigation/comments/ 2020 Progress	Change
- Health and safety management systems are in place across the group which seek to ensure that the operations are managed in accordance with the relevant health and safety regulations and requirements and, where possible, with international best practice. - The group regularly reviews and updates its health and safety procedures to minimise the risk of accidents and improve accident response, including additional and enhanced technical measures at all sites, improved first aid response and the provision of further occupational, health and safety training. - A new group Head of Health and Safety was appointed in early 2021 and is undertaking a review of the group's health and safety capabilities and resources.	Increasing

Sustainability risks continued

Risk	Description	Potential impact
Environment	If the group were to be involved in a major environmental event, such as but not limited to pollution, potential impacts could include fines and penalties, statutory liability for environmental redemption and other financial consequences that might be significant.	High
New diseases and epidemics (including COVID-19)	COVID-19 or other pandemics could have a significant impact on the group's business, threatening the health of employees and communities. An outbreak of the virus might result in the shutdown of the mines and plants.	High
Human resource risks	A lack of skilled employees and potential loss of key personnel could have negative impact on productivity, safety level and labour cost.	Medium

Country and regional risks

Risk	Description	Potential impact
Legal & compliance risks	- Failure to comply with the requirements and terms of licences permitting exploration and mining may result in the subsequent termination of operations and reputational damage. - Changes in laws concerning foreign investments, exploration and development, taxation, royalties, currency exchange, gold sales, environment, labour, repatriation of income and return of capital might seriously impact the group's operations and financial results. - The group's business tends to be exposed to lawsuits and claims from different counterparties. - The group has appointed KPMG and PwC Advisory to carry out reviews of certain transactions undertaken by the group, including pursuant to Resolution 19. If this investigatory work reveals that related party transactions have been entered into without proper authorisations and/or disclosures, there may be a risk of civil, criminal or regulatory actions or enquiries involving the group and penalties or other liabilities may accrue as a result.	High
Political risks	- Sanctions introduced in 2014-2020 by the US and EU against some Russian individuals and companies increased political frictions and economic uncertainty. - Further escalation of the sanction rhetoric might impose a risk to the group's operations. - In particularly, potential changes to USA Export administration regulations which control, among others, the export of US-origin spare parts might have a negative impact on the group's ability to keep up with its equipment maintenance programmes.	Medium

Mitigation/comments/ 2020 Progress	Change
- The company operates a certified environmental management system at all its sites which is designed to meet international standards. - The company has implemented a number of initiatives to monitor and limit the impact of its operations on the environment. - Cyanide and other dangerous substances are kept in secure storages with access limited to qualified personnel and closely monitored by security staff.	Stable
The group has implemented measures in each production location and head office in line with published guidance. The key actions are, among others: - The formation of an emergency response team; mines management monitor and approve all visits, including contractor work; - The provision of PPE to protect employees (facemasks, face shields, gloves, glasses etc), 'no-touch' thermometers, placement of alcohol-based sanitizer dispensers and posters with information; disinfecting living and working areas daily; - Furnishing medical facilities with necessary equipment and medication; testing of production employees and contractors prior to their transfer to sites with strict quarantine rules; and - Employees are encouraged to participate in free vaccination programmes.	Stable
- There is an in-house educational capacity such as Pokrovskiy Mining College and on-site training arrangements; - The group develops many HR initiatives such as career growth and succession programs, fair remuneration and benefits, employee turnover rate review, employee retention strategies, ongoing university recruitment; - The new CEO has stated improvements in employment retention to be one of his priorities for the coming year.	Stable

Mitigation/comments/ 2020 Progress	Change
- There are established processes in place to monitor the requirements of the existing licenses and permits and to ensure compliance with such requirements on an on-going basis. - The group has a long track record of operating in Russia, without significant claims of non-compliance with statutory or regulatory requirements in the territory. - There are proactive compliance monitoring procedures in place to review any new legal initiatives and changes to the current laws. - In cases where the group considers that legal claims would result in a material impact to its financial position an estimation of such impact is included in provisions to the financial statements. - The investigatory work of KPMG and PwC Advisory is ongoing and will be kept under review and reported as appropriate. A review of compliance and controls across the group is a priority for 2021.	Increasing
- The group has been vigorously monitoring the process of development of the political situation. It also relies on the advice of external counsel in relation to the interpretation and implementation of new legislation. - Sanctions imposed so far have neither had a negative impact on the group's operations nor on its key stakeholders. - The group keeps a safety stock of the crucial spare parts and is constantly seeking alternative suppliers locally and around the world.	Stable

S172 STATEMENT

PROMOTING THE SUCCESS OF THE COMPANY

The board is ultimately responsible for the direction, management, performance and long-term sustainable success of the company. It sets the group's strategy and objectives, taking into account the interests of all its stakeholders. A good understanding of the company's stakeholders enables the board to factor the potential impact of strategic decisions on each stakeholder group into boardroom discussions. By considering the company's purpose, vision and values, together with its strategic priorities, the board aims to make sure that its decisions are fair and take account of the interests of the company's key stakeholder groups, together with the impact of its operations on the environment.

The board believes that, since its appointment, it has acted in good faith, in the manner most likely to promote the success of the company for the benefit of its members as a whole, having regard to the company's stakeholders and the factors set out in s172 of the Companies Act. This statement provides an overview of how the board has done so, including how its engagement with the company's key stakeholders helps to inform its decision-making.

S172 FACTOR	KEY EXAMPLES	PAGE
Consequence of any decision in the long-term	- The focus on renewed leadership, including the appointment of the CEO; - The ongoing review of the business, including corporate structure, operational efficiency and culture; - The management of risk, including the principal and emerging risks and the review of risk management systems; - Our exploration programme and the management of our reserves and resources; - Environmental stewardship; and - The longer-term viability of our business.	2 2, 4 68 48, 52 36 138
Interests of employees	- Our relationship with our people, including diversity, development and education; - The criticality of health and safety at our operations and our focus on building a more advanced culture of safety in 2021; - The development of revised development programmes for our workforce; - The focus on improved employee retention; and - Our COVID-19 action plan There is more on engagement with our employees below.	3, 4-5, 34 5, 32 5 5, 34 20
Fostering business relationships with suppliers, customers and others	- Our business model; - Anti-corruption, transparency and responsible procurement; and - Our business partners. There is more on engagement with our suppliers, customers and others below.	18 41 30
Impact of operations on the community and the environment	- Environmental stewardship; - Community development; and - Sustainability performance.	36 40 27
Maintaining high standards of business conduct	- The ongoing review of the business, including culture; - Anti-corruption, transparency and responsible procurement; and - Our commitment to transparency, accountability and governance.	2, 4 41 2, 4, 92-99
Acting fairly between members	- Our regular and frequent engagement with all our shareholders, including consultations on remuneration, voting and new appointments in 2020 and 2021. There is more on engagement with our shareholders below.	2, 99, 100, 112, 123

ENGAGEMENT
To understand the views of the company's key stakeholders, the board aims to ensure there is regular and sustained engagement which is fed back to the board to be taken into consideration in its decision-making and discussions. The table below sets out how this engagement takes place and its key impacts. There is more information on why these are our stakeholders, the material topics important to them and the actions taken by the company following engagement with them on page 30. See page 97 for more information on these and other decisions made by the board.

STAKEHOLDER	APPROACH How was feedback received	OUTCOME Board decisions that reflect the outcome of engagement with and feedback from key stakeholders, with examples of how the board takes their interests into account

Shareholders, bond and note holders (together 'inves-tors')	- Through general meetings such as the 2020 AGM and RGM, including several requisitions from shareholders in 2020;
	- Regular and frequent dialogue with the Chairman, SID, CEO and chairs of key committees, including consultations on voting, remuneration policies and strategic direction;
	- CFO dialogue with banks and other finance providers, including in relation to refinancing; and
	- The work of senior executives and the investor relations team who regularly report to the board, including:
	  - independent perception study commissioned in mid-2020 to understand the views of 28 key investors and analysts;
	  - summaries of relevant analyst research, voting recommendation reports issued by institutional investor agencies, ratings agency reviews;
	  - Engagement through one-to-one meetings with senior executives, including over 140 one-to-one meetings with key investors over the course of ten roadshows and conferences during 2020 as part of an extensive investor relations engagement programme.
		- Constitution of board and board appointments, including the Chair and SID and prioritisation of independence among the board;
		- Leadership appointments, including the new CEO;
		- Executive remuneration, including the remuneration policies in 2020 and 2021 and the new LTIP;
		- The initiative underway to dispose of all or most of the group's stake in IRC and remove loan guarantees given in relation to IRC's obligations under its facility with Gazprombank;
		- Convening the RGM and appointing KPMG to undertake the forensic review pursuant to Resolution 19;
		- The review of governance including the simplification of the corporate structure and engagement of PwC Advisory to undertake a transactional review;
		- The listing on the Moscow Exchange; and
		- Withdrawing resolutions on for exercise of the option to acquire the remaining 25% of TEMI during 2020.

Employees	Through reports to the SSW committee on: - HSE; - LTIFR performance and LTIFR reporting; - motivational impact of targets; - employee training programmes underway; - implementation of speak up and anti-bribery policies; - freedom of association; - ESG ratings and inclusion in the FTSE4Good index Series; and - The impact of COVID-19 and mitigating actions taken within the group, including the introduction of 14-days' quarantining at site. Through reports to the remuneration committee on pay and conditions across the group. Through reports of the CEO following the site visits undertaken by him as a matter of priority immediately on and since his appointment. Through the materiality assessment undertaken in early 2021. Direct contact between the board and workforce in 2020 was affected by the resistance and restricting of communication with the operational subsidiaries. A board site visit is planned for later in 2021.	- Determination of LTIFR targets for 2020; - Approval of the group's speak up, anti-bribery and diversity policies; - COVID-19 mitigations; - Introduction of an improved methodology on accident classification in 2021; and - Focus on organisational design and the CEO's business review in 2021, including on improvements in employee development and retention and applying a consistent approach to remuneration throughout the organisation.

S172 STATEMENT

STAKEHOLDER	APPROACH How was feedback received	OUTCOME Board decisions that reflect the outcome of engagement with, and feedback from, key stakeholders and examples of how the board takes their interests into account
Business partners	- Reports to SSW committee in relation to, for example: LTIFR reporting; and - Outcome of screening for modern slavery statement; Reports by the CEO and other members of senior management to the board in early 2021 on matters including the initial findings of PwC Advisory's transactional review and the drive for a more transparent corporate structure and fairer business.	- Inclusion of contractors in LTIFR reporting; - Approval of modern slavery statement; - COVID-19 mitigations; and - The appointment and work of KPMG pursuant to Resolution 19 and the work of PwC Advisory to improve fairness and transparency.
Local communities, including indigenous communities	- Report to SSW committee on 30 public consultations with local communities near Malomir mine; - Reports on environmental targets, with input provided by senior management; and - Materiality assessment in 2021. Site visits are proposed in 2021.	- The approval of ESG targets for 2020; and - Inclusion in the FTSE4Good Series Index.
Government and industry authorities	- Reports of the CEO and Deputy CEO for Health and Safety in 2021; - Tax reporting, including employment related taxes; - Direct communications with regulatory bodies in UK and Russia on matters such as governance and financial reporting; and - Reports from the company's brokers to the board on discussions ongoing with regulatory bodies.	- The approval of reporting on payment to governments in 2020; and - Settlement with HMRC on VAT and other issues.
Media	- The development of a media strategy in 2020 including in response to reports generated by former members of senior management and the board; - Direct communications between senior managers and the press in the UK and Russia; - Feedback from PR agencies and brokers advising the company; and - Through reports to the board by senior management including the Head of Corporate Affairs and Head of Corporate Communications in 2020 and 2021.	- The appointment of the Head of Corporate Affairs and Head of Corporate Communications; - The approval of press releases; and - The appointment of Hudson Sandler as PR agency and Citigroup Global Markets Ltd and UBS as brokers in 2020.

NON-FINANCIAL INFORMATION STATEMENT

This statement is made in compliance with sections 414CA and 414CB of the Companies Act and provides details of where in this report more information on the matters referred to below may be found.

For information on:

- Our business model, please see page 18
- Our principal risks, please see page 68
- Our non-financial KPIs, please see page 27

AREA OF FOCUS	RELEVANT POLICIES	PAGE	HOW WE OTHERWISE ADDRESS THIS AREA	SUPPORTING STANDARDS, PROCESSES OR PROGRAMMES	PRINCIPAL RISKS
Environmental matters	Environmental policies	36	For air emissions see page 38 For water management see page 36 For energy and climate change see page 37 For biodiversity see page 38 For rehabilitation see page 38 For waste and mineral residue management see page 38	Environmental management system ISO 14001 Environmental impact assessment (EIA) Waste management programme Closure plans Rehabilitation programme GHG reporting	Environmental Production risks & business interruption Legal and Compliance
Employees	Health and safety policies Speak Up policy Freedom of association policy Diversity policy	32 41 34 101	For education and training see page 34 For retention see page 34 For diversity see page 34 For COVID-19 mitigations see page 20 For engagement see page 34	Health and Safety management system Sponsored professional training programmes at Pokrovskiy Mining college Mentoring and work experience programmes	Health and safety New diseases & epidemics (incl. COVID-19) Human resources Legal and Compliance
Social matters	Speak Up policy	41	For local communities see page 40 For grievance procedure see page 41 For stakeholder engagement see page 30 For whistleblowing see page 41	Grievance mechanism Public consultations	Legal and Compliance Development & construction projects Liquidity
Human rights	Anti-bribery policy Speak Up policy Freedom of association policy	41 41 34	For whistleblowing see page 41 For human rights see page 41 For modern slavery see page 41	Grievance mechanism Modern Slavery Statement	Legal and Compliance Development & construction projects Liquidity
Anti-corruption and anti-bribery	Anti-bribery policy Speak Up policy Anti-tax evasion policy	41 41 41	For whistleblowing see page 41	Grievance mechanism	Legal and Compliance

This strategic report was approved by the board of directors of Petropavlovsk PLC on 16 May 2021 and signed by the order of the board by:

Dorcas Murray
Company Secretary
16 May 2021

GOVERNANCE

INTRODUCTION FROM THE CHAIRMAN

MR. JAMES W. CAMERON JR.

"Since being elected Chairman in August 2020, my immediate priority has been to ensure the on-going stability of operations and to improve the governance of the group."

James W. Cameron Jr., Chairman

DEAR SHAREHOLDER
On behalf of the board, I am pleased to introduce Petropavlovsk PLC's annual corporate governance report for the financial year ended 31 December 2020.

As is stated elsewhere in this annual report, 2020 was a year of tumultuous change for the Petropavlovsk board and one which has offered the opportunity for considerable improvements to the company. I expand on this in my opening statement to this annual report on page 2.

When I was appointed as chairman in August 2020, my immediate priority was to ensure the on-going stability of operations and to start on the process of improving governance. Key to this has been building a strong, independent, highly-qualified and diverse board, right-sized for the company and actively engaged in the strategic decision-making and oversight of the group.

The group also faced a number of governance challenges at a subsidiary level during the year, where a small number of senior employees had ceased to work with the board. The making of a number of key executive appointments, including our new CEO, Denis Alexandrov, has ensured that cooperation has been re-established. Denis brings with him a wealth of experience of effecting transformational change and we are already seeing results from the actions he and his management team have initiated.

I continue to chair the nominations committee and report separately on the activities of that committee on pages 100 to 102. This includes the appointments of Malay Mukherjee and Mikhail Irzhevsky to the board and the ongoing search for additional independent non-executive directors.

The following pages set out details of the company's corporate governance arrangements, including the activities of the board's committees during the year and their priorities for the year ahead. I hope you find it informative.

Mr. James W. Cameron Jr.
Non-Executive Chairman
16 May 2021

BOARD OF DIRECTORS

An experienced, diverse and well-balanced board

JAMES W. CAMERON JR.
NON-EXECUTIVE CHAIRMAN OF THE BOARD

Nationality: American

Appointed: October 2018

Experience: Mr. Cameron, a US qualified lawyer, 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.

External Appointments: Mr. Cameron is CEO and Chairman of Cameron and Associates.

Committee membership: Chairman of the nominations committee and member of the SSW committee.

CHARLOTTE PHILIPPS
SENIOR INDEPENDENT DIRECTOR

Nationality: German

Appointed: November 2019

Experience: Ms. Philipps has extensive experience in corporate financing and equity transactions in Russia and in other transitional former Soviet and CMEA countries, principally focused on natural resources.

Ms. Philipps joined the European Bank for Reconstruction and Development (EBRD) in London in 1993, where she held a number of senior positions, latterly as Senior Banker for EBRD's natural resources team. In 2006 she was appointed President and CEO of AIG Russia Century Fund, Moscow. Ms. Philipps lived and worked in Moscow during the period 2006 to 2014. She is a German-qualified lawyer and speaks a number of languages, including Russian.

External Appointments Ms. Philipps is a member of the strategy and investment committee of Inter RAO UES, Russia's largest integrated utility company. She is a member of the advisory board of CAPTIS Intelligence Inc., a US-based global industry leader in security and crime prevention, and chairs the board of one of the UK's largest architectural practices.

Committee membership: Chair of the audit and remuneration committees and member of the nominations and SSW committees.

MAXIM KHARIN
NON-EXECUTIVE DIRECTOR

Nationality: Russian

Appointed: April 2020

Experience: Mr. Kharin has served as Director for Economics and Finance at UGC since 2012. Prior to joining UGC as CFO, Mr. Kharin held a number of roles in international audit at Moore Stephens, Accountants, where he was Senior Auditor and Director and was responsible for the independent audit of companies across a range of sectors, including mining, with a particular focus on the transformation of Russian accounting standards to IFRS. Mr. Kharin has a degree in computer-aided systems of management from the Far Eastern State Technical University of Russia and qualified as an accountant in 2006. Mr. Kharin was nominated as a director of Petropavlovsk by UGC, the company's largest shareholder.

External Appointments: In addition to his role as Director for Economics and Finance at UGC, Mr. Kharin has been Chairman of the board of UGC since 2018. He is the founder of Technogroupresources Ltd.

Committee membership: Member of the nominations and SSW committees.

MALAY MUKHERJEE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality: Indian

Appointed: August 2020

Experience: Mr. Mukherjee has over 48 years' experience in technical, commercial and executive roles in the mining and steel industries. Mr. Mukherjee served as the CEO of Essar Steel Global, a large integrated steel company from 2009 to 2011. He worked for Arcelor Mittal from 1993 to 2009 where he was a board member between 2008 and 2009 and served as the Senior Executive Vice President and a member of the group management board between 2006 to 2008. He was responsible for mines and operations in Africa, Asia, southern Europe (Bosnia, Macedonia), CIS, Ukraine and Kazakhstan, and also responsible for stainless steel, pipes and tubes and technology. He served as the COO for Mittal Steel Company between 2004 and 2006. Mr. Mukherjee is a recipient of the MECON Award from the Indian Institute of Metals, holds a master's degree in mining from the USSR State Commission in Moscow and a BSc from the Indian Institute of Technology. He is a member of the Academy of Natural Sciences Kazakhstan and a life member in the Indian Institute of Metals.

External Appointments: Mr. Mukherjee currently serves as the lead independent non-executive director of JSW Steel Ltd., one of India's leading steel companies, and chairs the board of VA Tech Wabag Limited, a company focused on water treatment for municipal and industrial users headquartered in Chennai, India. He also serves as independent director at AP High Grade Steels Limited, a state government company in Andhra Pradesh, involved in the manufacture of iron and steel.

Committee membership: Chairman of the SSW committee and member of the audit, nominations and remuneration committees.

MIKHAIL IRZHEVSKY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality: Russian

Appointed: April 2021

Experience: Mr. Irzhevsky has over 25 years of commercial experience in internal controls, governance, corporate law and M&A transactions, including in the resources sector and in Russia. Since 2018 Mr. Irzhevsky has been Deputy CEO for Legal Affairs of the Russian Direct Investment Fund. From 2013 to 2018 Mr. Irzhevsky was the Vice-President for Legal Affairs at PJSC Rostelcom and from 2016 to 2017 served on its board of directors. From 1999 to 2013 he practised law at the international law firm, Freshfields Bruckhaus Deringer, including as a partner from 2007.

Mr. Irzhevsky is a qualified lawyer, having studied at the Lomonosov Moscow State University and is a former member of the Moscow Regional Bar Association.

External Appointments: In addition to his role with the Russian Direct Investment Fund, Mr. Irzhevsky is a member of the board of Bank Trust in Russia and has served as chair of its audit committee since August 2019.

Committee membership: Member of the audit, remuneration and nominations committees.

DENIS ALEXANDROV
CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Nationality: Russian

Appointed: December 2020

Experience: Mr. Alexandrov is a highly experienced executive in mining and natural resources, including the Russian gold sector, and has a strong track record of delivering operational excellence and superior shareholder returns. From January 2016 to November 2020, Mr. Alexandrov was Chief Executive Officer of Highland Gold Mining Limited, a top 10 Russian gold producer and developer with exploration assets. Prior to joining Highland Gold, Mr. Alexandrov held a series of senior positions and board roles at a number of mining and natural resources companies, including as CEO and Director of Auriant Mining AB, a Swedish company focused on gold production in Russia, as Managing Director at A1 Investment Company and as Chief Financial Officer at Arlan Investment Company, both of which had substantial holdings in the mining industry.

External Appointments: Mr. Alexandrov is a non-executive director of IRC Limited, a listed company on the Stock Exchange of Hong Kong, in which Petropavlovsk PLC owns a 31.1% interest. Mr. Alexandrov was nominated to the board of IRC by the company.

Committee membership: Member of the SSW committee.

SENIOR MANAGEMENT

The company's executive committee and senior management are responsible for the day to day management of the group. The terms of reference of the executive committee are available on the company's website at www.petropavlovskplc.com. The executive committee comprises the CEO and members of the senior management team as denoted with 'E' below:

SERGEY BAIKALOV

CHIEF OPERATING OFFICER

Mr. Baikalov was appointed as Chief Operating Officer in January 2021, based in Moscow.

He has worked in the mining industry for over 35 years. From 2016 to 2020 he worked as Managing Director for Far East Operations at Highland Gold. He has also held managerial positions at Auriant Mining as well as Solway (Guatemala), including work in mines. In Russia he has previously managed sand and limestone quarries in the Kaluga Region and worked at a large gold mining asset in the Krasnoyarsk Territory.

Mr. Baikalov is a graduate of the Krasnoyarsk State Academy of Nonferrous Metals and Gold with a diploma in mining.

SVETLANA CHEKALOVA

HEAD OF HR AND PEOPLE DEVELOPMENT

Ms. Chekalova was appointed as Head of HR and People Development in March 2021, based in Moscow.

Ms. Chekalova has over 25 years' experience and has served as HR director for several major Russian and international firms since the 1990s, including Salomon Brothers, Sun Group, Sibur Holdings OJSC and as the HR Director for the Eastern European Region for Kimberly-Clark. Prior to joining Petropavlovsk, she worked as HR Director at Uralchem from 2012-2021.

Ms. Chekalova graduated from the State Institute PF Lesgaft and has an executive MBA diploma from IMD Business School (Switzerland).

E

DMITRII CHEKASHKIN

GROUP EXECUTIVE BUSINESS TRANSFORMATION AND OPERATIONAL EFFICIENCY

Mr. Chekashkin was appointed as Group Executive, Business Transformation and Operational Efficiency in October 2019.

Mr. Chekashkin has more than 25 years' experience in the gold mining industry. He joined the group in 2003 and has held various senior positions during his tenure, including Group Head of Precious Metals and Chief Operating Officer. He was appointed to the board and as COO of the company in May 2013, stepping down in March 2015 when the number of directors on the board was reduced. Mr. Chekashkin left the group in October 2018, returning to his new position in October 2019.

Prior to his employment with the group, he was employed as Deputy General Director of Finance for two leading gold mining enterprises in the Russian Far East.

Mr. Chekashkin is a qualified engineer.

ROMAN DERTINOV

HEAD OF HEALTH AND SAFETY

Mr. Dertinov joined the company in April 2021 as Head of Health and Safety, based in Moscow.

Mr. Dertinov has over 15 years of executive experience, having developed health, safety and environment systems at major Russian and international companies. Before joining Petropavlovsk, he worked at Polyus Gold as a Director for HSE and sustainable development. As a result of his work, Polyus became a leader in the fields of health and safety in the Russian Federation and Europe and also became the only company in the Russian Federation and Europe that has undertaken and fulfilled the obligations under the International Council on Mining and Metals (ICMM) sustainable development framework.

Prior to that, he held executive positions at Schlumberger. In different periods, he has headed the departments for labour protection, industrial safety, ecology, and also dealt with issues of capital construction, movement of hazardous materials, licensing and certification.

Mr. Dertinov was a member of the Health and Safety Committee at Polyus and is a member of the Committee of ICMM in London.

E - Member of executive committee

YURIY FROLOV
HEAD OF PROCUREMENT AND LOGISTICS

Mr. Frolov joined the company in January 2021 as Head of Procurement and Logistics, based in Moscow.

He has over 20 years' experience in purchasing and logistics for natural resources companies. He previously worked as Head of Procurement at Highland Gold and has also held executive positions at Sibneft OJSC and Gazprom Neft OJSC.

Mr. Frolov graduated from the Perm Higher Military School specialising as an electrical engineer and is a graduate of Moscow Law Institute, with a specialty in jurisprudence. He also holds a MBA specialising in logistics management from the RANEPA under the President of the Russian Federation.

ALEXEY KHARITONTSEV
HEAD OF CORPORATE DEVELOPMENT

Mr. Kharitontsev joined the company in December 2021 as Head of Corporate Development, based in Moscow.

He has over 20 years' experience in consulting and management in investment companies and extensive experience in law, cross-border investment projects and operational management in the banking and mining industries. From January 2016 to December 2020 Mr. Kharitontsev was the Deputy Chief Executive Officer for Corporate Development of Highland Gold. Prior to this, Mr. Kharitontsev held senior management and legal positions at a number of companies.

Mr. Kharitontsev is a qualified lawyer in Russia. He has a master's degree in public strategy and an executive MBA from the Skolkovo Moscow School of Management, Russia. He also has a master of laws from Columbia Law School, United States and a bachelor's degree in law from the Lomonosov Moscow State University, Russia.

DANILA KOTLYAROV
CHIEF FINANCIAL OFFICER

Mr. Kotlyarov was appointed as Chief Financial Officer of Petropavlovsk PLC in February 2020. He served as an executive director of the board from 21 April to 30 June 2020, at which time he became CFO in a non-board capacity. From 2016 to 2020, Mr. Kotlyarov was CFO and an executive member of the board of IRC. He was Deputy General Director for Finance of Aricom, a predecessor of IRC, and became Deputy Chief Executive Officer of IRC in 2010, following its listing on the Stock Exchange of Hong Kong. Mr. Kotlyarov remains a non-executive director of IRC.

Mr. Kotlyarov has considerable financial and commercial experience, having held senior roles at a number of international and Russian companies, including Rusagro and Wimm Bill Dann (PepsiCo).

Mr. Kotlyarov holds a BA in management from Moscow State University and a MA in international economics from the Moscow State Institute of International Relations.

He is a fellow of the Association of Chartered Certified Accountants (ACCA), Chartered Financial Analyst (CFA) holder, member of Hong Kong and Russia Associations of Financial Analysts and has a professional diploma in civil and industrial construction.

EGOR MASLOV
HEAD OF BUSINESS TRANSFORMATION

Mr. Maslov joined the company in January 2021 as Head of Business Transformation, based in Moscow.

He is an expert in audit, engineering and business process improvement. Prior to joining Petropavlovsk, he worked at Highland Gold and implemented a number of transformation projects in the engineering and financial fields. He also worked for KPMG and Rosatom State Corporation.

Mr. Maslov graduated from the Faculty of Economics and Management of the St. Petersburg State University of Economics. He holds an executive MBA from the Skolkovo Moscow School of Management, Russia.

SENIOR MANAGEMENT CONTINUED

DMITRY MIKHAILOV
HEAD OF LEGAL AFFAIRS

Mr. Mikhailov joined the company in January 2021 as Head of Legal Affairs, based in Moscow.

He was the Deputy Director of the Legal Department of PJSC MMC Norilsk Nickel and has previously headed the legal department of Otechestvennye Medicines holdings, as well as the legal department at Highland Gold.

Mr. Mikhailov is a master of laws graduate of the Krasnoyarsk State University and has studied at the University of Tilburg (Netherlands). Mr. Mikhailov is also a member of the tax committees of the Russian Union of Industrialists and Entrepreneurs and the Chamber of Commerce and Industry, expert groups on precious metals (Ministry of Finance) and subsoil use (working group under the Government of Russia on the "regulatory guillotine").

DORCAS MURRAY
GROUP COMPANY SECRETARY AND CORPORATE COUNSEL

Ms. Murray joined the company in November 2020 as Group Company Secretary and Corporate Counsel based in London.

Ms. Murray has over 20 years' experience of advising the boards of multinational companies listed in the UK and USA. She was Group Company Secretary of Ferroglobe PLC, the advanced metals and mining specialist listed on the NASDAQ Exchange, from 2017 to 2020. Before that, she was Head of Special Operations at GlaxoSmithKline PLC. She spent 16 years as Deputy Company Secretary and Inhouse Counsel at Premier Farnell PLC, the FTSE250 global electronic distribution company, until its de-listing in 2016.

Ms. Murray is a UK-qualified solicitor.

JOHN MANN
HEAD OF CORPORATE COMMUNICATIONS

Mr. Mann joined Petropavlovsk as Head of Corporate Communications in February 2021, based in Moscow.

Mr. Mann has over 25 years' experience in the fields of public relations, public affairs, and investor relations, with a focus on natural resources companies and over two decades based in the CIS region. Before joining the company, he was an executive director and Head of Communications at Highland Gold, and Head of Public Relations at investment company, Millhouse LLC. From 2002 to 2006, he served as Head of International Public Relations at Russian oil major, Sibneft. Prior to that, Mr. Mann advised some of the world's largest natural resources, energy and consumer products corporations via consulting positions in Washington, DC, Almaty, Kazakhstan, and Moscow.

A native of Washington, USA, Mr. Mann studied political science at Harvard University with a focus on Soviet history and politics.

SERGEY SHUMILOV
HEAD OF REGIONAL AFFAIRS

Mr. Shumilov joined Petropavlovsk as Head of Regional Affairs in January 2021, based in Moscow.

From 1998 to 2006 he worked in sales and marketing for Philip Morris Russia. From 2007 to 2012 he worked in Lafarge Russia in various positions, and from 2010 he held the position of HR Director. From 2012 to 2015, he was Deputy General Director for Human Resources at Auriant Mining and at the same time was the General Director of the Rudnik Valunisty LLC mining operation. Prior to joining Petropavlovsk. Mr. Shumilov worked at Highland Gold as Managing Director of the Chukotka region.

Mr. Shumilov graduated from Saratov State University with a master's degree in radio engineering. He has an executive MBA degree from the Skolkovo Moscow School of Management.

E - Member of executive committee

JOHN SMELT

HEAD OF CORPORATE AFFAIRS

Mr. Smelt joined the company in October 2020 as Head of Corporate Affairs, managing the London office and the listed company functions.

Mr. Smelt has over 20 years' experience in the mining sector, including as Head of Corporate Communications at KAZ Minerals PLC and as Head of Investor Relations at Rio Tinto plc. Prior to entering the corporate sector, Mr. Smelt was a fund manager specialising in global mining equities.

Mr. Smelt has an MA (Hons) from Edinburgh University and is a Fellow of the Securities Institute.

DMITRY RYABCHENKO

HEAD OF CAPITAL CONSTRUCTION

Mr. Ryabchenko joined the company in January 2021 as Head of Capital Construction, based in Moscow.

He has extensive experience in the practical implementation of large investment projects in leading companies in the Russian Federation. For many years he held executive positions in the companies of NGK Slavneft, NOVATEK, Management Company Rusal, NGK RussNeft, ANK Bashneft, New Stream Group. Prior to working at Petropavlovsk he worked at Highland Gold as Deputy General Director for Capital Construction.

Mr. Ryabchenko is a graduate of the Energy Faculty of the Irkutsk Polytechnic Institute and the Moscow Institute of Economics and Law.

GOVERNANCE REPORT

BOARD DIVERSITY

Petropavlovsk has a highly-qualified effective board of directors made up of diverse and experienced members. During 2020, the membership of the board changed significantly. Since the RGM, three new directors have been appointed to the board, bringing complementary skills and international expertise from varied backgrounds in natural resources, legal affairs, corporate and operational finance and governance.

At 31 December 2020, the five member board comprised nationals of four different countries (the USA, Germany, Russia and India), with 20% female representation (16.7% at the date of this report). The ethnic and age diversity of the board has also improved in the last twelve months, with 16.7% of board members from black, Asian or minority ethnic communities (0% in April 2020) and an average age of 58 years for directors at the date of this report (61 years in April 2020).

CORPORATE GOVERNANCE FRAMEWORK

The following sections of this report detail the work and operation of the board and the corporate governance framework within which the company operates, including further reporting required under the 2018 code, the listing rules and the DTR, to all of which the company is subject.

APPLICATION OF THE UK CORPORATE GOVERNANCE CODE 2018

For the year commencing 1 January 2020, the company was subject to the 2018 code. The 2018 code is available from the website of the Financial Reporting Council at www.frc.org.uk.

The 2018 code sets out principles for the following areas of governance: board leadership and company purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control and remuneration. Each principle is underpinned by provisions which provide more detail. By applying the principles and following the provisions a company demonstrates how its governance contributes to its long-term sustainable success. A company subject to the 2018 code must comply or explain its non-compliance.

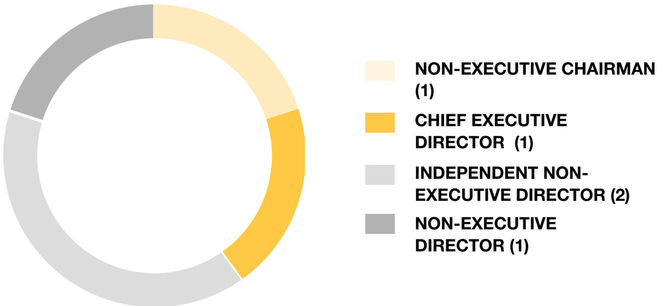
This governance report, together with the audit committee report (on pages 104 to 111, the directors' remuneration report (on pages 112 to 133) and the nominations committee report (on page 100), reflects these principles, sets out how the company has applied them and confirms the extent of its compliance with the 2018 code during the year under review.

COMPLIANCE WITH CODE PROVISIONS

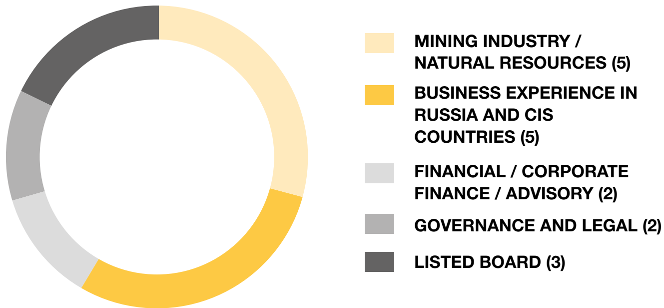
Throughout the financial year ended 31 December 2020 and to the date of this report, the company has followed the principles of the 2018 code and complied with the provisions, with the exceptions detailed under **Principles of the 2018 Code** below. In each case, the non-compliance arose primarily as a result of and during the period of significant change to the board and turbulence within the company's leadership and/or from the

AS AT 31 DECEMBER 2020

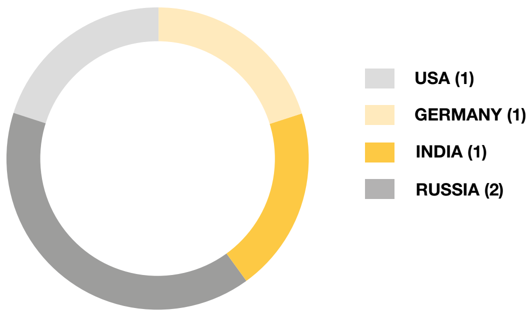
BOARD ROLES



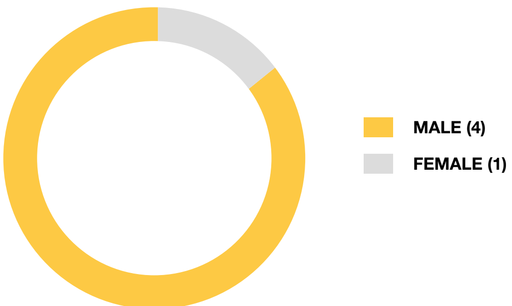
BUSINESS EXPERIENCE



NATIONALITY



GENDER DIVERSITY



lack of cooperation from the operational business detailed on page 2.

PRINCIPLES OF THE 2018 CODE:
Principle G: the board should include an appropriate combination of executive and non-executive (and in particular, independent non-executive) directors such that no one individual or small group of individuals dominates the board's decision making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Principle K: the board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to length of service of the board as a whole and membership regularly refreshed.

In the period following the RGM in 2020, the board recognised the need to strengthen its numbers of both executive and non-executive directors. It engaged an external search consultancy to assist in the process and was pleased to announce the appointment of Malay Mukherjee as an independent non-executive on 23 August 2020 and Denis Alexandrov as CEO on 1 December 2020. During the period from the RGM to enhancement of the management team in November and the CEO's appointment in December 2020, the non-executive directors and, in particular, the SID were more closely involved in the management of the company than would be usual for a non-executive director.

Principle J: Appointments to the board should be subject to a formal, rigorous and transparent procedure and an effective succession plan should be maintained for board and senior management.

The board's succession plans were disrupted by the events in the summer of 2020, including the voting at the 2020 AGM and the actions of certain members of senior management, which resulted in their leaving the business unexpectedly. With the refreshed board, the new CEO and his management team now largely in place, the board will re-visit and prioritise succession planning in 2021.

Principle L: Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

It was not considered appropriate to carry out an evaluation in 2020. Please see provisions 21 and 22 below.

Provisions:
- *Provision 6: the company's workforce should have a means to raise concerns in confidence and – if they wish – anonymously.*
  The company has long had a grievance channel through which concerns could be raised. To ensure anonymity, the company adopted a speak-up policy in April 2020, proposed for roll-out across the group in the second half of the year. For the reasons outlined above, this did not take place. The roll-out is now planned to be carried out in 2021.

- *Provision 9: the chairman of the board should be independent on appointment.*
  During the period between 30 June to 10 August 2020 the chairman, Mr. Peter Hambro, was not considered to be independent. James W. Cameron, Jr, current chairman of the board, was considered independent on appointment.

- *Provision 12: the board should appoint one of its independent non-executive directors to be senior independent director.*
  During the period between 30 June and 14 August 2020, none of the directors was appointed as Senior Independent Director. Ms Charlotte Philipps has now been appointed to this role. Please see page 86 for more details about the SID.

- *Provisions 17, 24 and 32: the board should establish a nominations committee, remuneration committee and audit committee. All members of the audit and remuneration committee and a majority of the nominations committee should be independent non-executive directors. The chair of the board should not be a member.*
  From 30 June to 14 August 2020 no committees were constituted, save for the nominations committee, on which all members of the board served because of the importance of recruiting new directors and where, in consequence, the majority of members were not independent. James W. Cameron Jr joined the audit committee briefly in August 2020 but stepped down. From 23 August 2020, the audit committee comprised three members, of whom two were independent and one, Maxim Kharin was not. Mr. Kharin was invited to join the committee in light of his financial knowledge and experience and on account of the reduced size of the board prior to its being re-built. For the latter reason, the remuneration committee consisted of two members, rather than the three recommended by the 2018 code, during the same period.
  All committees now comply with the provisions of the 2018 code on the constitution of board committees.

- *Provision 17: the nomination committee should ensure plans are in place for orderly succession to both the board and senior management positions and oversee the development of a diverse pipeline for succession.*
  For the reasons outlined above in relation to principle J, the company's succession planning was disrupted in 2020 and will be re-visited in 2021.

- *Provision 21 and 22: there should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors, with the chair acting on the results of evaluation.*
  Given the turbulence in 2020, it was not appropriate to carry out an evaluation in 2020. As the board's size has increased to six directors, of whom the majority (excluding the chairman) are independent, a full evaluation process is proposed to be carried out later in 2021 when the board will have had more opportunity to embed its working practices and internal relations.

THE BOARD

The role of the board

The board is ultimately responsible to shareholders for the direction, management, performance and long-term sustainable success of the company. It sets the group's strategy and objectives and oversees and monitors internal controls, risk management, principal risks, governance and viability of the company. In doing so, the directors comply with their duties under section 172 of the Companies Act 2006.

The board has established certain principal committees to assist it in fulfilling its oversight responsibilities, providing dedicated focus on particular areas, as set out below. The chairs of the audit, remuneration, nominations and SSW committees report to the board on the relevant committee's activities after each scheduled committee meeting, highlighting the proceedings of those meetings, including the key discussion points and any areas of concern. All members of the board are invited to attend all committee meetings and receive copies of the approved minutes of the committee meetings.

In February 2020 the board constituted a risk committee to advise the board on risk and oversee the company's exposure to and management of risk. During 2020, the risk committee had one meeting in March at which it reviewed its proposed terms of reference, the 2019 risk assessment for annual reporting purposes and proposals for a new risk assessment process. Following the changes to the board in 2020, it was decided that oversight of the group's risk management framework and systems should be absorbed into the responsibilities of the audit committee. The audit committee's oversight of the risk framework, combined with its responsibility for financial risk, provides the board with assurance that an holistic overview of risk management is in place.

Terms of reference of the board committees are available on the company's website at www.petropavlovskplc.com.

BOARD STRUCTURE AS AT THE DATE OF THIS REPORT

BOARD

Audit committee

Monitors the integrity of the financial statements, including at the full and half-year;

Reviews accounting policies and the appropriateness of accounting judgements and disclosures;

Oversees internal controls and the group's risk framework;

Oversees the relationship with and work of the external and internal auditors;

Oversees the external audit process;

Reviews the financial risks and advises on ongoing viability; and

Reviews whistleblowing arrangements.

Membership
Ms. Charlotte Philipps (Chair)
Mr. Mikhail Irzhevsky
Mr. Malay Mukherjee

See pages 104 to 111 for more information.

Remuneration committee

Devises the directors' remuneration policy and the framework of remuneration of the Chairman, executive directors and senior executives and keeps its appropriateness under review, taking into account remuneration trends across the group;

Determines the remuneration of executive directors and senior executives;

Approves the design of performance related pay schemes, including annual bonuses and share awards, and oversees their operation, approving targets and payouts or grants under such schemes to executive directors and senior executives;

Receives and considers details of workforce remuneration and oversees major changes in employee benefits structures;

Ensures that the company maintains contact with shareholders regarding the company's remuneration policy.

Membership
Ms. Charlotte Philipps (Chair)
Mr. Mikhail Irzhevsky
Mr. Malay Mukherjee

See pages 112 to 133 for more information.

Nominations committee

Reviews structure, size and composition of the board and its committees and makes recommendations to the board as appropriate;

Considers succession planning for directors and senior executives;

Nominates candidates for appointment to the board, evaluating the skills and experience and needs of the board before any appointment is made, reviewing time commitments of the NEDs and ensuring role specifications and letters of appointment are in place.

Membership
Mr. James W Cameron Jr (Chair)
Ms. Charlotte Philipps
Mr. Mikhail Irzhevsky
Mr. Maxim Kharin
Mr. Malay Mukherjee

See pages 100 to 102 for more information.

SSW committee

Reviews the group's health, safety, environmental and community relations strategy;

Evaluates the effectiveness of the group's policies and systems for managing sustainability issues and risks;

Assesses the performance of the group with regard to the impact of sustainability decisions and actions; and

Seeks active engagement with the group's workforce on behalf of the board.

Membership
Mr. Malay Mukherjee (Chair)
Mr. James W Cameron Jr
Ms. Charlotte Philipps
Mr. Denis Alexandrov
Mr. Maxim Kharin

See pages 29 to 41 for more information.

BOARD CURRENT MEMBERSHIP:

Mr. James W Cameron Jr, Non-Executive Chairman, independent on appointment

Mr. Denis Alexandrov, executive director and CEO

Ms. Charlotte Philipps, Senior Independent Director

Mr. Malay Mukherjee, independent non-executive director

Mr. Maxim Kharin, non-executive director

Mr. Mikhail Irzhevsky, independent non-executive director

2020 BOARD COMPOSITION, MEETING ATTENDANCE AND RESPONSIBILITIES

Board changes during the year

At the AGM on 30 June 2020, 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 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 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 as an additional independent NED with effect from 1 July 2020. The election of the 'temporary' directors (including Mr. Martin Smith) was not approved by shareholders at the RGM on 10 August 2020 and these directors stood down from close of the RGM. See pages 100 to 102.

Mr. James W. Cameron, Jr. was appointed as Chairman of the board and Ms. Charlotte Philipps as Senior Independent Director on 14 August 2020.

Mrs. Katia Ray, iNED, resigned on 23 August 2020 for personal reasons and Mr. Malay Mukherjee, iNED, was appointed on the same day.

Mr. Denis Alexandrov, executive director and CEO, was appointed on 1 December 2020. Mikhail Irzhevsky, iNED, joined the board after the end of the financial year 2020.

Please see directors' biographies on pages 86 to 87.

The following table details responsibilities and independence of the directors, their attendance at board meetings during the year 2020 and how their responsibilities are linked to remuneration:

ROLE HOLDER (TENURE IN THAT ROLE DURING THE YEAR UNDER REVIEW)	MEETINGS ATTENDED/ MAXIMUM POSSIBLE DURING TENURE IN RELEVANT ROLE	INDEPENDENT (ON APPOINTMENT IN THE CASE OF THE CHAIRMAN)	RESPONSIBILITIES	LINKED TO REMUNERATION
Chairman				
Sir Roderic Lyne (to 30 June 2020)	5/5	✓	Providing leadership to the board and its overall effectiveness. Facilitates constructive board relations and effective contribution from all non-executive directors and, with the support of the Company Secretary, ensures directors receive accurate, clear and timely information. Ensuring effective communication with and a clear understanding of the views of shareholders.	
Mr. Peter Hambro (30 June to 10 August 2020)	15/15			
Mr. James W. Cameron Jr. (from 14 August 2020)	27/28	✓		
Executive Director				
Dr. Pavel Maslovskiy (to 30 June 2020)	4/5		Developing the group's objectives and strategy and for the successful achievement of those objectives and execution of strategy, following approval by the board. Overseeing day to day operations, implementing of policies and procedures, ensuring operational compliance and leading the senior team.	✓
Dr. Alfiya Samokhvalova (30 June to 10 August 2020)	15/15			
Mr. Danila Kotlyarov (21 April to 30 June 2020)	3/4			
Mr. Denis Alexandrov (1 December 2020)	3/3			
Senior Independent Director				
Mr. Harry Kenyon-Slaney (to 30 June 2020)	4/5	✓	To support the chairman and provide an independent point of contact to shareholders on board matters.	
Ms. Charlotte Philipps (from 14 August 2020)	28/28	✓		

ROLE HOLDER (TENURE IN THAT ROLE DURING THE YEAR UNDER REVIEW)	MEETINGS ATTENDED/ MAXIMUM POSSIBLE DURING TENURE IN SPECIFIED ROLE	INDEPENDENT (ON APPOINTMENT IN THE CASE OF THE CHAIRMAN)	RESPONSIBILITIES	LINKED TO REMUNERATION
Independent Non-Executive Directors				
Mr. Robert Jenkins (to 30 June 2020)	5/5	✓	Bringing independent and objective analysis to all matters before the board and its committees using their substantial and wide-ranging experience. Non-executive directors provide constructive challenge and strategic guidance, offering specialist advice and holding management to account.	
Mr. Damien Hackett (to 30 June 2020)	4/5	✓		
Ms. Fiona Paulus (27 May to 30 June 2020)	1/2	✓		
Mr. Timothy McCutcheon (27 May to 30 June 2020)	1/2	✓		
Mr. Jonathan Martin Smith (30 June to 10 August 2020)	15/15	✓		
Mrs. Angelica Phillips (30 June to 10 August 2020)	15/15	✓		
Mr. Martin Smith (1 July to 30 June 2020)	14/14	✓		
Mr. James W. Cameron Jr. (to 14 August 2020 when appointed Chairman)	18/20	✓		
Ms. Charlotte Philipps (to 14 August 2020 when appointed SID)	18/20	✓		
Mrs. Katia Ray (to 23 August 2020)	21/22	✓		
Mr. Malay Mukherjee (from 23 August 2020)	18/23	✓		
Non-Executive Directors				
Mirzaaziz Musakhanov[1] (to 5 February 2020)	0/1		Mr. Musakhanov was a nominee director of Aeon Mining Limited, the company's former largest shareholder.	
Mr. Maxim Kharin[1] (from 21 April 2020)	39/47		Mr. Kharin is a nominee director of Uzhuralzoloto Group of Companies, the company's largest shareholder.	
As at 31 December 2020 the board comprised a non-executive chairman, two independent non-executive directors, one non-executive director and one executive director in compliance with the 2018 code.				

[1]Save for the potential conflicts inherent in their relationship as nominee directors, there were no potential conflict of interest between the duties owned to the company by Messrs Musakhanov and Kharin and their private interests or other duties. There is more information on the relationship agreements entered into to manage such conflicts at page 137.

Note: Due to the events that took place in the second half of the year, (see page 2 for details), the number of meetings was considerable, with meetings held at short notice, making attendance challenging on some occasions.

BOARD MEETINGS AND DECISIONS IN 2020

The board has a schedule of matters reserved for its decision. This includes inter alia: strategic matters, financial reporting and controls, legal and regulatory compliance; risks relevant to the group and the constitution and terms of reference of board and executive committees. A copy of the schedule of matters reserved for the board is available on the company's website at www.petropavlovskplc.com.

The board held a number of scheduled and ad hoc meetings during the year, and individual attendance is set out above. From March 2020 onwards, meetings were largely held by way of phone or video conference because of the COVID-19 pandemic. There was a significant increase in the number of meetings held in the year under review as a result of the turbulence surrounding the changes in leadership.

The board in office until the RGM held 20 meetings, where the principal matters addressed were:

- The response of the company to the COVID-19 pandemic, with safeguarding the wellbeing of the group's employees and other stakeholders a priority;
- The approval of a preliminary agreement between the company and Stocken Board AG for the sale of the majority of the company's interest in IRC, subject to certain conditions being met, including the release of the guarantee by the company of IRC's obligations to Gazprombank;
- The approval of the exercise of the company's option to acquire the remaining 25% interest in TEMI LLC, the company's 75% owned subsidiary, and the convening of a general meeting of the company to approve the exercise of the option as a related party transaction. The resolutions to be put to that general meeting did not receive shareholder support and were withdrawn;
- The approval of the company's listing on the Moscow Exchange;
- The response of the company and the board as then constituted to the requisitions received from Everest Alliance Limited and Prosperity Capital Management for a general meeting of the company, the proceedings issued by Everest Alliance Limited and UGC against the company and/or its directors and matters arising in relation to those actions, including the appointment of the 'temporary' directors, the convening of the RGM and management changes.

Following the RGM, the newly-constituted board held 28 meetings in 2020, with an initial focus on stabilising the company. The principal matters addressed at these meetings in the several months following the RGM included:

- The implementation of a number of immediate measures to ensure the ongoing stability of operations and establish a clear process to strengthen the governance of the group in the interests of all shareholders, notably:
    - Securing independent advisers to the board, including legal advisers and brokers;
    - Appointing a chairman and SID and re-constituting the committees of the board;
    - Engaging MHA MacIntyre Hudson as auditors of the company, following PwC stepping down after the AGM and effecting a waiver solicitation process to guard against a default under the 2022 notes as a result of potential delays in completing the review of and publishing the half-year results.
    - Appointing an executive search agency to assist in the process of recruiting additional directors to enhance the strength and breadth of the board and defining the parameters of that search;
    - Appointing Malay Mukherjee as an additional independent NED; and
- The adoption and pursuit of a focused strategy of corporate and legal actions to address the challenges brought by some members of former management to the authority of the board and the cooperation of the company's operations in Russia.

The process of stabilisation, enhancing transparency and governance and addressing risks to the group has continued in 2020 and into 2021, with the board:

- Appointing KPMG to undertake the forensic review mandated by shareholders by way of Resolution 19, supported by PwC Advisory in Russia whose scope of review includes identifying other transactions involving former members of senior management and employees which require further investigation;
- Making a number of key appointments to senior management, including the Head of Corporate Affairs and Company Secretary in London;
- Recruiting and appointing Denis Alexandrov as CEO. There is further detail on Mr. Alexandrov and the specific skills and expertise which he brings to the role and the company on page 87;
- Approving the establishment of a new leadership team in Moscow under the CEO and revising the scope and remit of the group's exco;
- Appointing Mikhail Irzhevsky as iNED and a member of the audit, remuneration and nominations committees, in progress towards the board's stated goal of establishing a suitably-sized and majority independent board. See pages 100 and 101 for more information on this; and
- Commencing the process of reviewing and improving the group's governance framework and policies.

BOARD EVALUATION

As a result of the extensive changes to the board throughout 2020, no board evaluation could effectively be undertaken in the year under review and the actions defined for the former board during the externally facilitated evaluation in late 2019 are no longer relevant. An evaluation of the re-constituted and refreshed board and each of its committees will be carried out in 2021.

INDUCTION, SITE VISITS, INFORMATION AND SUPPORT

Induction: New directors receive a tailored induction when they join the board to enable directors to develop a prompt understanding of the group's governance framework and the knowledge of the group's markets, opportunities, risks and operations needed to fulfil their role on both the board and any committees. The company secretarial team set up meetings with other members of the board, executives and external advisors and provide a pack of relevant documents to assist with this process.

As part of his induction, Mr. Mukherjee met members of the executive team, including the CEO, CFO and Group Executive, Business Transformation and Operational Efficiency.

During his induction, Mr. Denis Alexandrov spent time with each member of the board and with the executive team. He visited all of the company's sites in Russia, including each of the mines, getting to know management and reviewing operational issues and priorities. He received a comprehensive and up to date induction pack from the Company Secretary.

A bespoke induction programme was devised for Mikhail Irzhevsky, including meetings with members of the board and senior management, a governance pack, training session with the Company Secretary and discussions with internal auditor and external advisers to the group, including the auditor.

During the year the board received training from the company's legal counsel on the Market

GOVERNANCE REPORT CONTINUED

Abuse Regulation (MAR) and inside information, which explained the company's obligations under MAR and in relation to inside information.

Non-executive directors may attend conferences and seminars on the mining industry at the company's expense to enhance and update their knowledge. The directors receive briefings on regulatory and corporate governance issues from the Company Secretary and the company's advisers.

Information: Prior to board meetings the directors receive board papers on matters such as HSE, operational and financial performance, investor relations and projects that are being progressed by senior management, as relevant to that meeting. The board committees report to the board on their proceedings as they occur. Under the new CEO, a detailed management report providing regular updates on HSE, performance, finances, legal matters and other issues has been developed and is provided to the board monthly. The CEO and his team meet regularly with the board individually and collectively between meetings to update them on current matters and the board receives presentations and verbal updates from the CEO, CFO and other members of senior management at or between board meetings as appropriate. All directors are encouraged to make further enquiries and request further information as they feel appropriate of the CEO or other members of the senior executive team. All directors are encouraged to participate actively in board meetings which are chaired in an open and collaborative manner.

All directors have access to the services of a professionally qualified and experienced company secretarial team, responsible for information flows to the board and its committees and between senior management, the Chairman and non-executive directors, facilitating induction and assisting with professional development as required, ensuring compliance with board procedure and advising on governance and applicable laws and regulation.

Professional advice: Under the terms of their letters of appointment, NEDs may take independent professional advice if considered necessary to discharge their responsibilities as directors at the company's expense.

Site visits: Due to the COVID-19 pandemic, the disruption in communications with operations in Russia and the lack of cooperation experienced from certain members of senior management there, it was not possible to effect the board site visits anticipated in 2020. Mr. Alexandrov and members of his new management team spent some considerable time at the group's facilities in the Amur region in early 2021 and have made a number of visits since that time. If the travel restrictions introduced by the governments of the relevant countries permit and it is safe to do so in light of the pandemic, the newly-constituted board intends to undertake a site visit to the operations in Amur later in 2021.

INVESTOR ENGAGEMENT AND CONSULTATION WITH SHAREHOLDERS

Communication with shareholders is of great importance to the company and the board aims to maintain an open and transparent dialogue with its shareholders and potential shareholders. The company's investor relations department manages the interaction with this stakeholder group and is responsible for ensuring that full and comprehensive information is available to all shareholders.

There is regular dialogue with institutional shareholders, as well as presentations after the full year and interim results. The board is advised of any specific comments from institutional investors to enable it to develop an understanding of their views. Small retail shareholders are also highly important to the company. All shareholders have the opportunity to put questions at the company's general meetings, in person or by dialling in, where legal restrictions prevent open meetings. In addition, shareholders are welcome to contact the company's investor relations department with any specific queries regarding the company.

2020 ANNUAL GENERAL MEETING AND REQUISITIONED EXTRAORDINARY GENERAL MEETING

The following table details the resolutions proposed at the 2020 AGM and RGM which received less than 80% of votes cast in favour:

	RESOLUTIONS	% FOR	% AGAINST
AGM	Resolution 3: To approve the directors' remuneration policy	42.32	57.68
AGM	Resolution 4: To approve the long-term incentive plan	75.24	24.76
AGM	Resolution 8: To elect Ekaterina Ray as a director	53.28	46.72
AGM	Resolution 9: To elect Danila Kotlyarov as a director	46.42	53.58
AGM	Resolution 11: To elect Fiona Paulus as a director	46.36	53.64
AGM	Resolution 12: To elect Timothy McCutcheon as a director	39.80	60.20
AGM	Resolution 13: To re-elect Pavel Maslovskiy as a director	46.14	53.86
AGM	Resolution 15: To re-elect Damien Hackett as a director	46.34	53.66
AGM	Resolution 16: To re-elect Harry Kenyon-Slaney as a director	46.35	53.65
AGM	Resolution 17: To re-elect Robert Jenkins as a director	45.72	54.28
AGM	Resolution 18: To approve new Articles of Association	77.60	22.40
AGM	Resolution 19: To approve an authority to allot shares up to maximum of one third of the issued share capital	64.52	35.48
AGM	Resolution 20: To approve an authority to allot shares up to maximum of two thirds of the issued share capital	23.55	76.45
RGM	Resolution 1: To re-appoint Damian Hackett	44.91	55.09
RGM	Resolution 2: To appoint Michael Kavanagh	54.41	45.59
RGM	Resolution 3: To re-appoint Harry Kenyon-Slaney	44.90	55.10
RGM	Resolution 4: To re-appoint Pavel Maslovskiy	44.88	55.12
RGM	Resolution 5: To re-appoint Timothy McCutcheon	43.26	56.74
RGM	Resolution 6: To appoint Vitaliy Zarkhin	44.80	55.20
RGM	Resolution 7: To appoint Paul Bushell	32.07	67.93
RGM	Resolution 8: To appoint Ivan Kulakov	36.39	63.61
RGM	Resolution 18: To remove any person appointed as director since 9 July up to the end of this meeting	50.58	49.42

As announced on 1 July 2020, the company undertook a consultation exercise in 2020 in order to understand and address shareholder concerns as expressed in voting at the AGM and RGM, soliciting views from its larger institutional, corporate and larger retail investors on the underlying reasons for the votes against. The responses received indicate that, for shareholders holding a significant number of shares in the company which were voted at those meetings:

- Voting against the election or re-election of directors at the AGM (AGM resolutions 8 to 17 above) reflected dissatisfaction with the performance of the company and concerns over its governance, including certain corporate transactions undertaken or proposed to be undertaken by the company;
- Voting against the approvals and authorities sought at the AGM (AGM resolutions 3, 4 and 18 to 20 above) reflected the same underlying discontent and dissatisfaction with governance and the performance of incumbent management and a number of the members of the then board. This was the case notwithstanding that the authorities sought were in line with Investment Association guidelines;
- Voting on the election or re-election of directors at the RGM (RGM resolutions 1 to 8 and 18) was largely to ensure that the actions of the shareholders in voting on the constitution of the board at the AGM were not effectively overturned.

During the period since the RGM, the newly-constituted board has been focused on stabilising the management of the company and improving governance within the group. The primary actions taken in this regard are set out on page 97.

In its announcement of 30 October 2020, the board outlined a number of fundamental and largely legacy issues which it is seeking to address in order to realise the group's potential, including:

- Greater focus on returns to shareholders;
- Reduction in levels and costs of debt;
- Introduction of robust and up to date systems and controls;
- Simplification of the group's corporate structure;
- Enlarging the board, with a goal of establishing of a board of seven or eight directors the majority of whom are independent. An external search firm has been engaged to assist with this process;
- Improving the group's budgeting and guidance procedures.

Work on each of these areas is ongoing and updates will be provided as appropriate.

The company consulted major shareholders on the remuneration policy put to the company at the 2020 AGM. Although support was indicated, the policy was not approved at that meeting. The policy was reviewed and revised in early 2021 and major shareholders and the investment advisory bodies consulted on it. See page 112 for more information.

The board appreciates the efforts that its shareholders, large and small, take to provide feedback on areas of interest and concern. The board remains committed to regular engagement with its stakeholders and to ensuring that the company's dialogue with its shareholders on these matters continues.

NOMINATIONS COMMITTEE REPORT

NOMINATIONS COMMITTEE COMPOSITION AND MEETING ATTENDANCE

MEMBERS	FROM (WHERE APPOINTED AFTER 1 JANUARY 2020)	TO	NUMBER OF MEETINGS IN 2020 ATTENDANCE/ ELIGIBILITY
Sir Roderic Lyne (chair)		30 June 2020	3/3
Pavel Maslovskiy		30 June 2020	3/3
Damien Hackett		30 June 2020	3/3
Robert Jenkins		30 June 2020	3/3
Harry Kenyon-Slaney		30 June 2020	3/3
Peter Hambro (chair)	30 June 2020	10 August 2020	0/0
Alfiya Samokhvalova	30 June 2020	10 August 2020	0/0
Katia Ray	30 June 2020	23 August 2020	0/0
James W. Cameron Jr. (chair)	14 August 2020	Present	2/2
Charlotte Philipps	14 August 2020	Present	2/2
Maxim Kharin	14 August 2020	Present	2/2
Malay Mukherjee	23 August 2020	Present	1/2
Mikhail Irzhevsky	14 May 2021	Present	n/a

LETTER FROM THE NOMINATIONS COMMITTEE CHAIR

DEAR SHAREHOLDER

In my letter on page 2, I note that 2020 was a year of considerable change for Petropavlovsk and its board. I was appointed as chair of the nominations committee following the RGM, when the outcome of voting on composition of the board at the 2020 AGM was confirmed. This report is presented in my capacity as chair of that committee.

Since my appointment, one of our key objectives has been to establish a strong, independent, highly-qualified and diverse board, actively engaged in the strategic decision-making and oversight of the group. We have strengthened the board with the appointment of our new CEO and of two independent non-executive directors, each of whom enhances the breadth of experience at board level, bringing expertise, skills and perspectives relevant to the next phase of the company's development.

We announced in October 2020 that our goal is to have a board of seven or eight directors, the majority of whom are independent, in order to provide sufficient diversity and provide the bandwidth to address the board's responsibilities appropriately. We now have six directors in place of whom three are independent (excluding myself as chair, although independent on appointment), one is female and with representation from four countries. We have more to do but have made a good start. Our work will continue in 2021.

BOARD CHANGES

In the first eight months of the year under Sir Roderic Lyne and Peter Hambro

During the first half of the year, the committee as then constituted was actively engaged in the process to identify a suitable successor for the role of non-executive chairman. In addition, Maxim Kharin was appointed as representative of UGC, our major shareholder, pursuant to the terms of its relationship agreement with the company. Danila Kotlyarov, CFO, was appointed as an executive director in April 2020, Timothy McCutcheon and Fiona Paulus joined the board in May 2020 as independent non-executive director and chair-designate, respectively. All of these appointments were made after interviews with, consideration by and on recommendation of the committee. With the exception of UGC's representative, all non-executive directors were considered independent on appointment by the board as it was at that time.

The committee as then constituted met in May 2020 to consider the annual re-election of directors at the 2020 AGM. In late June, when the outcome of voting at the 2020 AGM became clear, the then committee met again to recommend the appointment of four 'temporary' directors (Peter Hambro, Alya Samokhvalova, Angelica Phillips and Johnny Martin-Smith) to hold office from the conclusion of the 2020 AGM until a further general meeting of the company could be convened. This proposal and the deemed independence of the non-executive 'temporary' directors was approved by the board on 29 June, with a number of directors (including all of those who were on the board then and remain on it now) voting against these resolutions. The validity of the appointment of the 'temporary' directors was legally challenged by a shareholder and the proceedings of the board were highly-regulated and its decision-making powers restricted by order of the court for a period of around four weeks between the two general meetings. The 'temporary' directors were not elected by the shareholders at the RGM in August 2020.

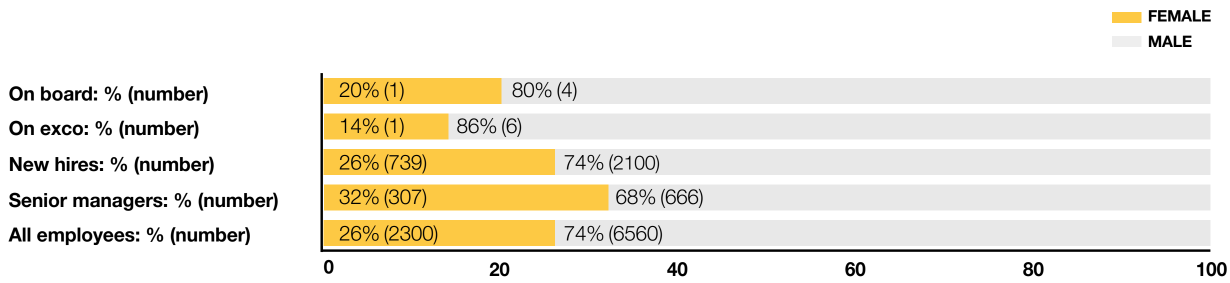
In the last four months of the year under my chairmanship

In August 2020, the committee was re-constituted under my chairmanship, with Maxim Kharin, Charlotte Philipps and Katia Ray joining me as members. Katia stood down in late August 2020, when she left the board for personal reasons.

Since that time we have completed:

- The search for and recommendation to the board to appoint Denis Alexandrov as the company's Chief Executive Officer and an executive member of the board. Denis stood out as ideal for the role, combining expertise in mining and natural resources, including in the Russian gold sector, board-level experience gained in his role as Chief Executive Officer of Highland Gold Mining Limited (a top 10 Russian gold producer and developer with exploration assets), a background in finance and a proven track record of success in unifying management and driving transformational change.
- Since his appointment, Denis has also taken on a role as non-executive director of IRC, where he represents the interests of the company. As such, this additional external appointment is considered in the best interests of the company and is supported by the board.

GENDER DIVERSITY AT YEAR END



- The search for and recommendation to the board of the appointment of two further independent non-executive directors:
    - Malay Mukherjee in August 2020. Mr. Mukherjee's background is in natural resources and metals, primarily in emerging markets including in the far east. His long and varied industrial, commercial and board experience has significantly enhanced the breadth and depth of the board. On his appointment, Mr. Mukherjee was also appointed to the committees;
    - Mikhail Irzhevsky in April 2021. Mr. Irzhevsky also joined our audit, remuneration, and nominations committees. He brings significant experience of legal affairs, corporate governance, natural resources and the Russian markets, in addition to his knowledge of internal controls.

We have reformed the board's committees. Each committee is working to a full agenda under strong and focussed leadership. Ms. Charlotte Philipps, who was appointed as Senior Independent Director on 14 August 2020, has brought her expertise in the corporate finance industry to bear on all our committees, to notable effect. She is a skilled and committed chair of the audit and remuneration committees and has devoted a great deal of time to the appointment of auditors, communicating with regulators and reviewing and consulting shareholders on our remuneration policy. Mr. Malay Mukherjee was appointed as a chairman of the SSW committee in December 2020 and brings to that role his considerable expertise in running natural resources facilities safely and successfully in remote locations and emerging markets.

A risk committee was constituted on 4 February 2020, comprising of both non-executive directors and the Group Executive, Business Transformation and Operational Efficiency. In March 2020, the risk committee had conducted a review of risk management and commenced the process to introduce a new approach to risk. In light of the size of the board and in order to give an holistic view of risk, the risk committee was disbanded in early 2021 and its activities assumed by the audit committee.

Our executive committee now consists of Denis Alexandrov, Alexey Kharitontsev, Danila Kotlyarov, Dmitrii Chekashkin, John Smelt, John Mann and Dorcas Murray. The executive committee has commenced its roll-out of the review of governance initiated at board level throughout the organisation.

Mr. Musakhanov, a nominee of Aeon, resigned from the board on 5 February 2020 following Aeon's decision to sell its shareholding in Petropavlovsk. On 21 April 2020, the board appointed in his place Mr. Maxim Kharin, a nominee of the new major shareholder, the Uzhuralzoloto Group of Companies. In each of these cases, a relationship agreement has been signed between Petropavlovsk and the nominating company and ultimate beneficial shareholder.

The board now comprises, in addition to the Chairman, one executive director (the CEO), one non-independent director and three independent directors. The independent non-executive directors have a notably wide range of relevant experience, with a balance of ages, gender and nationality. We continue our search for one or more additional independent directors to join the board; ideally the chosen candidates will not only be the best person for the role but will also improve our gender, ethnic and age diversity. All of these are factors which I personally and the board collectively will contribute to the effectiveness of the board and the success of the company.

The committee had defined role specifications for use in its search for executive and non-executive appointments and was assisted and advised on the process by Heidrick & Struggles, the global search consultancy. The specifications highlighted a number of areas of competence required by the board. These included experience in corporate financing and investment, natural resources, the environment, sustainability and governance and in Russia. We sought candidates with experience of dealing at senior levels and the independence of thought, communication skills and other personal characteristics to be effective at board level.

Heidrick & Struggles do not have any other connection with the company or its directors.

DIVERSITY STATEMENT

It is a core belief of the board that diverse skills, background, experience and points of view - including the introduction of talented individuals with fresh insights - are of great benefit to our organisation and will improve its performance. While it will always be in the interests of the company to choose the best candidate for any role, the committee is keen to foster and enhance the diversity of the board and senior management, wherever possible, in order to increase its effectiveness. In May 2021 the board formally adopted a diversity policy which applies across the group to promote and embed these principles.

As of the date of this report, the six member board comprises nationals of four different countries (Russia, Germany, the USA, and India) with a wide range of backgrounds and experience. At 31 December 2020 female representation on the board was at 20% of the total board membership and at 30 April 2021, 16.7% of the board and 33.3% of our iNEDs are women.

We are proud of the gender diversity of the group's general workforce with female employees comprising 26% of new hires and the percentage senior manager positions occupied by women at 32% in 2020.

The racial diversity of the board and senior management has improved in late 2020 and 2021. Almost 17% of each of the board and the exco are from black, Asian or minority ethnic communities (compared with zero in April 2020). The average age of our directors has reduced from 61 years to 58 years and of our exco from 56 to 50 years in the period from April 2020 to April 2021.

Please see page 34 in the sustainability section of this report for further details of the company's approach to diversity and equal opportunity.

NOMINATIONS COMMITTEE REPORT CONTINUED

SUCCESSION PLANNING
The committee is responsible for succession planning at the board and executive management level and sees good contingency planning as key to the continuity and future prosperity of the company.

In November 2020 we re-constituted our executive committee, which has been strengthened under the leadership of Denis Alexandrov. Denis has further enhanced his senior management team with a number of key appointments in early 2021; his business review (including a review of organisational design) is ongoing and we expect to announce its outcome, following detailed consideration by the board, later in 2021.

We have more to do to achieve the board's stated aim of creating a board of at least seven directors, of whom the majority are independent. A next task for the committee in the year ahead is to ensure that there are appropriate succession plans in place to enable the company to safeguard its strategic journey and continue to improve its governance.

EFFECTIVENESS OF THE COMMITTEE
The effectiveness of the committee was reviewed as part of the board evaluation process undertaken by an external facilitator during the second half of 2019. As a result of the extensive changes to the board throughout 2020 and into early 2021, there was little merit in carrying out an evaluation in the year under review. An assessment of the re-constituted and refreshed board and each of its committees is proposed to be carried out in 2021, by which time the new board will have had more opportunity to embed its ways of working and cement its internal operations and relationships.

RE-ELECTION OF DIRECTORS
The committee has considered the performance and contribution of the directors standing for election or re-election at the company's 2021 AGM and recommended to the board that each of the serving directors be put forward for election or re-election by the company's shareholders at the 2021 AGM. I am delighted that all of the directors have agreed to stand.

In accordance with the 2018 code, the reasons why the contribution of each director is, and continues to be, important to the company's long-term sustainable success are set out in more detail in the 2021 notice of AGM. There is more on the directors, including the distinct skills and experience each brings to the board, on pages 86 and 87. We hope to have your support for the election or re-election, as appropriate, of all.

James W. Cameron Jr.
Nominations Committee Chair
16 May 2021

AUDIT COMMITTEE REPORT

LETTER FROM THE AUDIT COMMITTEE CHAIR

DEAR SHAREHOLDER
This is my first report as chair of the audit committee. I joined the committee when I was first appointed to the board in November 2019 and became chair in September 2020. It was a turbulent time to take up the reins and I am grateful to my colleagues on the committee for their constant support, challenge and commitment throughout the past seven months.

Notwithstanding the disruption from mid-2020, the company was, at least, not significantly affected by COVID-19 in financial terms. In the early days of the pandemic the committee as then constituted reviewed the likely risks to the group arising from the spread of the disease and the mitigating steps to address it. Fortunately, and in part due to the actions taken, COVID-19 has not had a material financial impact on the group to date. The committee has considered the ongoing threat posed by the pandemic as part of its review of going concern and viability and has concluded that COVID-19 is not expected to affect our operations or results in any material respect going forward. There is more on this risk and the company's response on page 20 of this annual report.

There is a great deal for the committee to do and there is a clear opportunity and the drive to take significant steps to improve the company's financial systems, controls and processes. The committee has a key role in overseeing these improvements and is committed to doing so.

REVIEW OF THE COMMITTEE'S PRINCIPAL ACTIVITIES IN 2020

Appointment of the external auditor
In 2019 and early 2020, the committee managed a competitive tender process to identify and put forward for appointment a statutory external auditor for the company to replace Deloitte LLP who had carried out that role since 2009. The appointment process had been deferred for one year with the consent of the FRC and its outcome was that PwC were proposed for the role, subject to shareholder approval at the 2020 AGM. Deloitte did not participate in the tender process and, in their statement of reasons for not seeking re-appointment, highlighted their length of service and their perception of weaknesses in the group's internal controls and systems for financial reporting.

The resolution to appoint PwC as auditor was supported by a requisite majority of shareholders at the 2020 AGM. On 28 July 2020, PwC informed the company they would not be able to accept their proposed appointment. On 24 August 2020, PwC formally confirmed this decision, citing the significant changes to the board at the AGM, concerns over the governance environment and lack of clarity as to the future direction of the group. The RGM followed swiftly on PwC's initial communication, after which the committee was substantially refreshed.

Following various consultations with the FRC, the board conducted a tender to seek a new auditor. The pool of potential appointees as auditor was limited by current or former conflicts of interest and in September 2020 the committee invited three leading audit firms to tender, all of whom offered mining experience, a presence in Russia, and the capability to audit FTSE 250 companies. MHA MacIntyre Hudson were the sole firm which presented a proposal. Following further consultation with the FRC, the committee was pleased to announce their appointment for the year under review in September 2020.

As the tender process undertaken in September 2020 resulted in only one proposal being submitted, the committee has carried out a further tender process in 2021. The outcome of that process will be announced shortly and the appointment of the company's statutory auditor put to our shareholders for approval at the 2021 AGM.

Controls environment
As reported in the company's annual report for 2019, a review of the finance and internal audit functions had been undertaken in 2019 by EY. Key areas for focus in 2020 for finance included optimisation of its structure and enhancement of the company's budgeting, management accounting and financial reporting processes and its treasury function. Danila Kotlyarov was appointed CFO in February 2020 and implemented a number of improvements in processes during the year under review, including in relation to management accounting, forecasting and the automation of cashflow planning. Enhancements were also made in the company's consolidation process. Oversight of reporting processes at the mines was improved through the appointment of a finance lead with specific responsibility for those areas and the appointment of an interim Head of Finance in September 2020 provided additional resource.

Areas for improvement identified by EY for the internal audit function included increasing the size of the team, enhancements to the planning process, greater focus on assessing governance, controls and risk management and increased use of data analytics. An additional team member was appointed in 2020 and business intelligence software implemented.

Steps were taken in 2020 to begin to address the recommendations in EY's report and, as chair of the committee, I have maintained a regular dialogue with the CFO throughout 2020 and the year to date on this and other matters. Nonetheless, progress with the roll-out of these initiatives was hindered in the latter half of 2020 due to COVID-19 and the lack of cooperation experienced from the business.

The committee takes its responsibilities seriously to oversee the group's financial and internal control framework and it and the board shares Deloitte's concerns over control weaknesses. The continued focus on improving standards of governance across the group, including the introduction of more robust and up to date systems, will continue to be a priority for the company and the committee in 2021.

Risk
In the annual report for 2019 the board reported on the constitution of a risk committee in February 2020. That committee met in early 2020 to establish the parameters of its work in reviewing the group's risk management system. Following the RGM and the constitution of the current board, it has been decided that oversight of the group's risk framework would more appropriately sit with the audit committee in order to ensure a holistic view of the group's internal control and risk frameworks. The committee's terms of reference were updated to define its responsibilities in relation to risk management in May 2021 and we are looking forward to making significant progress in this area in the year ahead.

Publication of the H1 results
Work in preparing the results for the first half of 2020 had been severely hampered by the challenges faced by the board to appoint an external auditor. After the appointment of MHA in September 2020, the finalisation and release of the company's interim results for the period ending 30 June 2020 became an urgent priority. Progress with MHA's review of the results was slowed by COVID-19 related restrictions in access to sites and data, amplified by resistance from some senior employees in the operational businesses in co-operating with the interim CEO then in place. As the timelines became increasingly compressed the board decided to seek the consent of the 2022 noteholders to a waiver of the potential default should the company be unable to deliver audited results within the timeframes set out in the 2022 notes. The process to obtain that consent was run in tandem with the concerted effort of the finance function, the auditors and the committee to ensure that the results were ready and released by the operative deadline of 30 October 2020. Following several committee meetings at the end of October 2020, the half year financial results were approved for recommendation to the board by the committee and released to the markets on time.

Membership of the committee
As a consequence of the changes to the board following the 2020 AGM and RGM, the committee experienced significant turnover in 2020. Details of its composition throughout the year under review are on page 106. Maxim Kharin, although not independent, was seen

as an invaluable addition in light of his financial qualifications and background as well as his operational experience of gold mining in Russia. Malay Mukherjee was appointed to the committee in August 2020, when Katia Ray stood down for personal reasons, bringing with him significant experience of the commodities and mining industries, including in emerging markets.

The chairman of the board remained on the committee after taking up the chair's role until August 2020 to ensure that the committee had sufficient bandwidth but stepped down in light of his lack of independence and in compliance with the 2018 code.

Mikhail Irzhevsky joined us in April 2021 and we are already taking the benefit of his expertise in controls and governance, as well as his Russian audit committee experience. His appointment reflects the board's commitment to strengthen its numbers and put in place a board with the right skills and of the right size to fit the company. He joined at a busy time but his induction programme is well underway and he has spent time with the company's leadership and its auditor, building his understanding of the group and the relationships necessary to fulfil his role.

The committee is looking forward to the board's proposed visit to the mines later in 2021 to build on our knowledge and understanding of the group's operations in the Far East of Russia.

SIGNIFICANT JUDGEMENTS AND KEY AUDIT MATTERS

As part of its year-end review, the committee considered the significant judgements made by management in determining the financial results for 2020 and other key audit matters.
As part of this exercise, the committee reviewed the proposal to re-classify 29.9% of the group's holding in IRC as an asset held for sale. As negotiations were ongoing with several interested parties at the year-end and, as the disposal of this stake is expected to take place within 12 months of the date of this report, management has concluded and the committee agreed that 29.9% of the group's investment and the associated release of the group's guarantee of IRC's obligations under its financing facility with Gazprombank should be re-classified in this way.

The committee also considered the process for testing the group's production assets for impairment, including property, plant and equipment and exploration and evaluation assets. This took into account, among other things, the carrying value of assets, the company's market capitalization, any changes to assessments of recoverable amounts for principal assets, forecast production and exchange rates, the state and trends in the gold market and relevant risk factors including any from the COVID-19 pandemic. The reduced forecast sales volumes and increased production costs at Albyn resulted in a post-tax impairment charge of US$59.9 million. The group's provisions to meet its close-down and restoration obligations on closure of its mines were also reviewed, with a consequent increase in the group's asset restoration provision from US$36.2 million at 31 December 2019 to US$70.55 million at the end of 2020.

There is more on other significant judgements and key audit matters considered by the committee, including the valuation of the group's holding in IRC and the TEMI call option, later in this report.

GOING CONCERN

Management's going concern analysis assessed the implications of the group's guarantee of IRC's obligations to Gazprombank, projected cashflows and headroom over an extended period into 2022, the potential impact of COVID-19 on the group's operations, the group's financial covenants and other obligations and its access to capital, including in stress tested scenarios. After careful consideration of this analysis and discussion with management and the auditor, the committee recommended to the board that the going concern basis of accounting was appropriate for the financial statements for the year ended 31 December 2020.

ANNUAL REPORT

As in prior years, the committee oversees the reporting process in order to ensure that the information provided to shareholders in this annual report taken as a whole is fair, balanced and understandable and enables assessment of the company's position and performance, business model and strategy. The committee has also advised the board on the viability statement as required under the 2018 code.
In the report which follows the committee has sought to provide shareholders with an understanding of the work that we have done to provide assurance on the integrity of the 2020 annual report and financial statements. We have also included some brief details of our priorities for 2021, when the process of improving the company's internal controls and risk management systems will continue to remain key for its new management and this committee.

I hope that you will find this report informative.

Charlotte Philipps
Audit Committee Chair
16 May 2021

AUDIT COMMITTEE COMPOSITION AND MEETING ATTENDANCE

MEMBERS	FROM	TO	NUMBER OF MEETINGS IN 2020 – ATTENDANCE/ELIGIBILITY
Mr. Robert Jenkins (chairman to 30 June 2020)		30 June 2020	4/4
Mr. James W. Cameron Jr.		August 2020	4/4
Mr. Damien Hackett		30 June 2020	4/4
Mr. Harry Kenyon-Slaney		30 June 2020	4/4
Ms. Charlotte Philipps (chair from 20 September 2020)		Present	9/9
Mrs. Katia Ray	14 August 2020	23 August 2020	0/0
Mr. Maxim Kharin	14 August 2020	14 May 2021	3/5
Mr. Malay Mukherjee	23 August 2020	Present	5/5
Mr. Mikhail Irzhevsky	16 April 2021	Present	n/a

The biographies of audit committee members are provided on pages 86 to 87.

All directors of the company, the Chief Executive Officer, Chief Financial Officer, Group Head of Internal Audit and Group Head of Corporate Reporting are usually invited to attend scheduled committee meetings, as are representatives of the external auditor. In addition, the chair of the committee meets the CFO and, separately, the lead audit partner on a regular basis and prior to each scheduled committee meeting. She also has regular meetings with the Group Head of Internal Audit whose principal reporting line is to the chairman of the committee, with an administrative reporting line to the CEO.

The lead audit partner at MHA is Mr. Rakesh Shaunak. Mr. Shaunak is Managing Partner and Group Chairman and Chairman of the firm's London office and the southern region. He heads the firm's Financial and Natural Resources sectors and has been with MHA since 1995.

SUMMARY OF THE COMMITTEE'S ROLE AND RESPONSIBILITIES

The committee's terms of reference set out its main responsibilities and are available to view on the company's website.

The committee is responsible for:

- Monitoring the integrity of the company's financial statements and reviewing and reporting to the board on significant reporting judgements contained in them;

- Where requested by the board, reviewing the content of the annual report and accounts and advising the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;

- Where requested by the board, providing advice on how, taking into account the company's position and principal risks, the company's prospects have been assessed, over what period and why the period is regarded as appropriate;

- Advising the board on whether there is a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary;

- The appropriateness of the company's relationship with the external auditor, including auditor independence, fees and provision of non-audit services;

- The effectiveness of the external audit process, making recommendations to the board on the appointment of the external auditor;

- The effectiveness of the group's internal and financial controls;

- Oversight of the group's risk management framework;

- Monitoring and reviewing the effectiveness of the group's internal audit function;

- Leading the external audit tender process; and

- Reviewing the effectiveness of the company's procedures to detect fraud, monitor compliance and prevent corruption and report possible financial wrongdoing

In carrying out its responsibilities, the committee has full authority to investigate all matters within its terms of reference. Accordingly, the committee may:

- Obtain independent professional advice in the satisfaction of its duties at the cost of the company; and

- Have direct access to the resources of the group as it may reasonably require including the external and internal auditors.

THE COMMITTEE'S FOCUS DURING 2020

The committee met on nine occasions during the financial year. During the year, among other matters, the committee:

Financial statements and reports

- Received regular updates on the annual reporting process;

- Reviewed the 2019 annual report and the financial statements included in the interim report for the first six months of 2020, before recommending the adoption of each by the board. As part of these reviews the committee received reports from management and the external auditor, reviewed accounting policies, estimates and judgements applied by management in preparing the relevant statements and the transparency and clarity of disclosure contained within them.
- On behalf of the board, reported on whether the 2019 annual report and accounts, taken as a whole were fair, balanced and understandable; and

- Approved the report on the 2019 audit committee.

Risk management

- Considered the output from the group's financial and tax review process undertaken to identify, evaluate and mitigate risks, reporting to the board and advising the board of changes in these risks.

Internal audit

- Reviewed the plan of work for the internal audit function in 2020.

- Received reports from the Head of Internal Audit on audits undertaken by his team in reviewing the group's procurement and working capital management processes in the latter half of 2019 and its payables and advances in 2020.

- Received updates from internal audit on progress in addressing the recommendations raised in EY's review of the group's internal audit function in 2019, including additional resourcing and roll-out of data analytics software to support its work.

External auditor and non-audit work

- Reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditor;

- Agreed the terms of engagement for the audit of the 2020 financial statements; and

- Led a tender process for the appointment of an external auditor in early 2020 and a further exercise following which MHA were appointed in autumn 2020 for the financial year under review.

THE COMMITTEE'S WORK IN 2021 SO FAR

To date in 2021, the committee has:

- Welcomed Mikhail Irzhevsky as an additional member; and

- Carried out an tender process for the appointment of the statutory auditor to be put to shareholders for appointment at the 2021 AGM. The results of this tender will be announced and details included in the notice of meeting for the 2021 AGM.

The committee has also:

- Received regular updates on progress with the annual reporting process from management and the external auditor;

- Reviewed accounting policies, estimates and judgements applied by management in preparing the relevant statements and the transparency and clarity of disclosure contained within them;

- Considered and reported to the board on the viability statements included in and the going concern assumptions underlying these reports;

- On behalf of the board, considered whether the 2020 annual report and accounts, taken as a whole, are fair, balanced and understandable and reported to the board on its conclusion. The directors' statement in this respect is set out on page 141.

- Reviewed and approved this report on the audit committee for inclusion in this report.

The committee and the board are satisfied that the 2020 annual report meets this requirement, as appropriate weight has been given to both positive and negative developments in the year.

In substantiating this statement, the committee has considered the robustness of the process undertaken in creating the 2020 annual report, including:

- The process to review, evaluate and verify information received from the business to ensure accuracy and consistency;

- The committee's consideration of the external auditor's conclusions about the key audit risks that contributed to their audit report, in particular specifically the evaluation of provisions for close down, restoration and environmental obligations, the impairment of property, plant and equipment, the valuation of TEMI call option and the valuation of the company's investment in IRC; and

- The company's going concern and longer-term viability.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO THE 2020 FINANCIAL STATEMENTS.

The committee identified the issues listed on the next page as significant in the context of the 2020 financial statements, taking into the account the level of materiality and the degree of judgement exercised by management.

The committee has considered these issues in detail with management and the external auditor to ensure that the approaches taken are appropriate.

ISSUE	ACTION	CONCLUSION
Valuation of the IRC guarantees On 12 March 2019 Petropavlovsk's shareholders approved the provision by the group of guarantees in respect of IRC's US$240 million loan facility with Gazprombank. The amount outstanding under the Gazprombank facility as at 31 December 2020 was US$204 million. The company is required to value its liability for the provision of the guarantee, as well as the associated income stream of guarantee fee payments from IRC, in accordance with IFRS 9 Financial Instruments. The accounting valuations of these financial instruments is complex in respect of the applicable methodologies and inputs, some of which are not directly observable, and the determination of the asset and liability values. These take into account a number of factors, including whether the guarantee liability should be measured on the basis of 12-months expected credit losses (ECL) or lifetime ECL.	This has been addressed with the committee by: - The company engaging a third-party expert to determine a valuation of the guarantee liability and of the fee income asset as of 31 December 2020; - The committee receiving information from management; - The audit committee chair discussing the third-party findings with management; and - The committee reviewing and discussing this matter with management and with the external auditor.	The financial guarantee contract as at 31 December 2020 was recognised in the amount of US$11.9 million after provision for expected credit losses, in accordance with the IFRS 9 impairment model.
Classification and valuation of the company's investment in IRC *(See note 14 to the financial statements.)* Petropavlovsk holds a 31.1% interest in IRC. On 18 March 2020, the company entered into a non-binding agreement with Stocken Board AG for the disposal of 29.9% of its interest in IRC for US$10 million, subject to conditions precedent, including the release of the guarantees of IRC's obligations to Gazprombank. Throughout 2020, the group has continued to explore disposal options for the interest in IRC and engaged with several parties potentially interested in acquiring some or all of the group's holding, involving the release of the group's guarantees in respect of IRC's liability to Gazprombank. Management's view is that the disposal is expected to take place within 12 months of the date of this report and at the relevant assets are now held for sale. The carrying value of the investment in IRC has been re-measured based on its value in use immediately before its classification as held of sale as part of the 'disposal group'. 29.9% of the group's investment in IRC, together with the financial guarantee above, were then measured at the lower of carrying amount and fair value less costs to sell of the disposal group.	This has been addressed with the committee by: - Reviewing of the group's relationships with IRC and the key operational risks of IRC, together with the factors relevant to the determination of the value in use of the holding and the reversal of impairment applied in the valuation and challenging these; - Reviewing the factors relevant to management's assessment that the group's investment in IRC is held for sale as at 31 December 2020, including the 1.2% holding not included in the discussions with interested parties; - Reviewing and challenging the calculations performed by management to arrive at fair value less costs to sell for the relevant assets; and - Discussing the matter with the external auditor and seeking their views.	After consideration of management's analysis, the committee agreed with the conclusion that Petropavlovsk does not have de facto control over IRC and that the accounting treatment of IRC as an associate is appropriate. The committee has also agreed with management's assessment that classification of the 29.9% investment in IRC as part of the disposal group held for sale as at 31 December 2020 is appropriate and that the valuation of this holding, net of the financial guarantee liability and expected costs to sell, is US$34.3 million at 31 December 2020.

ISSUE	ACTION	CONCLUSION
Impairment of property, plant and equipment Determining the recoverable amounts for the group's cash generating units (CGUs) requires management to make significant judgements in particular regarding key assumptions of forecast gold prices, production volumes, reserves and resources in mine plans, cash costs and foreign exchange rates, operational risks and discount rates applied. Changes in these assumptions may lead to impairments or impairment reversals. Management carried out a review of its CGUs at 31 December 2020 for impairment and impairment reversal indicators and concluded that no impairment or impairment reversals were necessary in respect of its CGUs, save Albyn where a pre-tax impairment of an aggregate of US$74.9 million (giving rise to a post-tax impairment of an aggregate of US$59.9 million) was recorded.	This has been addressed with the committee by: - Reviewing in detail with management the impairment indicators taken into account and the assumptions underlying management's assessment; - Challenging the methodology and outcome of the stress testing undertaken by management; and - Seeking input from the external auditor and discussing this matter with it and management.	Taking the above into account the committee is satisfied with the management's assessment of potential impairment to the group's property, plant and equipment and that the impairment in respect of Albyn as a going concern unit is appropriate.
Valuation of the TEMI call option On 22 May 2019 Petropavlovsk purchased a call option of 25% equity stake in TEMI LLC ('TEMI') for an initial purchase price of US$13 million for the option and an exercise price of US$60 million. TEMI is the legal entity which holds the Elginskoye and Unglichkanskoye licences key to Albyn's future production. The valuation and accounting for the option is complex, involving significant judgements as to forecasted pricing, production, costs, risk and discount rates. Following changes to the group's long term mining plan and forecast at 31 December 2020, management has recorded a loss of US$11 million at the year-end, bringing the value of the call option to nil.	This has been addressed with the committee by: - Reviewing with management the work of a third-party expert engaged to value the option; - Reviewing the relevant controls over the valuation of the TEMI call option; - Challenging methodologies applied and assumptions used and the accounting treatment and accounting policy adopted; and - Discussing this matter with management and the external auditor.	In light of the significant effects of the increase in gold prices and anticipated production costs, the committee has agreed with management's assessment, giving rise to a $nil derivative financial asset as at 31 December 2020 and a loss recognised in the year of $11.0 million.
Evaluation of provisions for close down, restoration and environmental obligations The group has close-down and restoration obligations (including the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas) which arise on closure of its operations. The costs of compliance with these obligations are management's best estimates for work anticipated in the mine closure plan, discounted to net present value. Determination of the estimated timing and quantum of those costs in order to provide for them is an area of judgement and is reviewed annually. Following a detailed review of the group's obligations and state of preparedness to fulfil them at 31 December 2020, management proposed to increase the provision held by US$34.32 million to US$70.55 million.	This has been addressed with the committee by: - A review of the group's obligations in this regard; - The commissioning by the external auditor of a third-party expert to undertake, on behalf of the auditor, a review of the group's obligations and plan for site restoration, including key assumptions and provisions, the output of which was then discussed with management and the committee; - Challenging management's assumptions underlying its provisioning; and - Discussing this matter with management and with the external auditor.	Based on the group's obligations and input from the external auditor, the increase in the provision for close-down, restoration and environmental obligations to US$70.55 million is considered to be appropriate.

“ Reviewing the group’s risk framework...is a priority for the committee in 2021. ”

ENSURING INDEPENDENCE OF THE EXTERNAL AUDITOR
Non-audit services
The external auditor’s independence is deemed to be impaired if the auditor provides a service that:

- Results in the auditor acting as a manager or employee of the company or the group;
- Puts the auditor in the role of advocate for the company or the group; and
- Creates a mutuality of interest between the auditor and the company or the group.

The company addresses this issue through the following measures:

- The prohibition of selected services;
- Prior approval by the committee of non-audit services where the cost of the proposed service is likely to exceed £100,000. All other non-audit services are approved by the Chief Financial Officer; and
- Disclosure of the extent and nature of non-audit services to the committee at its scheduled meetings.

No non-audit fees were paid to Deloitte or to MHA in 2020.

The company has in place a policy on the provision of non-audit services by the group’s auditor. This policy will be reviewed as part of the overall review of governance commenced in 2020.

EFFECTIVENESS OF THE EXTERNAL AUDITOR
A review of the effectiveness of the external auditor appointed in September 2020 will be carried out in 2021.

Given the circumstances in 2020, a review of the effectiveness of Deloitte as outgoing auditor was carried out but not formally concluded.

AUDIT TENDER AND APPOINTMENT OF EXTERNAL AUDITOR
Details of the audit tender processes undertaken in 2020 are set out in the annual report for 2019 in respect of the process conducted largely in 2019. The process conducted in September and October 2020 is detailed in the chair’s letter on page 104.

Details of the audit tender process underway in 2021 will be provided in the annual report for 2021.

The company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 December 2020.

INTERNAL AUDIT
The internal audit function supports the audit committee. It also aims to raise levels of understanding and awareness of risk and control throughout the group.

The Group Head of Internal Audit reports to the chairman of the committee, with a ‘dotted’ or administrative reporting line to the Chief Executive Officer. The chairman meets regularly with the Group Head of Internal Audit ahead of committee meetings to discuss his reports and matters arising from them.

CONFIDENTIAL MEETINGS
With effect from early 2021, the committee has scheduled regular meetings with each of the external auditor and Group Head of Internal Audit (together and independently but without other members of management present) in order to give each auditor and the committee the opportunity to raise any issues and discuss matters openly and in confidence.

RISK MANAGEMENT
The board has ultimate responsibility for setting the group’s risk appetite, supported by the audit committee in relation to financial risks, the remuneration committee on remuneration related risks and the SSW committee in relation to sustainability risks. The audit committee oversees the group’s risk management framework and the exco is responsible for the identification, assessment and management of risk on a day-to-day basis. See page 68 for more on the group’s risk management framework.

ASSURANCE – FINANCIAL AND INTERNAL CONTROLS
The committee operates within the assurance framework established by the board and its committees.

In its annual report for 2019, the company reported on a review undertaken of its finance and internal audit functions in response to control issues raised by Deloitte as then auditor during the 2019 year-end audit. This review identified a number of areas for improvement including in planning, budgeting and management accounting and the lack of automated systems in place in these areas. Although some improvements were effected in these areas, progress was impeded by the turbulence experienced in mid-2020.

The board constituted a risk committee in 2020 tasked with reviewing the group’s risk management framework. A Head of Risk has been appointed from among senior management and in 2020 he was incentivised, through his variable remuneration, to review and propose improvements to the group’s risk management framework in 2020. Progress with this objective was limited in 2020 due to the state of relations with the businesses and this is a priority for the committee in 2021 As stated on page 104, with effect from May 2021, the committee has re-assumed oversight of the group's risk management systems.

In early 2021, the committee considered and reviewed the group's financial risks and the mitigating actions to address these and has reported its conclusions to the board.

The group's system of controls is designed to manage, but may not eliminate, the risks of failure to achieve the group's objectives. Assessment, monitoring, management and escalation of risks to which the group is exposed is the responsibility of the exco, which also develops and recommends the risk management framework for approval of the committee and monitors compliance with it.

Together with the general review of governance started in 2020 and continuing in 2021, the group's risk management framework and other internal controls will be subject to scrutiny by new management to ensure that they are appropriate and effective. Any re-alignment of the risk management framework following the business review underway in 2021 will be considered first by exco before recommendation to the committee and the board. In the meanwhile, internal audit and the committee continue to play a key role in the management of risk.

For IRC, the company operates controls over the inclusion of its financial data in this report but places reliance upon the systems of internal control operating within IRC and the obligations upon IRC's board relating to the effectiveness of its own systems. IRC ceased to be a subsidiary of the company and became an associate on 7 August 2015.

Some key features of the internal control system, not detailed above, are:

- A defined governance structure with clear accountabilities, including terms of reference for the exco and other management committees. The CEO has already made a number of changes to his leadership team and is currently reviewing the organisational structure to ensure it is aligned to and supports the group's strategy. Any changes are expected to be agreed and announced as appropriate in the second quarter of 2021.
- The delegation of authorities, with approval limits for all expenditure. The board keeps the group's delegation of authority under review. A revised delegation of authority for the company was put in place following the appointment of the CEO and is now in operation across the group.
- Board approval of a group annual operating and capex budgets;
- Preparation and dissemination to the board of monthly management reports, including updates on production, health and safety and key operational matters, management accounts, a treasury report and variance analysis against the approved annual budget;
- Segregation of duties throughout the group, in particular separating purchasing and ordering functions from processing and payments functions. As above, the group structure is currently under review by the CEO who has already identified that improvements in the group's procurement practices are required;
- The group's treasury function which reports the CFO and manages the company's cash and debt on a daily basis; and
- Specific procedures to identify related parties and approval of all related party transactions, also under review in 2021.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The company's internal control system over its financial reporting process includes, but is not limited to, the following key components:

1. The group's overall control environment and culture, as evident in:

- Communication and enforcement of the group's standards and values;
- The composition and work of the audit committee, comprising iNEDs as at the date of this report, with responsibility for ensuring sound systems of internal controls and risk management, including controls over financial reporting;
- The group's governance and policy framework, including its anti-bribery policy and speak up (or whistleblowing) policy;
- The hiring, motivation and retention of qualified, skilled, and experienced personnel, including those carrying out key financial reporting, accounting and IT functions;
- The appointment of external experts to provide oversight and advise on best practice, including, by way of example, KPMG as forensic investigator pursuant to Resolution 19 and PwC Advisory in their review of the group's financial reporting framework and processes and transactions undertaken; and
- The establishment of responsibility, authority and reporting lines within the company and the group.

2. The company's risk management system, the function of which is to promote awareness and proactive action at all levels of financial reporting.

3. Information systems and related embedded controls designed to automate processes and reduce human error. These controls include data integrity controls, regular backups, security measures and restricted rights to access, alter and delete programs.

4. Control activities implemented to provide additional assurance, such as transaction authorizations, regular reconciliation and crosschecks and internal audits, in addition to management oversight of the reporting process.

As reported elsewhere in this annual report, the group proposes to introduce more robust and up-to-date systems to further enhance the group's control framework, the collection, collation and reporting of data and the audit committee's ability to monitor the group's internal quality control and risk management systems.

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDER

On behalf of the board, I am pleased to present the directors' remuneration report for the year ended 31 December 2020. 2020 was the first full year in which I served on the committee. I was appointed its chair in August 2020 and was joined by my colleagues, Malay Mukherjee later in August that year and by Mikhail Irzhevsky in April 2021. The committee now comprises three independent non-executive directors.

COMPENSATION IN 2020

As noted elsewhere in this report, 2020 was a year of turbulence for the leadership and management of the company. The company's new CEO and other key executive appointments were made towards the end of 2020. The committee reviewed their remuneration on appointment and approved it within the terms of the policy in place. Long-term incentive awards were granted to four senior employees, including the CEO, in December 2020 under the company's new long-term incentive plan which had been approved at the 2020 AGM. Relative TSR was considered an appropriate gauge of performance for the awards and, with input from the company's brokers and its remuneration advisers, a bespoke comparator group was chosen relevant to the company and its markets. There is more on the long-term incentive awards granted in 2020 on page 126 below.

The committee considered the outturn of the annual bonus plan for 2020 for senior management, including the CFO. In light of the corporate upheaval in the second half of 2020 and given that achievement against a number of strategic targets in 2020 had been disappointing, the committee concluded that it would not be appropriate to pay bonuses in respect of 2020 and exercised its discretion in this regard. No bonuses will be paid to senior management under the annual bonus plan for 2020. Disclosures of the performance achieved in respect of targets set is on page 133 of this report.

In accordance with the revised reporting requirements, this is the first year in which this report includes the remuneration of any person designated as CEO during the year under review, including interim or deputy CEOs and covering periods when that person was not on the board. Two persons held roles as deputy or interim CEO in 2020. Alya Samokhvalova was Deputy CEO from the beginning of the year until June 30 and from 10 August until October 2020. Maksim Meshcheryakov was Interim CEO from 17 August until 30 November 2020. Neither received an annual bonus or LTI award for 2020.

COMPENSATION FOR THE NEW CEO

Denis Alexandrov joined the company in demanding circumstances. The executive team was much reduced. The company and the board were experiencing significant resistance from some senior employees and former employees, some of whom had initiated legal actions against the company. The board had articulated priorities including reducing costs, improving controls and raising standards of governance, all designed to be additive to the company's KPIs in seeking to deliver greater value to all shareholders. Denis is a highly-experienced executive with a track record of success in the gold mining sector in Russia. He has a proven ability to unify management, effect transformational change and drive performance. The remuneration terms agreed with him reflected (i) the demands of and considerable corporate and personal risks implicit in the role, as evidenced by spurious criminal actions brought against the Interim CEO (now closed and with no charges being brought); and (ii) the competitive market in which the company operates for talent. A significant portion of the CEO's pay is dependent on his performance.

Since his appointment, Denis has been key in stabilising the operations and progress with the board's priority of improving governance and controls. His compensation is within the terms of the policy in force. In order to facilitate his recruitment, several elements of his overall remuneration were agreed subject to our obtaining shareholder support for them at the 2021 AGM. We consulted major shareholders on these proposals in early 2021.

There is more on (i) the CEO's terms of employment and compensation in the annual report on remuneration at pages 128 to 129; and (ii) on the elements of his remuneration which require shareholder approval at pages 113 and 114 below.

REVIEW OF THE REMUNERATION POLICY

A revised directors' remuneration policy was put to shareholders for approval in 2020, in relation to which the former chair of the committee had undertaken a consultation exercise. At the time the committee had received indications of support. The 2020 policy was not approved by the requisite majority at the 2020 AGM. In order to understand better the drivers of this outcome, we consulted major and some larger retail shareholders. The feedback indicated that a number of shareholders had voted against the 2020 policy to express their disapproval of incumbent management and the then board, rather than on account of the 2020 policy itself. The 2021 policy was developed by the committee to ensure it remained fit for purpose and reviewed by its remuneration adviser who confirmed that the revisions proposed in the 2021 policy to be used on an ongoing basis in future years are aligned with good practice and investor group recommendations.

Aside from the arrangements specific to the CEO in 2021, the principal refinements to the former policy which shareholders are asked to support in 2021 are:

LONG-TERM INCENTIVE PLAN

The committee is proposing to increase the maximum annual award under the LTIP from 100% to 150% of salary to better reflect market practice at sector comparators and across the FTSE more broadly. While under the existing policy the maximum can be increased to 150% in the year of an employee joining, under the proposed new policy this maximum will apply in any circumstance, including recruitment.

Given the company's shareholder base, the board changes in 2020 and the need to ensure a level of protection for participants against future similar events, three changes are being proposed to the LTIP rules: (i) an update to the leaver provisions to include in the definition of 'good leaver' a participant who resigns, or whose employment is terminated, within 6 months of a controlling shareholder becoming obliged to make an offer for the company; (ii) the removal of the 'automatic' exchange of awards on a change of control; and (iii) a change to the definition of 'Transaction Event' to include the shares ceasing to be premium-listed on the London Stock Exchange. We will seek shareholder approval of these changes to the LTIP rules at the 2021 AGM.

ANNUAL BONUS

The maximum opportunity under the annual bonus is proposed to be increased to 150% of salary (currently 100%, save in the first year of joining), to help ensure the overall remuneration package is appropriately focused on variable pay elements and is competitive with that of sector comparators. The revised maximum will apply in all circumstances, including recruitment. Payout of any bonus earned in excess of 100% of base salary will be deferred for a period of up to two years. Malus and clawback will apply for up to two years following vesting.

POST-TERMINATION SHAREHOLDING REQUIREMENT AND PENSION ALIGNMENT

In line with current best practice, the committee proposes to introduce a post-termination shareholding requirement for executive directors. Executive directors will normally be expected to maintain a holding of shares for two years from ceasing to be a director, equal to the in-post shareholding in guideline in force at the relevant time (currently 150% of salary). The specific application of this requirement will be at the committee's discretion. This requirement will apply to share awards granted under the policy from the 2021 financial year. There will be no requirement to hold shares post-termination which have been purchased independently by the executive.

In line with best practice, the company seeks to ensure that pension contributions made in respect of executive directors will be aligned with local market norms. Accordingly, an executive director based in the UK would receive a pension contribution no higher (as a percentage of salary) than that provided to the UK workforce (currently 12.5% of salary). However, local regulation may dictate how and in what quantum payments in respect of pension are made. In Russia, the company is currently obliged to make social tax contributions to the state pension fund at a rate equal to a set percentage of salary. These payments are a tax rather than a contribution to the individual's pension pot and their quantum does not affect what the executive ultimately receives on retirement. We have included details of their operation for completeness and the sake of transparency.

The revised policy and practices remain consistent with Provision 40 of the 2018 code:

- The policy is clear, simple and easy to communicate and understand;

- Its design reflects the company's risk appetite; the mandatory bonus deferral and the LTIP holding periods, shareholding requirements and malus and clawback provisions support long-term decision-making and discourage excessive risk-taking;

- Incentives are appropriately capped and the pay mix is in line with market norms; and

- Performance measures are aligned to the company's strategy and culture, particularly around health and safety.

IMPLEMENTATION OF PROPOSED POLICY IN 2021

Having joined in December 2020, Denis Alexandrov's salary in 2021 will remain at US$1,200,000 (GBP: £936,000 at the average exchange rate for 2020). Denis's employing company in Russia makes mandatory social tax contributions to the Russian state pension fund in respect of Denis at a rate equal to 22% of his salary up to 1,465,000 roubles and thereafter at 10% of salary. Denis is entitled to receive private health and life insurance, although those benefits are not yet in place.

Denis has the opportunity to earn an annual bonus of up to 150% of salary, subject to meeting certain key objectives. Fifty percent of his annual bonus is measured against his stabilising the organisation, establishing a new cohesive leadership team and addressing and resolving a number of governance issues embedded under former management. The remainder of his annual bonus will be determined by reference to the medium and long-term strategy for the company. This will include cost reduction, production volumes, strengthening the balance sheet and organisational improvements, including in controls, all being measures aligned to the group's short-term strategic priorities. Further details of the 2021 annual bonus measures are provided on page 128. The precise targets are considered commercially sensitive but will be disclosed, together with achievement in respect of them, in the annual report for 2021. Subject to the revised policy being approved, the payment of any bonus earned by Denis in excess of 100% of salary will be deferred and paid in equal instalments after one and two years.

The CEO is expected to receive an LTIP award in 2021. If the 2021 policy is approved, the grant is expected be made in or around July 2021 at a value equal to 150% of salary, with vesting determined by the company's TSR relative to the bespoke mining peer group. The three year performance period will commence on 1 January 2021, followed by a two-year post-vesting holding period. If the 2021 policy is not approved, the LTIP award for 2021 will be at 100% of salary in accordance with the remuneration policy currently in force.

In addition to the changes to the maximum opportunities available to the CEO under the annual bonus plan and long-term incentive plan, the company is seeking shareholder approval at the 2021 AGM to grant to the CEO options over a number of shares in the company equal in value to 1.5% of the company's issued share capital. If approved, these options will be granted in three equal tranches: the first as soon as possible following approval and the two remaining tranches on or around 1 December 2021 and 1 December 2022, respectively. The exercise price for the options is £0.272, being the average share price in the 20-day period prior to Denis joining the company. Options will vest and become exercisable as soon as possible after grant and are subject to a mandatory two-year holding period. Further detail on the rationale for the proposed plan is included on page 114.

No changes are currently proposed to the fees payable to the company's non-executive directors in 2021. The non-executive directors on the board in 2020 (including the Chairman) committed considerable time and attention to the affairs of the company in 2020 and received no additional fees for doing so.

IMPACT OF COVID-19 ON REMUNERATION

The committee is very aware that the COVID-19 pandemic continues to affect decisions of remuneration committees globally. Like those of so many organisations, our employees have had to make a number of operational adjustments to keep the company's business running during the pandemic and we are very grateful to them. Although COVID-19 has undoubtedly hampered some of the company's strategic priorities, such as the commissioning of the Pioneer flotation plant, the lack of cooperation and disruptive actions of certain members of former management were a greater block to progress in 2020. It has not been necessary or appropriate to reduce the remuneration of our executive team or make changes to the performance conditions or grant cycle of our variable pay structures. We are hopeful that, with the roll-out of vaccination programmes, 2021 will see a return to a more normal working pattern for our employees and suppliers. It is too early to say. We are not complacent and will, of course, continue to keep this under close review.

I hope that you find this report to be clear and informative. The committee would welcome engagement should you have any questions or comments on any aspect of this year's report, including the 2021 policy.

We hope to have your support at the forthcoming AGM.

Charlotte Philipps
Remuneration Committee Chairman

16 May 2021

CONTENTS OF THIS REPORT:
This report sets out:
- details of the proposed 2021 remuneration policy for executive and non-executive directors.

- the proposed implementation of the 2021 policy for the year ending 31 December 2021; and

- the amounts paid to executive and non-executive directors during the year ended 31 December 2020. Those payments were made under the policy currently in force, approved at the 2018 AGM.

The report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It has been prepared in line with the recommendations of the 2018 code and the requirements of the listing rules.

CHANGES TO REMUNERATION POLICY
The company is seeking shareholder approval for a revised remuneration policy and updated LTIP rules set out in this section, at the annual general meeting to be held on 30 June 2021.

This remuneration policy represents a refinement of the company's existing arrangements, rather than a significant change to its structure.

The main changes to the policy as compared with the 2018 policy are as described in the committee Chair's letter and as follows:

LTIP:
- An increase to the maximum annual award from 100% to 150% of base salary,
- An update to the definition of 'good leaver' to include a participant who resigns, or whose employment is terminated, within 6 months of a controlling shareholder becoming obliged to make an offer for the company;
- The removal of an 'automatic' exchange of awards on a change of control; and
- The definition of 'Transaction Event' to include the shares ceasing to be premium-listed on the London Stock Exchange.

Annual bonus:
- An increase to the maximum opportunity from 100% to 150% of base salary;
- For any amounts in excess of 100% of base salary, mandatory deferral in cash or shares for a period of up to two years;
- Eligibility:
  - Maximum incentive opportunities apply to existing and new executive directors, whether an internal promotion or external hire; and
  - Although the policy is strictly only applicable to directors, it will be applied to all senior managers of the company and targets will be cascaded down to relevant subsidiaries. Following a restructuring of the HR department in Moscow in 2021, 2021 will be the first year where targets are effectively aligned between management and the wider workforce.

Post-exit shareholdings:
- Departing executive directors are expected to hold shares equivalent to 150% of salary for a period of two years from the date the individual ceases to be a director.

BESPOKE SHARE OPTION PLAN FOR CEO
Approval is also sought for a one-off share option plan (the 'bespoke plan') and the awards under it to be made to the CEO, as agreed by the company subject to shareholder support, in order to secure his recruitment. The CEO joined the company at a time of considerable instability. The risk to his personal and professional safety were tangible and the future of the company was not clear. The company agreed to the bespoke plan to secure the services of a highly-professional, energetic CEO with a track record in the industry and in the region and to reflect the unique risks to which the incoming CEO was exposed.

Under the bespoke plan, if approved, an award of options will:

- Be made to the CEO over a number of shares equal in value to 1.5% of the company's share capital;
- Be granted in three equal tranches, awarded as to one-third as soon as possible post approval and the two remaining tranches on or around 1 December 2021 and 1 December 2022, respectively;
- Be exercisable at a price of GBP£0.272, being the company's average share price over the twenty days preceding the date of the CEO's appointment;
- Vest on grant or as soon as possible thereafter and be exercisable for a period of up to ten years from grant;
- Be satisfied using market purchase or new-issue shares, as the committee determines;
- Be subject to a two-year post-vesting holding period;
- Be subject to rights of clawback and withholding; and
- Not be pensionable.

At the 2021 AGM, shareholder approval will be sought to the terms of the remuneration policy and, separately, to the bespoke plan. As a one-off instrument, the bespoke plan does not form an ongoing part of the policy and thus separate approval for it is being sought. For the avoidance of doubt, should shareholders approve the 2021 policy but not the bespoke plan, the remuneration policy will be deemed to have been adopted without the inclusion within it of any reference to the bespoke plan.

POLICY TABLE

Remuneration element:	**Base salary**
Purpose and link to strategy	To provide a market-competitive level of guaranteed cash earnings in order to attract and retain high-calibre executive directors to manage and execute the board's strategic plans.
Operation	The committee reviews base salaries annually. Salary increases typically take effect from 1 January each year, unless there is a significant change in the responsibilities of the role. Reviews take account of: - The individual performance of the executive director, his or her experience, skills and potential; - The challenges intrinsic to that individual's role; - Market-competitiveness within the group's sector; - Salary increases across the wider employee population; and - The wider pay environment. Salary is the only element of remuneration that is pensionable.

Maximum opportunity	There is no prescribed maximum salary. It is generally expected that increases will be no higher than inflation in the country in which the executive is based and no higher than that provided to the wider workforce, although the committee has the discretion to apply a higher increase in exceptional circumstances, e.g. significant increase in role size or complexity; promotion; exceptional performance or any other factors the committee considers relevant within the context of the company's remuneration policy.
Performance metrics	Not applicable, although the individual's contribution and overall performance is one of the considerations in determining the level of any salary increase.

Remuneration element:	**Benefits**[1] (see page 117)
Purpose and link to strategy	To provide market-competitive benefits to ensure that the overall remuneration package is competitive.
Operation	Benefits may include (but are not limited to): - Private medical insurance for the individual and his or her family; - Life assurance up to 4x salary, subject to underwriting; - Ill-health income protection; and - Travel insurance while on company business. Other benefits may be provided at the discretion of the committee based on individual circumstances and business requirements, such as appropriate relocation allowances and support.
Maximum opportunity	The cost of these benefits to the company is dependent upon market rates and availability of the respective benefits.
Performance metrics	Not applicable.

Remuneration element:	**Pension**
Purpose and link to strategy	To provide market-competitive pension benefits in line with the wider workforce while ensuring no undefined liability for the company.
Operation	Executive directors may receive contributions from the company into a personal pension plan or similar savings vehicle.
Maximum opportunity	A maximum company contribution of up to 12.5% of salary, depending on: (a) jurisdiction, (b) length of service, can be made to a personal pension arrangement with a minimum contribution from executive directors of 3% of salary. The individual may instead receive, in part or in whole, cash in lieu of pension, provided by way of a salary supplement. These arrangements depend on the individual circumstance and residence of the executive director concerned and may be exceeded if mandated by local regulation relevant to the individual's employment. The CEO does not currently receive any personal pension benefits from the company or the group, mandatory social tax contributions being made by his employing company to the state pension fund in Russia at the prevailing rate in effect.
Performance metrics	Not applicable.

Remuneration element:	**Annual bonus**
Purpose and link to strategy	To ensure a focus on, and provide a financial incentive for, the delivery of the group's annual budget and other short-term financial and strategic imperatives. The deferred element aligns the interests of executive directors and shareholders and supports retention.
Operation	Performance measures and targets are set by the committee with the bonus payable determined by the committee after the year-end, based on achievement against the pre-determined targets. Payment of any bonus earned in excess of 100% of base salary will be mandatorily deferred (either as cash or in shares) for up to two years. The committee retains the discretion to allow dividends (or equivalent) to accrue over the vesting period where deferral is in shares. Malus and clawback provisions may be applied for up to two years post-payment (or post vesting for any element deferred in shares). Clawback may also be applied in exceptional circumstances of material misconduct, material misstatement of the results, serious reputational damage, calculation error and/or corporate failure. Please also refer to footnote 1 on page 117.
Maximum opportunity	Maximum bonus opportunity is 150% of salary. Maximum bonus is awarded on meeting 100% of the stretch target(s) set for the year. A partial bonus is payable for performance within an acceptable range below the stretch target(s) with a pro-rata bonus earned for performance between this 'threshold' and the stretch target.

Performance metrics	Performance is assessed against a range of strategically important measures which may vary each year depending upon the annual priorities of the group. It is the committee's current intention that the bonus is entirely linked to the achievement of financial and strategic objectives, which may include measures such as: - Reductions in LTIFR or other HSE related goals; - Improvements in ESG ratings or performance; - Levels of annual gold production; - Reductions in Total Cash Costs ◆ - Reduction in All-in Sustaining Costs ◆ - Net debt◆; - Free cashflow; - Balance sheet strength; - Successful refinancings; - Delivery of strategic projects or initiatives on time and within budget; and/or - Exploration success. Details of the measures applicable for the financial year under review are provided in the annual report on remuneration. The bonus scheme is not a contractual entitlement. The bonus is payable at the discretion of and subject to the approval of the committee which decides on the maximum opportunity for any given year, subject to the maximum in the remuneration policy. The committee has discretion to take into consideration the underlying performance of the group when determining bonus outcomes. The committee may also include a discretionary reduction in the annual bonus plan to capture material adverse events, e.g. material events relating to health and safety and reputational damage.
Remuneration element:	**Long-Term Incentive Plan Award**
Purpose and link to strategy	To reinforce long-term shareholder alignment through annual awards of performance shares vesting only on the satisfaction of challenging long-term performance targets.
Operation	Awards of conditional shares and/or nil-cost options, the vesting of which is subject to continued employment and performance against relevant metrics measured over a period of at least three years. If no entitlement has been earned at the end of the relevant performance period, awards will lapse. A proportion of vested awards may, at the discretion of the committee, be subject to a holding period following the end of the three-year vesting period. The committee's current intention is that all awards will be required to be held for an additional two-year period post-vesting, during which time such shares may not be sold except to cover tax liabilities. The committee retains the discretion to allow dividends (or equivalents) to accrue over the vesting period in respect of the awards that vest. Malus and clawback provisions may be applied for up to two years post-vesting. Clawback may apply to material misconduct, material misstatement of results, calculation errors, serious reputational damage and/or corporate failure. Please also refer to footnote 1 on page 117.
Maximum opportunity	The maximum annual award is 150% of salary, with actual award levels determined annually based on business circumstances at the time, individual performance at the date of grant and at the committee's discretion. Threshold performance will result in vesting of no more than 30% of the award.
Performance metrics	The committee will regularly review the performance conditions and targets to ensure that these are aligned to the group's strategy and that they are sufficiently challenging. The relevant metrics and the respective weightings may vary each year based upon the company's strategic priorities. Details of the measures, weightings and performance targets used for LTIP grants made are disclosed in the annual report on remuneration for the relevant year. The committee has the discretion to take into consideration the underlying performance of the group, as well as any material adverse events (e.g. material events relating to health & safety and environment and reputational damage), when determining LTIP vesting.

Remuneration element:	**Bespoke Share Option Plan[2]**
Purpose and link to strategy	To recruit and retain Denis Alexandrov, who was identified as the best candidate to drive the group's strategy and unify management, against a background of significant corporate instability and great risk, both personal and professional.

Operation	An award of options will be made under a bespoke plan over a number of shares equal in value to 1.5% of the company's share capital. The exercise price for the options is GBP£0.272, being the average price of shares over the 20-day period up to the date when the CEO joined the company. The award will be made in three equal tranches, granted: (a) one-third as soon as possible following the 2021 Annual General Meeting, and (b) two remaining thirds on or around 1 December 2021 and 1 December 2022 respectively. Each tranche awarded will vest and become exercisable on grant or as soon as possible thereafter. Options remain exercisable for up to ten years from grant. The shares under award will be subject to a two-year post-vesting holding period and under the rules of the bespoke plan, be subject to rights of clawback and withholding.
Maximum opportunity	A number of shares in the company equal in value to 1.5% of its share capital at grant.
Performance metrics	Not applicable.

1: Given the international nature of the group's business, nature of the benefit which the company makes available and the company's ability to operate and/or enforce certain provisions and remuneration arrangements such as malus and clawback may be restricted by applicable local laws.
2: The bespoke plan will be subject to a discrete resolution at the 2021 AGM. If the bespoke plan does not receive the support of more than 50 percent of the shareholders who vote, the 2021 policy will be deemed to have been adopted without the inclusion within it of any reference to the bespoke plan.

The committee reserves the discretion to make minor amendments to the 2021 policy without the need to seek shareholder approval. Any such changes will be reported to shareholders in the following year's AGM.

PAYMENTS FROM PREVIOUSLY AGREED REMUNERATION ARRANGEMENTS
The committee reserves the right to make any remuneration payments, notwithstanding that they may not be in line with the policy, where the terms of the payment were agreed either before the policy came into effect or at a time when the relevant individual was not a director of the company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the company. This does not apply to pension benefits (if any) for new appointments to the board. Details of any such payments will be set out in the annual report on remuneration for the relevant year.

EXPLANATION OF PERFORMANCE METRICS CHOSEN
Performance targets are set to be SMART, namely:
- Specific;
- Measurable;
- Attainable;
- Relevant; and
- Time-based.

Measures will reflect the group's strategic priorities, longer-term sustainable growth in shareholder value and the environment within which the group operates. In setting performance targets the committee takes into account reference points such as the group's long-term mining plan, budgets and operational plans and may choose to measure performance against the company's peers.

Objectives for the annual bonus plan are selected to promote delivery of the company's shorter-term priorities within the wider context of the group's long-term strategy and corporate responsibilities. Other annual objectives may be selected to reflect specific events or circumstances which the company needs to address, the company's key financial or sustainability metrics, further exploration success or the delivery of specific strategic projects and to reward their achievement. The committee retains the discretion to adjust performance measures and targets where it considers it appropriate to do so (for example, to reflect changes in the structure of the business and to assess performance on a fair and consistent basis from year to year).

REMUNERATION POLICY FOR OTHER EMPLOYEES
Most of the group's employees are based in Russia with the majority of the employees at the group's mines in the Amur region in the far east of Russia, while corporate, administrative and support staff are based at the group's offices in Blagoveshchensk, Moscow and London. The group aims to ensure that employees are paid competitively within the region they work in. Employees based at the group's mines receive base salary, with the opportunity to receive bonuses as applicable to their role, together with certain benefits.

Members of the executive committee and other senior employees may be invited to participate in the LTIP in order to have the opportunity to share in the group's success and to align their interests with those of the executive directors and shareholders. LTIP performance conditions will be the same for all participants, while award sizes will vary according to level of seniority and individual performance.

The key difference between executive directors' (and exco members') remuneration and that of other employees is that, overall, the policy for the former group is more heavily weighted towards variable pay.

Given that the vast majority of employees and workers of the company are based in a remote region of Russia, the company does not have an all-employee share ownership plan. The board believes it more appropriate and beneficial to the general workforce to reward employees below senior employee level with bonus payments, based on the achievement of targets that are relevant and meaningful to them and which they can influence, cascading strategic objectives to the extent possible and relevant.

SHAREHOLDING GUIDELINES
Executive directors are expected to build up a shareholding equivalent to 150% of their salary, typically over a five-year period commencing on the date of their appointment to the board. With effect from the 2021 AGM and assuming approval of the 2021 policy, executive directors will be subject to a post-exit shareholding requirement under which they will normally be expected to maintain a holding of shares at a level equal to the in-post shareholding requirement (currently 150% of salary) for two years from the date of ceasing to be a director. The application of this shareholding requirement will be at the committee's discretion.

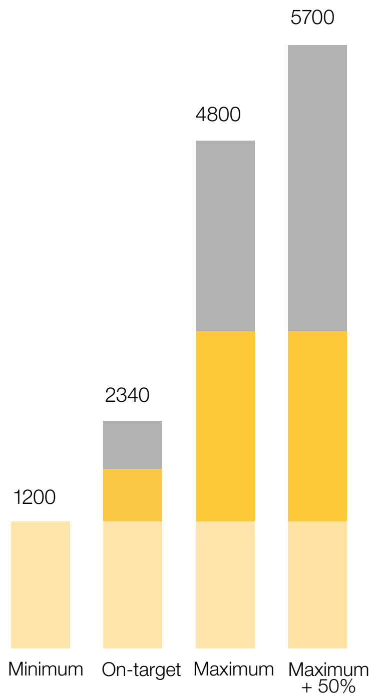
Directors' holdings are disclosed on page 132.

ILLUSTRATION OF THE APPLICATION OF THE REMUNERATION POLICY

The chart on this page provides an estimate of the potential future reward opportunities for the Chief Executive Officer based on the remuneration opportunities expected to be granted in 2021.

This chart excludes the effect of any appreciation in the price of shares except in the 'Maximum+50%' scenario. The values included in this graph are based on the forward-looking policy and do not include the award under the bespoke plan proposed to be granted to the CEO in 2021 as it is one-off in nature. No values are included for benefits as the CEO does not currently receive any.

Chief Executive Officer



% of total remuneration

	Minimum	On-target	Maximum	Maximum + 50%
Multi-year variable	0.0%	23.1%	37.5%	47.4%
Single-year variable	0.0%	25.6%	37.5%	31.6%
Fixed pay	100%	51.3%	25.0%	21.1%

Key
- Multi-year Variable
- Single-year Variable
- Fixed pay

ASSUMPTIONS

PERFORMANCE SCENARIO	INCLUDES
Minimum	Salary plus benefits. No bonus payout No vesting under the LTIP
'On-Target' *Note: The policy does not define a 'on-target' level of performance; percentages used here are illustrative*	Salary plus benefits. 50% of maximum annual bonus opportunity (i.e. 75% of salary) 30% of maximum vesting under the LTIP (i.e. 45% of salary)
Maximum	Salary plus benefits. 100% of maximum annual bonus payout (i.e. 150% of salary) 100% of maximum vesting under the LTIP (i.e. 150% of salary)
Maximum +50%	Salary plus benefits. 100% of maximum annual bonus payout (i.e. 150% of salary) 100% of maximum vesting under the LTIP, plus 50% share price appreciation

APPROACH TO RECRUITMENT AND PROMOTION

Save in exceptional circumstances, the committee aims to set pay for new executive directors within the existing policy and to ensure that the company pays no more than is market customary to appoint individuals of an appropriate calibre. In exceptional circumstances (such as those applicable to the company at the time of the appointment of Denis Alexandrov) it may be necessary to agree exceptions to the policy subject to shareholder approval in order to recruit the best person for an executive role.

REMUNERATION ELEMENT	POLICY
Base salary	Salary for a new executive director, whether an internal promotion or external hire, is set at a level sufficient to attract the best candidate available to fill the role, taking into account the group's position and prospects, strategy, market conditions and country of residence. The committee is prepared to set the salary of a new hire at a premium to that paid to the predecessor if this is necessary to attract and appoint a candidate with the requisite experience, seniority and calibre. Equally, the committee may elect to position the salary of a new executive director below market and to manage the shortfall with phased increases over a period of two to three years subject to the individual's development in the role.
Benefits	Benefits will be set in accordance with the remuneration policy. In addition, where necessary, the committee may approve the payment of relocation expenses in line with local market norms to facilitate recruitment, for a period of up to two years. Flexibility is retained to pay for legal fees and other costs incurred by the individual in relation to his or her appointment.
Pension	Pension will be set in accordance with the policy capped at 12.5% of salary subject to any particular considerations for a recruit who will be principally based outside of the UK.

REMUNERATION ELEMENT	POLICY
Annual bonus (Maximum: 150% of salary)	The annual bonus will operate in line with the remuneration policy. Depending on the timing of the appointment and responsibilities of the appointee, it may be necessary to set different performance measures and targets initially.
Long-term incentives (LTIP maximum: 150% of salary)	LTIP awards will be granted in line with the remuneration policy. An award may (and would usually) be made upon appointment, subject to the company not being prohibited from doing so. For an internal hire, existing awards would typically continue over their original vesting period and remain subject to their original terms; further awards may also be considered, subject to the cap in the policy.

In addition, in the case of an external hire, the committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the company (and therefore shareholders) to facilitate the buy-out of value forfeit on joining the company. Such payments would take account of remuneration relinquished when leaving a former employer, would reflect (as far as possible) the nature and time horizons attached to that remuneration, and the impact of any performance conditions. Any such buy-out would not have a fair value higher than that of awards forfeited. The committee will use the components of the remuneration policy when suitable but may also avail itself of Rule 9.4.2 of the listing rules, where it considers it necessary to do so to secure exceptional candidates or in exceptional circumstances. Shareholders will be informed of any such payments at the time of appointment.

DIRECTORS' REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTOR SERVICE CONTRACTS

Currently the company employs only one executive director. Denis Alexandrov is based in Moscow.

His employment arrangements are described below:

Dual contractual arrangements	As the operations of the company are primarily in Russia and the headquarters of the company's operating subsidiary are in Moscow, the group CEO is based in Moscow. A dual employment/service contract approach has been adopted by the committee. The CEO has a service contract with the company and benefits accruing at a group or PLC level are covered under this contract (such as LTIP and share options). The CEO is also party to an employment agreement with the company's fully-owned operating subsidiary in Russia, made under Russian law, pursuant to which he is paid his salary and his 'local' or non-group benefits accrue. The contractual provisions in the service contract and the employment agreement (such as the termination provisions for gross misconduct) are designed to ensure that the contractual arrangements under both agreements are aligned and operate as one.
Notice Period for Service Agreement with Petropavlovsk PLC	12 months from the company 12 months from the CEO
Notice Period for Employment contract with Russia operating company	1 month from the CEO Immediate effect from operating subsidiary
Compensation for loss of office	None. Payment in lieu of notice (including benefits and legal costs) may be made where applicable. Severance (payable in Russia) and payment in lieu (applicable in the UK) are off-set against each other to avoid duplication of payment for the same period.

CONTRACT	EFFECTIVE DATE OF CONTRACT
Service Agreement with the company	1 December 2020
Employment Contract with the Russian operating subsidiary	18 December 2020

POLICY ON LOSS OF OFFICE

The committee will retain discretion to approve new contractual arrangements with departing executive directors including settlement, confidentiality agreements, providing the provision of outplacement services, agreement of restrictive covenants and consultancy arrangements.

The committee will use its discretion in this respect sparingly and will enter into such arrangements only where the committee believes that it is in the best interests of the company and its shareholders to do so.

LEAVER AND CHANGE OF CONTROL PROVISION

The section below details how outstanding awards under incentive plans are typically treated in specific circumstances where the executive director's employment has terminated or where there has been a change of control or similar transaction event. Final treatment remains subject to the remuneration committee's discretion. When considering the use of discretion, the committee reviews all potential incentive outcomes to ensure that any application of discretion is fair to both shareholders and participants.

PLAN	SCENARIO	TIMING AND CALCULATION OF PAYMENT/VESTING
Annual bonus	Good leavers.	Any bonus payment will be at the discretion of the committee and the decision to award or pay a bonus, in full or in part, will depend on a number of factors including the circumstances of the individual's departure and their contribution to the group during the bonus period in question. Any bonus amount paid will typically be pro-rated for the period of time that the executive director has been employed during the relevant bonus period and will be paid at the usual time.
	Bad leavers.	Participation in the annual bonus plan will normally cease where an employee leaves other than as a good leaver.
	Change of control.	The committee will assess the most appropriate treatment in the circumstances
Deferred bonus, including where deferral is in the form of shares	Good leaver.	The deferred amount will become payable and deferred shares will normally vest on the normal payment or vesting date, with committee discretion to accelerate.
	Bad leaver.	Entitlement to payment or awards will lapse.
	Change of control.	Payment will become due or awards will normally vest immediately and will be pro-rated for time unless the committee determines otherwise. Alternatively, where deferral is in shares, awards may be exchanged for new equivalent awards in the acquirer where appropriate.
LTIP (leavers before the end of the performance period)	Good leavers (defined as death, injury, ill-health, disability, retirement with agreement of the committee, the employing company or business being sold out of the group, or any other reason that the committee determines appropriate. Also to include a participant who resigns, or whose employment is terminated, within 6 months of a controlling shareholder becoming obliged to make an offer for the company).	Awards will normally vest on the original vesting date, with committee discretion to accelerate vesting. The extent to which awards vest in these circumstances will be determined by the committee, taking into account the extent to which the performance conditions have been satisfied and the period from the date of grant up to the date of cessation.
	All other leavers.	Awards will lapse.
	Change of control.	Awards will normally vest immediately, subject to performance, and will be pro-rated for time unless the committee determines otherwise. Alternatively, awards may be exchanged for new equivalent awards in the acquirer where appropriate.
LTIP (after the end of the performance period)	All events.	The committee will assess the most appropriate treatment in the circumstances.
Bespoke plan	Good leaver (defined as death, injury, ill-health, disability, retirement with agreement of the committee, the employing company or business being sold out of the group, or any other reason that the committee determines appropriate. Also to include resignation or termination within 6 months of a controlling shareholder becoming obliged to make an offer for the company).	The outstanding tranches of the award will normally vest on the original vesting date, with committee discretion to accelerate vesting.
	All other leaver events.	The outstanding tranches of the award will lapse.
	Change of control.	The outstanding tranches of the award will normally vest immediately subject to pro rating for time. Alternatively, awards may be exchanged for new equivalent awards in the acquirer where appropriate.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Non-executive directors do not receive benefits such as medical, life or travel insurance from the company and they are not eligible to receive pension contributions or participate in any bonus or incentive plan. Travel insurance may be provided while the non-executive director is travelling on group business (such as a site visit). Any reasonable expenses that they incur in the deliverance of their duties are reimbursed by the company. These expenses may be grossed up where such benefits are subject to tax to ensure that the director is repaid the costs defrayed by him or her.

Details of the policy on non-executive director fees are set out in the table below.

REMUNERATION ELEMENT	FEES
Purpose and link to strategy	To attract and retain high-performing independent non-executive directors by ensuring that fees are competitive and fair.
Operation	Paid monthly in arrears and reviewed annually by the board, after recommendation from the non-executive chair. Fee increases, if applicable, are normally effective from 1 January.
Maximum opportunity	There is no prescribed maximum annual increase although fees are determined by reference to time commitment and relevant market data. The chair of the audit committee, the remuneration committee, the SSW committee and the SID may also receive an additional fee in recognition of the greater time commitment. The aggregate annual fees are limited to GBP1.5 million under the articles.
Performance metrics	Not applicable

In recruiting a new non-executive director, the board will follow the policy above.

Non-executive directors are appointed for an initial term of three years and have formal letters of appointment setting out their duties and responsibilities. The appointment can be terminated by paying in lieu of the notice period with such pay being limited to the non-executive director's basic fees.

Dates of appointment of the current non-executive directors are:

NAME	DATE OF ORIGINAL APPOINTMENT	UNEXPIRED TERM AS AT 31 DECEMBER 2020	DATE OF APPOINTMENT/LAST REAPPOINTMENT AT AGM	NOTICE PERIOD
James W. Cameron Jr.	15 October 2018	9 months	2020	3 months
Charlotte Philipps	8 November 2019	22 months	2020	3 months
Maxim Kharin	21 April 2020	28 months	2020	3 months
Malay Mukherjee	23 August 2020	31 months	N/A	3 months
Mikhail Irzhevsky	16 April 2021	N/A	N/A	3 months

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

The committee takes into account the level of salary increases that have been made to the group's employees when considering salary increases for executive directors and members of exco, while also taking into consideration the diverse nature of the roles, responsibilities, geographic locations and economies of the group's workforce. The company does not currently actively consult with employees on executive remuneration.

Further information on the group's employment policies is provided in the sustainability review on pages 34 and 35 of this annual report.

HOW THE VIEWS OF SHAREHOLDERS ARE TAKEN INTO ACCOUNT

The committee considers shareholder feedback and comment from corporate governance bodies received in relation to the AGM and other general meetings each year. The committee will take these comments into consideration when reviewing the remuneration policy. The committee will consult with its major shareholders in advance of making any material changes to remuneration.

ANNUAL REPORT ON REMUNERATION

The following section provides details of how the 2018 policy was implemented during the financial year ending 31 December 2020 and how the 2021 policy is proposed to be implemented in 2021, subject to its approval at the 2021 AGM.

Any information in this section of the report subject to audit is highlighted.

A. THE REMUNERATION COMMITTEE

MEMBERS	FROM	TO	NUMBER OF MEETINGS IN 2020 NUMBER OF MEETINGS ATTENDED/NUMBER OF MEETINGS DURING TENURE
Robert Jenkins (Chairman)	29 June 2018	30 June 2020	3/3
Damien Hackett	12 November 2018	30 June 2020	3/3
James W. Cameron	12 November 2018	30 June 2020	2/3 [1]
Katia Ray	8 November 2019	23 August 2020	3/3
Charlotte Philipps (Chairman)	8 November 2019	Present	5/5
Malay Mukherjee	23 August 2020	Present	2/2
Mikhail Irzhevsky	16 April 2021	Present	N/A

1. Due to a prior time commitment.

The principal role of the committee is to design the policy and framework of remuneration of the company's Chairman, executive directors and senior executives and review its appropriateness.

In addition, the committee is responsible for determining the total individual remuneration package, including performance related pay, annual bonuses and share awards of each executive director and senior executive.

The committee's terms of reference are available on the company's website at www.petropavlovskplc.com.

ACTIVITIES OF THE COMMITTEE DURING 2020
The committee held five formal meetings during the year, when matters considered included:

- Review and approval of the 2019 annual bonus outcome;
- Review and approval of the 2019 directors' remuneration report;
- Consultation with major shareholders on and review and approval of the 2020 policy for recommendation to the shareholders at 2020 AGM;
- Review and approval of the LTIP for recommendation to the shareholders;
- Determination of award levels, performance measures and targets for the 2020 annual bonus plan for the executive directors and members of the exco;
- Determination and approval of the remuneration and terms of employment of senior executives, including the CEO;
- Determination of the terms of and approval of 2020 LTIP awards for the CEO and members of the exco, including determination and approval of performance conditions for the awards; and
- Consultation with major shareholders on the outcome of voting on the 2020 policy.

EXTERNAL ADVISERS
In carrying out its responsibilities, the committee is independently advised by external advisers.

Mercer Kepler acted as the remuneration adviser to the committee during the year under review. Mercer Kepler are part of the MMC group of companies. With the departure of the key adviser in Mercer Kepler to Ellason LLP in January 2021, the committee appointed Ellason LLP as its remuneration adviser. Both Mercer Kepler and Ellason LLP are independent remuneration consultants to the committee. The role of Mercer Kepler was and that of Ellason LLP is to provide advice on remuneration for executives, benchmarking analysis, regular market and best practice updates and support with drafting of the directors' remuneration report and other key documents in each year. Both Mercer Kepler and Ellason LLP are signatories to the Code of Conduct for Remuneration Consultants of UK-listed companies (which can be found at www.remunerationconsultantsgroup.com).

The remuneration consultant reports directly to the chair of the committee. Neither Ellason LLP, Mercer Kepler nor any of their associates provides any other services to the company, with the exception that two companies which are members of the same group as Mercer Kepler provide insurance services. Marsh Limited acts as insurance broker for some of the group's UK and global policies and Mercer Marsh Benefits is broker for private medical healthcare and life assurance schemes operated for the benefit of the company's UK employees.

Mercer Kepler's total fees for the provision of remuneration services to the committee in 2020 were £25,653 on the basis of time and materials, excluding expenses and VAT.

The Company Secretary is secretary to the committee and regularly attends its meetings. The CEO regularly attends on invitation when he may be asked to share his views on remuneration for his direct reports or report on remuneration across the group as a whole. The Head of Corporate Affairs may also attend to provide input on remuneration for members of the exco based in London or generally in relation to London employee pay structures. The Head of HR, appointed in March 2021, is expected to attend meetings on a regular basis in 2021. No one is present or invited to comment when their own remuneration is discussed.

SHAREHOLDER VOTING AT ANNUAL GENERAL MEETING
The results of the most recent shareholder votes on the 2020 policy, the 2019 annual report on remuneration and the LTIP at the 2020 AGM are shown overleaf:

DIRECTORS' REMUNERATION REPORT CONTINUED

RESOLUTIONS	% FOR	% AGAINST	WITHHELD (NUMBER OF SHARES)
Resolution 2: To approve the directors' remuneration report	85.52	14.48	128,986
Resolution 3: To approve the directors' remuneration policy	42.32	57.68	490,902
Resolution 4: To approve the Long-term incentive plan	75.24	24.76	141,898

A vote withheld is not a vote in law and is not counted in the calculation of votes cast 'for' and 'against' a resolution. The above resolutions were voted on a poll.

Given the votes received against the 2020 policy and the LTIP, the company consulted its major and larger retail shareholders on the outcome of voting at the 2020 AGM.

The feedback received indicated that the voting reflected shareholder dissatisfaction with incumbent management at the time and the then board. There is more on this on pages 2 and 112.

B. REMUNERATION IN 2020

The following section of this report details how the 2018 policy was implemented in the financial year ended 31 December 2020.

It includes details of the remuneration in 2020 of the company's executive directors, together with individuals holding the role of deputy or interim CEO for the period of their appointment as such, regardless of whether they were appointed to the board during their tenure in those roles.

Throughout this report, the executive directors and deputy or interim CEOs are referred to collectively as the 'executives' (with each being an executive). In reporting the remuneration of each such person, the period in respect of which such remuneration is disclosed is defined in notes (a) and (f) to (i) below and is referred to throughout this report as the 'relevant reporting period'.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The remuneration received by the executives in respect of the financial years ended 31 December 2020 and, where appropriate, 31 December 2019 is set out below.

EXECUTIVE DIRECTOR	YEAR	SALARY & FEES £	PENSION [b] £	TAXABLE BENEFIT [c] £	TOTAL FIXED £	ANNUAL BONUS [d] £	LTIP £	TOTAL VARIABLE £	SINGLE FIGURE REMUNERATION TOTAL £	SINGLE FIGURE REMUNERATION US$ [e]
Denis Alexandrov, CEO [a]	2020	81,832	0	0	81,832	0	0	0	81,832	104,913
Pavel Maslovskiy, CEO [f]	2020	348,204	0	4,280	352,484	0	0	0	352,484	451,903
Pavel Maslovskiy, CEO	2019	655,000	0	5,812	660,812	655,000	0	655,000	1,315,812	1,680,045
Danila Kotlyarov, CFO [g]	2020	105,458	0	0	105,458	0	0	0	105,458	135,203
Alya Samokhvalova, Deputy CEO and CEO [h]	2020	449,926	46,538	7,557	504,022	0	0	0	504,022	646,182
Alya Samokhvalova, Deputy CEO	2019	420,004	48,750	8,788	477,542	390,000	0	390,000	867,542	1,107,689
Maksim Meshcheryakov, Interim CEO [i]	2020	145,548	0	0	145,548	0	0	0	145,548	186,600
Total 2019	**2019**				**1,138,354**			**1,045,000**	**2,183,354**	**2,787,735**
Total 2020	**2020**				**1,189,344**			**0**	**1,189,344**	**1,524,800**

(a) Denis Alexandrov was appointed to the board and as CEO on 1 December 2020. His remuneration reported above is for this period in 2020 and comprises salary paid by the company's Russian subsidiary.
(b) Pension does not include mandatory social tax contributions made to the Russian state pension fund as these contributions are similar in nature to national insurance contributions in the UK. They are made at 22% of salary to salary of 1,465,000 roubles and 10% of salary thereafter. The quantum contributed as a percentage of salary does not affect the state pension receivable.
(c) Benefits comprise critical illness and private health and dental insurance.
(d) The value of the annual bonus (including deferred bonus shares) awarded in respect of the corresponding performance year.
(e) Converted from GBP to US$ using the average exchange rate for the year of £0.78:US$1 (2019: £0.7832:US$1).
(f) Dr. Pavel Maslovskiy left the board and his appointment as an executive director and Chief Executive Officer ended on 30 June 2020. His remuneration is for this period in 2020. His remuneration includes fees received from subsidiaries for service on their boards.
(g) Danila Kotlyarov was appointed to the board on 21 April 2020 and his appointment to the board ended on 30 June 2020. Given his role as CFO, his remuneration reported above is in respect of the period of his service on the board and does not include amounts related to the period during which Mr. Kotlyarov was not on the board. The sums reported include remuneration received from subsidiaries.
(h) Dr. Alya Samokhvalova (also referred to in this annual report as Alfiya Samokhvalova) was Deputy CEO throughout 2019 and from 1 January to 30 June 2020 when she was appointed CEO and to the board. She left the board and reverted to her role as Deputy CEO on 10 August 2020 and left the company on 10 October 2020. Her remuneration for 2019 and 2020 reported above is in respect of the whole of this period. Her remuneration includes fees received from subsidiaries for service on their boards.
(i) Maksim Meshcheryakov was appointed Interim CEO on 17 August 2020 and stood down from that role on 30 November 2020. He was not appointed to the board. His remuneration is for the whole of his tenure in 2020.

IMPLEMENTATION OF THE REMUNERATION POLICY IN 2020

Executives

During 2020 the company had four executive directors, one of whom also served as deputy CEO, and one interim CEO:

- Dr. Pavel Maslovskiy, CEO, from 1 January to 30 June 2020;
- Danila Kotlyarov, CFO, from 21 April to 30 June 2020;
- Dr. Alya Samokhvalova, Deputy CEO from 1 January to 30 June and from 10 August to 10 October 2020 and CEO from 30 June to 10 August 2020;
- Maksim Meshcheryakov, Interim CEO from 17 August 2020 to 30 November 2020; and
- Denis Alexandrov, CEO, from 1 December to 31 December 2020.

Alya Samokvalova's salary was increased to £480,000 from £390,000 with effect from 1 January 2020. Maksim Meshcheryakov and Denis Alexandrov's salaries were set on each joining the company and have not changed. There were no other increases in the salary of any of the executives during 2020.

The benefits received by the executives and comprised in the single figure table above comprise critical illness or private medical and dental insurance, as disclosed in the notes on page 129.

Dr. Samokhvalova received pension contributions or an equivalent cash allowance from the company in accordance with its standard policy for all employees outside of Russia, equal to 12.5% of salary (2020: £46,538 and 2019: £48,756). No contributions to personal pensions or allowances were made by the company in respect of Dr. Maslovskiy, Mr. Meshcheryakov or Mr. Alexandrov in 2020, although social tax contributions were made by the company to the Russian state pension fund at regulated rates, currently 22% of salary up to a salary of 1,465,000 roubles and 10% thereafter.

The maximum annual bonus opportunity for Dr. Maslovskiy, Dr. Samokhvalova and Mr. Kotlyarov in 2020 was 100% of salary, with target bonus at 50% of salary. No bonus was payable to Dr. Maslovskiy or Dr. Samokhvalova following their leaving the company in 2020. No bonus opportunity was awarded to Mr. Meshcheryakov as Interim CEO.

Mr. Alexandrov joined the company within one month of the year end, too late in the year to be included in the annual bonus plan for 2020.

Annual bonus outturn in 2020

The CFO participated in the annual bonus plan in 2020. The performance targets applicable to the annual bonus for Mr. Kotlyarov and the achievement in respect of them are set out in table below. Notwithstanding this outturn, the committee has decided not to pay annual bonuses in respect of 2020.

OBJECTIVE AND WEIGHTING (% OF MAX)	LINK TO OUR STRATEGY	TARGET (PAY-OUT OF 50% OF MAX)	STRETCH (PAY-OUT OF 100% OF MAX)	ACHIEVED IN 2020	ACTUAL BONUS OUTCOME (% OF MAX)
ESG: achievement of lost time injury frequency rate and improvement in ESG ratings	Continuously improving sustainability practices	LTIFR of 1.6 Improvement in 1 ESG agency rating	LTIFR of 1.4 Improvement in 3 ESG agency ratings	1.5 +2 achieved	12.5%
Improved capital structure: liquidity improvement, reduction of leverage and cost of debt	Strengthen the balance sheet and increase liquidity.	Net debt: EBITDA of 1.6x (adjusted for gold price of US$1,548) Decrease in cost of financing	Net debt: EBITDA of 1.5x (adjusted for gold price of US$1,548) Decrease in cost of financing of 5%	2x Decrease in costs of circa 2.5%	6%
Cost reduction: achievement of TCC and AISC targets for non-refractory and refractory ore and mining and processing	Optimise costs and operational efficiencies.	TCC US$794/oz (own ore) AISC US$1061/oz (own ore)	TCC US$754/oz (own ore) AISC US$1008/oz (own ore)	TCC US$852/oz AISC US$1312/oz	0%
Finance function transformation (development and implementation of plans to enhance business budgeting and reporting)	Optimise cost and operational efficiencies	Implementation of plan milestones within the agreed timetable	Implementation of plan milestones ahead of the agreed timetable	Not implemented	0%
Increased gold production (achievement of budgeted targets for own gold production; utilisation of POX Hub capacity)	Unlock the value creation potential of the POX Hub	POX Hub throughput of 300kt Gold production of 620koz	POX Hub throughput of 330kt Gold production of 650koz	245kt 548koz	0%
Total					18.5%

LTIP AWARDS MADE DURING 2020

In late 2020, Mr. Alexandrov received an award under the LTIP of 150% of salary, in accordance with the 2018 policy, as below:

DATE OF GRANT	NUMBER OF SHARES SUBJECT TO THE AWARD	SHARE PRICE FOR THE PURPOSES OF AWARD (1)	FACE VALUE OF AWARD	AWARD AS % OF SALARY	VESTING DATE	HOLDING PERIOD EXPIRY
10 December 2020	4,367,335	£0.3077	£1,343,829	150%	10 December 2023	10 December 2025

(1) The share price for calculating the awards was GBP£0.3077, being the average middle market closing price of shares on the three dealing days immediately prior to the date the award was made in accordance with the rules of the LTIP.

Vesting is dependent on the TSR performance of the company from 10 December 2020 to 10 December 2023 relative to that of a bespoke gold mining index, comprised of: Centamin PLC, Centerra Gold Inc., Dundee Precious Metals Inc., Eldorado Gold Corporation, Endeavour Mining Corp, Lundin Gold Inc., Perseus Mining Ltd, Polymetal International plc, Resolute Mining Inc., Roxgold Inc., Saracen Mineral Holdings Limited, Silver Lake Resources Limited and TransAmerica Concentrated Growth Fund Class A (TORAX).

25% of the award will vest for performance in line with the median company, rising on a straight line basis to 100% vesting for 10% per annum outperformance of median over the period.

Prior to determining the level of vesting, the committee will also consider the underlying performance of the business, including whether there have been any material adverse events.

The award will vest three years from the grant date, provided that and to the extent that the performance condition is met and subject to continued employment. The award is subject to potential clawback and malus and a mandatory two-year post-vesting holding period, during which the shares vesting may not be sold except to cover tax liabilities.

SINGLE FIGURE FOR NON-EXECUTIVE DIRECTORS (AUDITED)
The fees paid to the company's non-executive chairs and non-executive directors in respect of the financial years ended 31 December 2020 and 31 December 2019 are:

	TOTAL FEES £						TOTAL FEES US$ (a)					
	2020			2019			2020			2019		
NON-EXECUTIVE DIRECTORS	FEES	BENEFITS	TOTAL	FEES	BENEFITS	TOTAL	FEES	BENEFITS	TOTAL	FEES	BENEFITS	TOTAL
Current directors												
James W. Cameron Jr. (1)	106,564	68,560	175,124	80,000	0	80,000	136,621	87,897	224,518	102,144		102,144
Charlotte Philipps (2)	86,716	0	86,716	11,590	0	11,590	111,174	0	111,174	14,798		14,798
Maxim Kharin (3)	55,531	0	55,531	-	-	-	71,194	0	71,194	-	-	-
Malay Mukherjee (4)	28,513	0	28,513	-	-	-	36,555	0	36,555	-	-	-
Former directors												
Roderic Lyne (5)	75,000	0	75,000	150,000	0	150,000	96,154	0	96,154	191,520	0	191,520
Damian Hackett (6)	60,000	0	60,000	80.000		80,000	76,923	0	76,923	95,760	0	95,760
Robert Jenkins (6)	68,750	0	68,750	123,000	0	123,000	88,141	0	88,141	157,046	0	157,046
Harry Kenyon-Slaney (6)	63,750	0	63,750	83,151	0	83,151	81,731	0	81,731	108,720	0	108,720
Bektas Mukazhanov (7)	-	-	-	46,667	0	46,667	-	-	-	59,584	0	59,584
Mirzaaziz Musakhanov (8)	8,103	0	8,103	17,641	0	17,641	10,388	0	10,388	22,524	0	22,524
Katia Ray (9)	53,333	0	53,333	11,590	0	11,590	68,376	0	68,376	14,798	0	14,798
Fiona Paulus (10)	51,731	0	51,731	-	-	-	66,322	0	66,322	-	-	-
Timothy McCutcheon (10)	27,590	0	27,590	-	-	-	35,371	0	35,371	-	-	-
Peter Hambro (11)	41,538	0	41,538	-	-	-	53,254	0	53,254	-	-	-
Jonathan Martin Smith (11)	22,360	0	22,360	-	-	-	28,666	0	28,666	-	-	-
Angelica Phillips (11)	22,360	0	22,360	-	-	-	28,666	0	28,666	-	-	-
Martin Smith (12)	22,052	0	22,052	-	-	-	28,272	0	28,272	-	-	-
Total			**862,450**			**603,639**			**1,105,705**			**766,894**

(a) Converted from GBP to US$ using the average exchange rate for the year of £0.78:US$1 (2019: £0.7832:US$1).
(1) James W. Cameron Jr. was appointed as non-executive chair with effect from 14 August 2020. His benefit include the cost of accommodation in London provided during the period from August to December 2020, when it was considered essential that he be based in London in order to discharge his duties given the turmoil being experienced by the company during that period and the need for the Chairman (who normally lives in California, USA) to be available on short notice and within the same time zone. The reimbursement of accommodation costs are taxable with the taxation borne by the company in order to ensure that the Chairman's expenses are reimbursed. None of the non-executive directors on the board during this period has received any additional fees for the considerable additional time commitment spent by them on the company's affairs during 2020.
(2) Charlotte Philipps was appointed on 8 November 2019. She was appointed SID with effect from 14 August 2020. She was appointed chair of the audit committee with effect from 20 September 2020 and chair of the remuneration committee with effect from 21 November 2020.
(3) Maxim Kharin joined the board on 21 April 2020.
(4) Malay Mukherjee was appointed to the board on 23 August 2020.
(5) Sir Roderic Lyne retired from the board and his role as non-executive chairman on 30 June 2020.
(6) Damien Hackett, Robert Jenkins and Harry Kenyon-Slaney left the board on 30 June 2020. Robert Jenkins was chair of the remuneration committee throughout 2019 and until leaving in 2020. Harry Kenyon Slaney was SID from 24 April 2019 and was appointed chair of the SSW committee with effect from November 2018. He held both roles until the date he left the board. The fees recorded as payable to them include three months' fees in lieu of notice payable under their letters of appointment on their not being re-elected at the 2020 AGM.
(7) Bektas Mukazhanov resigned on 30 July 2019.
(8) Mirzaaziz Musakhanov was appointed on 14 October 2019 and resigned on 5 February 2020.
(9) Katia Ray joined the board on 8 November 2019 and resigned on 23 August 2020.
(10) Fiona Paulus and Timothy McCutcheon were on the board from 27 May to 30 June 2020. The fees recorded as payable to them include three months' fees in lieu of notice payable under their letters of appointment on their not being elected at the 2020 AGM.
(11) Peter Hambro, Angelica Phillips and Jonathan Martin Smith were on the board from 30 June to 10 August 2020. The fees recorded as payable to Jonathan Martin Smith and Angelica Phillips include two months' fees in lieu of notice payable under their letters of appointment on their not being elected at the 2020 AGM.
(12) Martin Smith was on the board from 1 July to 10 August 2020. The fees recorded as payable to him include two months' fees in lieu of notice payable under his letter of appointment on his not being elected at the 2020 AGM.

There was no increase in the fees for the non-executive directors, SID or the chairs of the board or its committees in 2020.

PAYMENTS FOR LOSS OF OFFICE AND TO PAST DIRECTORS (AUDITED)

There were no payments made for loss of office during the year, save for the fees paid to the directors who were not elected or re-elected in 2020 and which are included in the single figure table above. Save as above, no payments were to past directors during the period in respect of services provided to the company as a director.

EXTERNAL DIRECTORSHIPS

Executive directors may accept an external non-executive appointment with the approval of the board. Any fees earned are retained by the executive. The Chief Executive Officer was appointed as a non-executive director of IRC following nomination by the company on 19 January 2021. He did not earn any remuneration from this or any other external non-executive appointments during the relevant reporting period.

C. IMPLEMENTATION IN 2021

The following section sets out a summary of how the policy will be implemented for the year ending 31 December 2021, assuming approval of the 2021 policy.

As Denis Alexandrov is the sole executive director and the company no longer has a deputy or interim CEO, this section of the report discloses only the remuneration of Denis Alexandrov as CEO.

EXECUTIVE DIRECTOR

Salary and benefits

The CEO's salary remains unchanged for 2021 at US$:1,200,000 (GBP: £936,000 at average exchange rates for 2020). In 2021 the company proposes to put in place arrangements pursuant to which the CEO will be provided with private health and life insurance.

Annual bonus

The maximum annual bonus opportunity for the Chief Executive Officer in 2021 will be 150% of salary. The measures and weightings applicable to the CEO's bonus award in 2021 are set out in the table below.

OBJECTIVE	LINK TO STRATEGY	CEO WEIGHTING (% OF MAX)
Stabilisation of the company Establishing leadership team Improving certain aspects of governance	Stabilising the company and improving governance and controls (see pages 2 and 15)	50%
Cost reduction	Optimising costs and operational efficiencies (see page 14)	25%
Achievement of production volume targets	Gold production (see page 14)	15%
Capital structure: reduction in debt and cost of debt	Strengthen the balance sheet and increase liquidity (see page 14)	5%
Organisational improvements	Non-financial KPIs (see page 27)	5%
	Total	100%

The final annual bonus outcome will be determined by reference to the achievement of the performance objectives set out in the table above and is subject to the committee's broader assessment of overall company performance, including the occurrence of any material adverse ESG or HSE event or an event which leads to significant reputational damage for the company.

Full disclosure of the targets for these measures and performance against these will be provided in the 2021 annual report. Subject to the revised remuneration policy being approved, the payment of any bonus earned by Denis in excess of 100% of salary will be deferred and paid in equal instalments after one and two years.

LTIP

The committee intends to grant performance share awards following the 2021 AGM. The Chief Executive Officer will receive an award equal in value to 150% of salary (or 100% of salary if the 2021 policy is not approved).

Vesting of the award will be based on the satisfaction of a performance condition measured over a three-year performance period commencing on 1 January 2021, as below.

MEASURE		PERFORMANCE TARGETS		
	WEIGHTING (% OF AWARD)	BELOW THRESHOLD (0% VESTING)	THRESHOLD (30% VESTING)	STRETCH (100% VESTING)
TSR vs. bespoke gold mining index [1]	100%	Below median	Median	Median +10% p.a.

1. The bespoke Gold Mining Index comprises of the following companies: Centamin PLC, Centerra Gold Inc., Dundee Precious Metals Inc., Eldorado Gold Corporation, Endeavour Mining Corp, Lundin Gold Inc., Perseus Mining Ltd, Polymetal International plc, Resolute Mining Inc., Roxgold Inc., Saracen Mineral Holdings Limited, Silver Lake Resources Limited and TransAmerica Concentrated Growth Fund Class A (TORAX).

BESPOKE SHARE OPTION PLAN

Subject to approval of the bespoke plan at the 2021 AGM, the committee intends to grant a share option award to the CEO pursuant to the bespoke plan. Details of the bespoke plan and the award to be made under it are set out on page 114.

NON-EXECUTIVE DIRECTORS

Non-executive directors' fees have remained unchanged in 2021 to date and there is no current intent to revise them. They are summarised below:

Non-executive chair	£150,000
Non-executive director base fee	£80,000
Additional senior independent director fee	£7,500
Additional audit committee chair fee	£10,000
Additional remuneration committee chair fee	£7,500

D. CONTEXTS

PERCENTAGE CHANGE IN REMUNERATION OF THE DIRECTORS

The table below shows the annual percentage change in the remuneration of the executive and non-executive directors from 2019 to 2020 and the average percentage change of all employees of Petropavlovsk PLC over the same period.

The annual increase in base salary paid to employees of Petropavlovsk group companies outside the UK during the same period is also included below for information purposes. As the group operates in a number of diverse locations in Russia and its employees cover a wide range of roles, the majority of whom are operational employees based at the group's producing mines in the Amur region in far east Russia, as well as technicians at the group's laboratories and functional staff at the group's offices in Blagoveschensk and Moscow, the committee is of the view that this percentage increase in the annual salary paid to employees in Russia is a more helpful indicator of attitudes to pay across the group.

PERCENTAGE CHANGE IN REMUNERATION 2019 TO 2020

ELEMENT OF REMUNERATION	SALARY	TAXABLE BENEFITS	ANNUAL VARIABLE PAY
Executives [1]			
Dr. Samokhvalova	+30.67%	+10.51%	-100%
Dr. Maslovskiy	0%	+47.26%	-100%
Non-executive directors [2]			
Non-executive chair	0%	+100% [3]	N/A
Chair of audit committee	0%	0%	N/A
Chair of remuneration committee	0%	0%	N/A
Senior Independent Director	0%	0%	N/A
Non-executive director	0%	0%	N/A
Petropavlovsk PLC employees	-6.75%	+4.59%	-79.26%
Percentage increase in annual salary for employees in Russia	6%		

(1) Denis Alexandrov and Maksim Meshcheryakov are not included as they were not employed in 2019. The remuneration of Drs. Maslovskiy and Samokhvalova, both of whom left the company during 2020, has been annualised for comparison purposes.
(2) In light of the number of directors in office in 2019 and 2020 and as the fees have not changed in this period, fees are shown for roles, rather than individuals.
(3) The increase in taxable benefits reflects the costs (totalling £68,560 on a grossed-up basis) of paying for the Non-Executive Chairman's accommodation while he was required to remain in London to be available to the company on short notice in 2020. The Chairman normally lives in California, USA. No taxable benefits were provided to the Non-Executive Chairman in 2019. Please see page 127 for more information on these costs.
(4) The change in taxable benefits between 2019 and 2020 is measured by reference to the average cost of benefits per employee as at the renewal of the relevant policies in each year.

As the company has only fourteen employees in the UK at the date of this report and the CEO is based in Moscow, it is not considered relevant to include a voluntary disclosure of a CEO pay ratio.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the movement in spend on staff costs between the 2020 and 2019 financial years, compared to profit before tax and dividends:

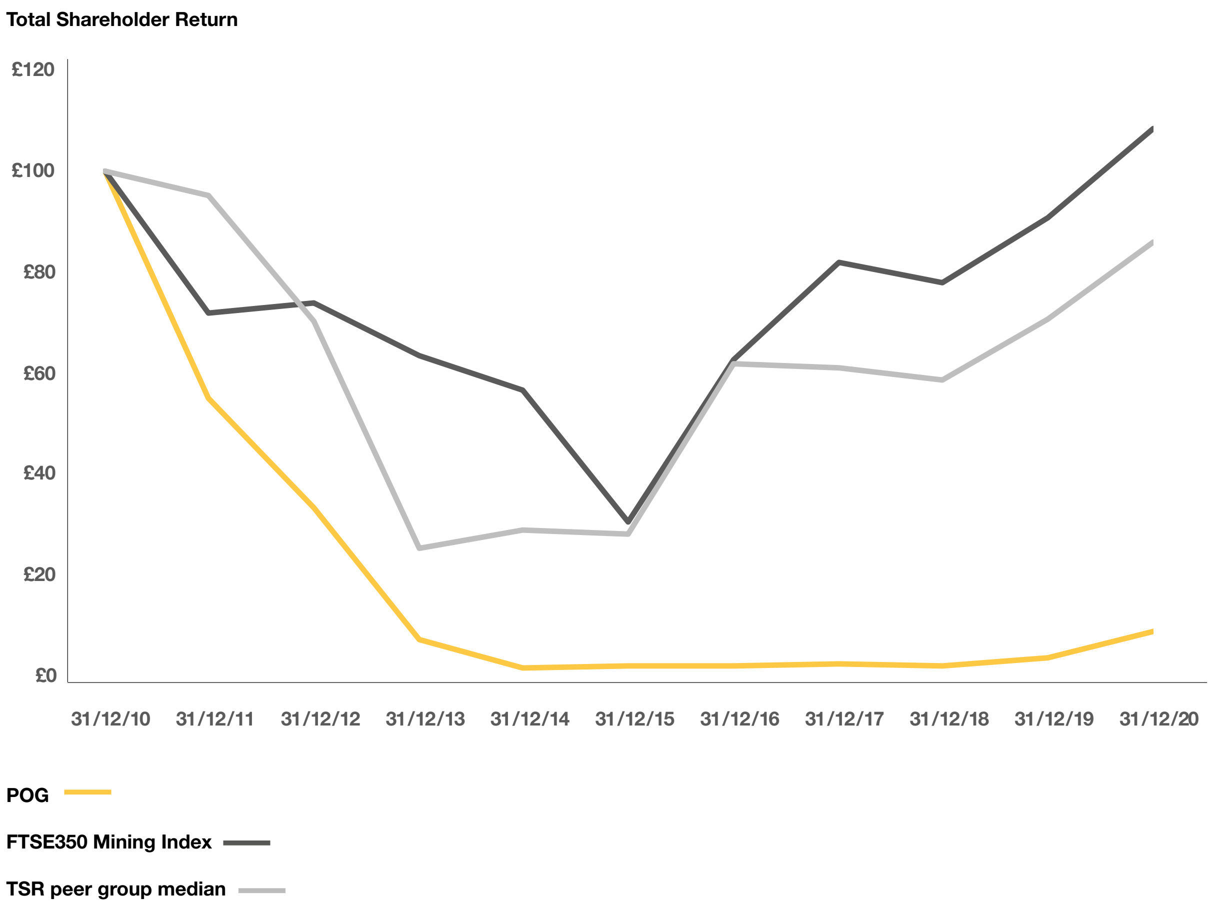
	2020	2019	% CHANGE
Staff costs	US$93.1 million	US$103.7 million	-10.22%
Average number of staff	8,889	8,981	-1.02%
Profit before tax	US$27.2 million	US$52.9 million	-48.58%
Dividends	0	-	–

There were no dividends paid or declared during the years ended 31 December 2020 and 31 December 2019 and no share buy-backs were undertaken.

TOTAL SHAREHOLDER RETURN

The graph below shows the company's TSR performance relative to the FTSE350 Mining Index and a bespoke gold mining index over a period of ten years to 31 December 2020. The board considers the FTSE350 Mining Index to be an appropriate index for comparison as the constituents represent the UK-listed mining sector. The bespoke gold mining index is illustrated as this is the comparator group for awards made under the LTIP in 2020.

£100 INVESTED IN PETROPAVLOVSK, BESPOKE GOLD MINING INDEX AND FTSE350 MINING INDEX ON 31 DECEMBER 2020



CHIEF EXECUTIVE OFFICER REMUNERATION

The table below shows the single figure of total remuneration for the Chief Executive Officer during each of the last ten financial years.

YEAR	CHIEF EXECUTIVE OFFICER OR DEPUTY OR INTERIM CEO DURING THE YEAR [(a)]	TOTAL REMUNERATION £	ANNUAL BONUS (%)	LTIP VESTING (%)
2020	Mr. Alexandrov, CEO Mr. Meshcheryakov, Interim CEO Dr. Samokhvalova, CEO Dr. Samokhvalova, Deputy CEO Dr. Maslovskiy, CEO	1,083,885	0	0
2019	Dr. Maslovskiy, CEO Dr. Samokhvalova, Deputy CEO	2,153,350	100%	N/A
2018	Dr. Maslovskiy, CEO Mr. Deniskin, CEO Mr. Ermolenko, CEO	654,671	98.4% [(b)]	N/A
2017	Mr. Ermolenko, CEO Dr. Maslovskiy, CEO	584,583	25%	N/A
2016	Dr. Maslovskiy, CEO	786,000	20%	N/A
2015	Dr. Maslovskiy, CEO	655,000	0%	N/A
2014	Dr. Maslovskiy, CEO Mr. Ermolenko, CEO	977,605	0%	N/A
2013	Mr. Ermolenko, CEO	400,000	0%	0%
2012	Mr. Ermolenko, CEO	661,000	45.5%	0%
2011	Mr. Ermolenko, CEO Dr. Maslovskiy, CEO	1,569,190	94.4%	0%

(a) In:
2020: Dr. Maslovskiy ceased to be CEO on 30 June 2020. Dr. Samokhvalova was Deputy CEO throughout 2019 and from 1 January to 30 June 2020 and from 10 August to 10 October 2020. She was CEO from 30 June to 10 August 2020. Mr. Meshcheryakov was interim CEO from 17 August 2020 to 30 November 2020. Mr. Alexandrov was appointed CEO on 1 December 2020.
2018: Mr. Ermolenko was CEO until 15 April 2018. Mr. Deniskin was CEO from 16 April 2018 to 28 June 2018. Dr. Maslovskiy was appointed CEO on 29 June 2018.
2017: Dr. Maslovskiy was CEO until 17 July 2017 when Mr. Ermolenko was appointed as Interim Chief Executive Officer.
2011 to 2014: Dr. Maslovskiy was Chief Executive Officer until 20 December 2011. Mr. Ermolenko was CEO from 20 December 2011 to 5 November 2014. Dr. Maslovskiy was appointed as Chief Executive Officer on 5 November 2014.
(b) Dr. Maslovskiy received a bonus of 98.375% of his salary for the period 29 June 2018 to 31 December 2018.

E. DIRECTORS' SHARES AND SHARE PLAN INTERESTS

DIRECTORS' SHARE INTERESTS
The interests in the ordinary shares of the company of directors who held office during 2020 are below. In relation to those remaining on the board at that date, shareholdings at 30 April 2021 (being the latest practicable date before the date of this report) are included and, for executives only at that date, the level of achievement in respect of the company's shareholding requirement.

DIRECTOR	SHARES HELD AS AT 1 JANUARY 2020 OR DATE OF APPOINTMENT IF LATER	SHARES HELD AS AT 31 DECEMBER 2020 OR DATE OF LEAVING THE BOARD, IF EARLIER	SHARES HELD AS AT 30 APRIL 2021	ACHIEVEMENT OF SHAREHOLDING REQUIREMENT
Current directors				
James W. Cameron Jr.	0	0	0	N/A
Charlotte Philipps	0	0	0	N/A
Maxim Kharin [1]	0	0	0	N/A
Malay Mukherjee [2]	0	0	0	N/A
Denis Alexandrov [3]	0	0	0	0
Former directors				
Sir Roderic Lyne [4]	0	0	N/A	N/A
Pavel Maslovskiy [4]	17,400,000	18,363,931	N/A	N/A
Damien Hackett [4]	0	0	N/A	N/A
Robert Jenkins [4]	250,000	250,000	N/A	N/A
Mirzaaziz Musakhanov [5]	0	0	N/A	N/A
Harry Kenyon-Slaney [4]	250,000	250,000	N/A	N/A
Katia Ray [6]	0	0	N/A	N/A
Danila Kotlyarov [7]	0	0	N/A	N/A
Fiona Paulus [8]	0	0	N/A	N/A
Timothy McCutcheon [8]	0	0	N/A	N/A
Peter Hambro [9]	22,360,858	22,360,858	N/A	N/A
Angelica Phillips [9]	0	0	N/A	N/A
Jonathan Martin Smith [9]	0	0	N/A	N/A
Alya Samokhvalova [10]	463,182	0	N/A	N/A
Martin Smith [11]	0	0	N/A	N/A
Maksim Meshcheryakov [12]	0	N/A	N/A	N/A

1. Appointed to the board on 21 April 2020
2. Appointed to the board on 23 August 2020.
3. Appointed CEO on 1 December 2020.
4. Ceased to be a director on 30 June 2020. The number of shares held reflects Dr. Maslovskiy's holding as disclosed at 31 December 2019 augmented by the number of shares received by him on vesting of his deferred share bonus award in 2020. It has not been possible to confirm with him whether this is accurate.
5. Ceased to be a director on 5 February 2020.
6. Ceased to be a director on 23 August 2020.
7. Appointed to the board from 21 April 2020 to 30 June 2020.
8. Appointed to the board from 27 May to 30 June 2020.
9. On the board from 30 June to 10 August 2020.
10. Deputy CEO from 1 January 2020 to 30 June and from 10 August to 10 October 2020 and CEO from 30 June to 10 August 2020. The number of shares held by Dr. Samokhvalova at the date of her appointment are those vesting in 2020 in respect of her deferred share bonus award (DSB) below.
11. On the board from 1 July to 10 August 2020.
12. Interim CEO from 17 August to 30 November 2020.

OUTSTANDING SHARE AWARDS

Details of awards outstanding are detailed below.

DIRECTOR	DATE OF AWARD	TYPE OF AWARD	PERFORMANCE CONDITIONS	AT 1 JANUARY 2020	GRANTED DURING THE YEAR	FACE VALUE AT GRANT	EXERCISED DURING THE YEAR	SHARE PRICE AT EXERCISE	AT 31 DECEMBER 2020	NORMAL VESTING DATE
Mr. Alexandrov	10 December 2020	LTI	yes	-	4,367,335 [1]	£1,343,829	-	-	4,367,335	10 December 2023
Dr. Maslovskiy [2]	1 May 2019	DSB	no	963,931	-	£0.0842	963,931	£0.26	-	-
	24 June 2019	LTI	yes [3]	7,127,312	-	-	-	-	-	-
Dr. Samokhvalova [4]	1 May 2019	DSB	no	463,182	-	£0.0842	463,182	£0.26	-	-
	24 June 2019	LTI	yes [3]	4,243,743	-	-	-	-	-	-

1. See page 126 for details of this award.

2. Dr. Maslovskiy's deferred share bonus or DSB award vested on 17 June 2020 and his LTI award lapsed on his leaving the company on 30 June 2020.

3. The performance condition applicable to the 2019 LTI awards was (i) as to 70% of the award based on TSR performance measured against a bespoke gold mining index (comprising Endeavour Mining Corporation, Atlantic Gold, Perseus Mining Limited, Roxgold Inc, Centamin plc, Resolute Mining Ltd, Silver Lake Resources Ltd, Saracen Mineral Holdings Ltd, Acacia Mining plc, Polymetal International plc, Highland Gold Mining Ltd) with threshold vesting of 30% of this portion of the award at median and 100% at median plus 10% p.a. or over; and (ii) 30% of the award subject to strategic targets related to the construction and launch of the Pioneer flotation plant, the start of operations at the Elginskoye deposit and the start of construction of the third phase of flotation at Malomir.

4. Dr. Samokvalova's DSB award vested on 17 June 2020 and her LTI award lapsed on her leaving the company on 10 October 2020.

F. APPROVAL

The annual remuneration report has been approved by the board and signed on its behalf by:

Ms. Charlotte Philipps
Chairman, Remuneration Committee

16 May 2021

DIRECTORS' REPORT

For the year ended 31 December 2020

This report is to present statutory and other information required by law to be included within the directors' report and not disclosed elsewhere.

Certain matters required to be reported under the Companies Act are set out in other sections of this annual report and included in this directors' report by reference. Please see page 138.

DIRECTORS, DIRECTORS' APPOINTMENT, CONFLICT OF INTEREST AND DIRECTORS' INDEMNITY

The names and biographies of the directors holding office at the date of this annual report are set out on pages 86 to 87.

Changes to the board during 2020 and to the date of this report are detailed below:

CHANGES TO THE BOARD IN 2020/21

NAME	DATE OF APPOINTMENT (IF DURING OR AFTER THE YEAR UNDER REVIEW)	DATE OF CESSATION OF APPOINTMENT	ROLE
Mr. Miraaziz Musakhanov		5 February 2020	Non-Executive Director
Mr. Maxim Kharin	21 April 2020		Non-Executive Director
Mr. Danila Kotlyarov	21 April 2020	30 June 2020	Executive Director and CFO
Ms. Fiona Paulus	27 May 2020	30 June 2020	Independent Non-Executive Director, Chair Designate
Mr. Timothy McCutcheon	27 May 2020	30 June 2020	Independent Non-Executive Director
Sir Roderic Lyne		30 June 2020	Independent Non-Executive Director, Chairman
Dr. Pavel Maslovskiy		30 June 2020	Executive Director and CEO
Mr. Robert Jenkins		30 June 2020	Independent Non-Executive Director
Mr. Damien Hackett		30 June 2020	Independent Non-Executive Director
Mr. Harry Kenyon-Slaney		30 June 2020	Senior Independent Director
Mr. Peter Hambro	30 June 2020	10 August 2020	Non-Executive Director, Chairman
Mr. Jonathan Martin Smith	30 June 2020	10 August 2020	Independent Non-Executive Director
Mrs. Angelica Phillips	30 June 2020	10 August 2020	Independent Non-Executive Director
Dr. Alya Samokhvalova	30 June 2020	10 August 2020	Executive Director and CEO
Mr. Martin Smith	1 July 2020	10 August 2020	Independent Non-Executive Director
Mr. Malay Mukherjee	23 August 2020		Independent Non-Executive Director
Mrs. Katia Ray		23 August 2020	Independent Non-Executive Director
Mr. Denis Alexandrov	1 December 2020		Executive Director and CEO
Mr. Mikhail Irzhevsky	16 April 2021		Independent Non-Executive Director

There is more on these changes on page 95 of the governance report.

DIRECTORS' APPOINTMENT

The company is governed by its articles, the 2018 code, the Companies Act and related legislation in the appointment and replacement of directors. Directors may be appointed by the company by ordinary resolution or by the board on recommendation of the nominations committee. A director appointed by the board holds office only until the following AGM and is then eligible for election by shareholders. The company may, in accordance with and subject to the provisions of the Companies Act, remove any director before the expiration of his or her term of office by ordinary resolution of which special notice has been given.

In accordance with the requirements of the 2018 code, all eligible directors will stand for election or re-election at the 2021 AGM. See pages 100 and 102 of the nominations committee report for information regarding the appointment of directors.

CONFLICTS OF INTEREST

Directors are subject to a duty under the Companies Act to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the company. Under the articles, the board has a general power to authorize conflicts, subject to such limits or conditions as they think appropriate. Each director is responsible for disclosing actual or potential conflicts on appointment and for notifying of any changes as they arise. The board considers and authorises conflicts as appropriate. The Company Secretary maintains a register of such conflicts which is tabled at each scheduled board meeting and which each director is asked to confirm annually in respect of his or her own position. Directors with a conflict do not participate in the discussion or vote on the matter in question.

The directors have reviewed the interests declared by directors which could conflict with those of the company and are satisfied that the board's power to authorise potential conflicts is operating effectively. Related party transactions, which includes those in respect of any director, are disclosed in note 26 to the financial statements on page 190.

DIRECTORS' INDEMNITIES

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act was in force throughout 2020 for the benefit of each director on the board during that year and remains in place for those serving at the date of this report. The indemnities were and are in respect of liabilities which each director may incur to a third party as a result of his or her office to the extent permitted by law.

The company maintained a directors' and officers' liability insurance policy in respect of those liabilities for which directors may not be indemnified throughout the year under review.

> The group is committed to providing equal opportunities and pay in all aspects of employment.

POWERS OF DIRECTORS
Subject to the articles, the prevailing legislation and any directions given by special resolution, the business and affairs of the company are managed by the directors who may exercise all such powers of the company. The powers of directors are further described in the schedule of matters reserved for the board, a copy of which is available on the company's website at www.petropavlovskplc.com.

OTHER STATUTORY DISCLOSURES

DIVIDENDS
The directors do not recommend a final dividend in respect of the year ended 31 December 2020 (2019: nil). Future decisions regarding the dividend will be based on a number of factors, including market conditions, distributable reserves, liquidity and operational performance. See page 3 for the Chairman's statement on dividends.

EMPLOYEES
The group has an internal communications department to ensure that a regular and ongoing dialogue is maintained between employees, trade unions, management, local communities, the media and non-governmental organisations. This department also oversees the production of a free monthly newspaper designed to keep employees well informed with news from the group's operations. In addition, regular meetings are held between management and employees to allow exchanges of information and ideas. Following the appointment of the new Head of Corporate Communications in early 2021, a weekly 'newsblast' is sent out by email to all employees in Russia with email access to update them on current matters relevant to the group.

The group is committed to providing equal opportunities and pay in all aspects of employment. The group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Further information regarding employment at Petropavlovsk is provided in the sustainability section of this report on pages 34 to 35 and on the board's engagement with employees, and its compliance with Provision 5 of the 2018 code is at page 30.

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT
The company's statement is available in on the company's website at www.petropavlovskplc.com.

DONATIONS
During 2020, no contributions were made to any political party.

Details of the group's charitable activities are set out in the sustainability section on page 31 and 190 of consolidated financial statements.

SHARE CAPITAL AND RELATED MATTERS

SHARE CAPITAL
At 31 December 2020 the company had 3,957,270,254 ordinary shares of £0.01 each in issue (2019: 3,310,210,281). Details of the company's issued share capital and movements in the issued share capital are shown in note 24 to the financial statements on page 188.

PURCHASE OF OWN SHARES
The company did not purchase any of its own shares in 2020.

SHAREHOLDERS' RIGHTS
The rights attaching to the ordinary shares are governed by the articles and prevailing legislation. The articles contain a prohibition on the acquisition of shares, whether individually or in conjunction with others, if that acquisition would, in the view of the board, be restricted under Russian strategic laws. Save for that provision, there are no specific restrictions on the size of a holding. Subject to applicable law and the articles, holders of shares are entitled to receive all shareholder documents, including notice of any general meeting; to attend, speak and exercise voting rights at general meetings, either in person or by proxy; and to participate in any distribution of income or capital.

RESTRICTIONS ON VOTING
In general, there are no specific restrictions on a shareholder's ability to exercise their voting rights, save in situations where the company is legally entitled to impose such restrictions (usually where amounts remain unpaid on the shares after request or the shareholder is otherwise in default of an obligation to the company). Currently, all issued shares are fully paid.

DEADLINES FOR EXERCISING VOTING RIGHTS
Votes are exercisable at a general meeting of the company at which the business to be voted on is tabled. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

TRANSFER OF ORDINARY SHARES
The transfer of shares is governed by the articles and prevailing legislation. There are no restrictions on the transfer of the shares other than:

- As set out in the articles;
- Those imposed by laws and regulations from time to time (for example, insider trading laws); and
- Pursuant to the company's share dealing code, under which directors and certain officers and employees of the group may not deal in the shares at certain times and require prior approval to do so otherwise.

ALLOTMENT OF SHARES
The company has authority to issue shares under its articles.

At the 2020 AGM shareholders granted the directors authority to allot new shares (or grant rights to subscribe for or convert securities into shares) of a nominal value of up to £11,034,000, equivalent to approximately one-third of the total issued share capital of the company, exclusive of treasury shares, at the time of passing the resolution.

AMENDMENT OF ARTICLES
The articles may be amended by special resolution of shareholders.

A copy of the articles is available on the company's website at www.petropavlovskplc.com.

2021 AGM

NOTICE OF GENERAL MEETING
Notice of the 2021 AGM, to be held on 30 June 2021, will be made available to all shareholders in accordance with the provisions of the Companies Act and the articles and contains an explanation of the resolutions to be proposed to that meeting, together with the directors' recommendations on the matters to be considered at that meeting.

ELECTRONIC PROXY VOTING
Registered shareholders may submit their votes (or abstain) on all resolutions to be proposed at the 2021 AGM by means of an electronic voting facility operated by the company's registrar, Link Group. This facility can be accessed by visiting www.signalshares.com. CREST members may appoint a proxy or proxies by using the CREST electronic appointment service.

In line with the company's commitment to sustainability, the company no longer sends paper proxy cards to shareholders for the AGM unless specifically asked to do so. Shareholders are able to submit their proxy vote electronically by accessing the shareholder portal at www.signalshares.com. The notice of 2021AGM sets out details of how to submit votes electronically and how shareholders can request a paper proxy if they prefer.

ELECTRONIC COPIES OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS AND OTHER PUBLICATIONS
Copies of the 2020 annual report and financial statements, together with other corporate publications, press releases and announcements are available on the group's website at www.petropavlovskplc.com, where a copy of the notice of 2021 AGM is also available.

Shareholders are encouraged to take advantage of the provisions allowing the group to deliver notices of meetings and associated documentation electronically by e-mail, or via the group's investor relations webpages at www.petropavlovskplc.com/investors.

CHANGE OF CONTROL (SIGNIFICANT CONTRACTS)
A change of control of the company following a takeover may cause agreements to which the company, or any of its subsidiaries, is party, such as commercial trading contracts, joint venture agreements and banking arrangements, to take effect, alter or terminate.

A change of control may also result in the early vesting of awards under the LTIP, subject to assessment of performance, and the period for exercise of vested awards may be varied. In the context of the potential impact on the group as a whole, the following are considered to be significant:

- Under the 2022 notes, if any person or group of persons acting in concert gains control of the company, constituting a 'relevant event' (as defined in the 2022 notes), the noteholders have the right to require the redemption of the 2022 notes at 101 percent of their principal amount plus accrued and unpaid interest to the date of redemption.
- Under the 2024 bonds, on a change of control over the company constituting a 'relevant event' (as defined in the 2024 bonds), the exchange price of the shares is adjusted in accordance with the formula contained in the 2024 bonds and the bondholders have the right to require the redemption of the 2024 bonds at their principal amount plus accrued and unpaid interest to the date of redemption.

SIGNIFICANT SHAREHOLDINGS
Information provided to the company pursuant to the DTR is published on a Regulatory Information Service.

The following details disclosures of major holdings of voting rights, pursuant to Rule 5 of the DTR, received by the company at 31 December 2020 and at 30 April 2021.

	NO OF SHARES	INTEREST IN VOTING RIGHTS ORDINARY SHARES	FINANCIAL INSTRUMENTS (NUMBER OF VOTING RIGHTS THAT MAY BE ACQUIRED IF THE INSTRUMENT IS EXERCISED/ CONVERTED)	% VOTING RIGHTS	FINANCIAL INSTRUMENTS WITH SIMILAR ECONOMIC EFFECT	% OF VOTING RIGHTS	TOTAL NUMBER OF VOTING RIGHTS	% VOTING RIGHTS (AS AT 31 DECEMBER 2020)	% VOTING RIGHTS (AS AT 30 APRIL 2021)
	AT 31 DECEMBER 2020								
	AT 30 APRIL 2021								
Joint Stock Company "Uzhuralzoloto Group of Companies"	950,935,855	24.39					950,935,855	24.39	
	950,935,855	24.39					950,935,855		24.39
Prosperity Capital Management Limited [(a)]	434,417,617	10.98					434,417,617	10.98	
	434,417,617	10.98					434,417,617		10.98
Everest Alliance Limited (formerly known as CABS Platform Limited)	251,517,537	6.845					251,517,537	6.845	
	251,517,537	6.845					251,517,537		6.845
The Russian Prosperity Fund [(a)]	238,499,298	6.49					238,499,298	6.49	
	237,416,967	5.99					237,416,967		5.99
Sova Capital Limited [(b)]	6,600,395	0.17	175,000,000	4.42			181,600,395	4.59	
	6,600,395	0.17	175,000,000	4.42			181,600,395		4.59
Société Générale SA (SG SA) [(c)]	18,455,115	0.56	108,429,907	3.28	4,065,911	0.12	130,950,933	3.96	
	18,455,115	0.56	108,429,907	3.28	4,065,911	0.12	130,950,933		3.96
Slevin Ltd	150,517,537	3.86					150,517,537	3.86	
	150,517,537	3.86					150,517,537		3.86
Norges Bank [(d)]	120,224,817	3.03	28,546,818	0.72			148,771,635	3.75	
	148,049,862	3.74					148,049,862		3.74

(a) Prosperity Capital Management Limited's disclosure to the company in respect of its holding of 10.98 % of the shares states that it includes The Russian Prosperity Fund's holding (then at 6.49%). On 24 March 2021 the company received notification of a reduction in the holding of The Russian Prosperity Fund to 5.99%, No corresponding notification of reduction is receivable in respect of Prosperity Capital Management's holding as the relevant notifiable threshold has not been passed.

(b) The interest in financial instruments relates to reverse repo (shares on loan with right to recall). Sova Capital Limited is controlled by Mr. Roman Avdeev.

(c) 108,429,907 voting rights are in relation to Borrowed Ordinary Shares and 4,065,911 voting rights are in relation to a Contract for Difference.

(d) The interest in financial instruments relates to shares acquired on loan (right to recall).

The information provided in the table above reflects disclosures made to the company at the dates set out above. These holdings may have changed since those dates. Notification of change is not required until the next notifiable threshold is crossed.

RELATIONSHIP AGREEMENTS

On 14 October 2019 Aeon Mining Limited (Aeon), Mr. Roman Trotsenko as Aeon's ultimate beneficial owner and the company entered into a relationship agreement (the Aeon relationship agreement) in connection with Aeon's position as a significant shareholder of the company. Pursuant to the Aeon relationship agreement, Aeon nominated the appointment of Mirzaaziz Musakhanov to represent it on the board. The Aeon relationship agreement came to an end on 4 February 2020 when Aeon sold its entire shareholding in the company to the Uzhuralzoloto Group of Companies and Mr. Musakhanov stepped down from the board.

On 2 April 2020 UGC and its ultimate beneficial owner, Evgeniya Konstantinovna Kuznetsova, entered into a relationship agreement with the company (the UGC relationship agreement) resulting from UGC's position as the largest shareholder of the company. Under the UGC relationship agreement, UGC has the right to nominate the appointment of a director to the board and Mr. Maxim Kharin was duly nominated and appointed on 21 April 2020. Under the UGC Relationship Agreement, UGC and the company provide certain undertakings to one another, including in relation to the handling of conflicts, the sharing of information, the independent conduct of the group's business and UGC's exercise of its rights to propose shareholders' resolutions and to vote in certain circumstances.

OTHER DISCLOSURES

The following matters are reported in other sections of this annual report and included in this directors' report by reference.

Requirements in section 414C of the Companies Act, including: Future developments Research and development activities	pages 2 to 81
Statement on compliance with section 172 of the Companies Act	pages 78 to 80
Post balance sheet significant events	note 31 to the financial statements on page 198
Capitalisation of interest	note 9 to the financial statements on page 175
Changes to the company's share capital, including allotments of shares for cash	note 24 to the financial statements on page 188
Approach to financial risk management, its objectives and policies and exposure to risk	note 28 to the financial statements and in the principal risks section on pages 68 to 75
Use of financial instruments by the company and its subsidiaries	note 28 to the financial statements on page 193
Details of the group's corporate governance arrangements and its compliance with the 2018 code	pages 92 to 99
Directors' interests in shares as at 31 December 2020 and at 30 April 2021	page 132
Agreements with directors for loss of office on a takeover	page 121
Greenhouse gas emissions and energy consumption	page 37

There are no other disclosures to be made under listing rule 9.8.4. This directors' report forms part of the management report for the purposes of DTR 4.1.8 (R).

ACCOUNTABILITY & AUDIT

GOING CONCERN

The group monitors and manages its liquidity risk on an ongoing basis to ensure that it has access to sufficient funds to meet its obligations. Cash forecasts are prepared regularly based on a number of inputs including, but not limited to, forecast commodity prices and the impact of hedging arrangements, the group's mining plan, forecast expenditure and debt repayment schedules. Sensitivities are run for different scenarios including but not limited to, changes in commodity prices and exchange rates, cost inflation, variations in production rates and the timing of expenditure on development projects. This is done to identify risks to liquidity and enable management to develop appropriate and timely mitigation strategies. The group meets its capital requirements through a combination of sources including cash generated from operations, advances received from customers under prepayment arrangements and external debt.

The group performed an assessment of the forecast cash flows for a period of at least 12 months from the expected date of approval of this annual report. At 31 December 2020, the group had sufficient liquidity headroom and it is satisfied that it has sufficient headroom under a base case scenario for the period to December 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, a decrease of 10% in the purchase of third-party concentrate, a decrease of 10% in gold production from underground operations at Pioneer and Malomir and delays in the commissioning of the Pioneer and Malomir flotation lines, with potential increases in inflation offset by a corresponding strengthening of the rouble against the dollar. The layered stressed case assumes that the group will implement a number of mitigating actions including optimization of the group's G&A expenses, delaying some capital expenditure, postponing some capital projects, optimizing the group's working capital structure and attracting additional borrowings under the existing Gazprombank facility. This mitigated layered stressed case indicates sufficient liquidity for a period of at least 12 months.

As at 31 December 2020, the group has guaranteed the outstanding amounts IRC owed to Gazprombank. The outstanding loan principal was US$204 million as at 31 December 2020 and the facility is subject to an initial US$160 million guarantee by the group (see note 26). 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. The failure to meet a payment obligation under the facility could, if not remedied by IRC or paid by the group pursuant to its guarantee, result in a cross-default or acceleration of the group's debt arrangements, which would then become repayable on demand.

The directors have also considered the potential impacts of COVID-19 which are described in detail on pages 5, 20, 30 and 31 of the annual report.

Having taken into account the aforementioned factors, and after making enquiries and considering the uncertainties described above, 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 the next 12 months from the date of approval of this annual report.

Accordingly, they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

VIABILITY STATEMENT

In accordance with 2018 code, the directors have assessed the longer-term prospects of the group over a period significantly longer than the period of 12 months relevant to the going concern assessment above and have determined an appropriate period for assessment in this viability statement. In doing so, they have considered, in particular:

- The nature of the group's business, strategy and business model;

- The group's current financial and projected liquidity positions, based on its current net debt and available debt facilities and its projected performance; and
- The principal risks which could affect these and the group's longer-term viability.

ASSESSMENT OF PROSPECTS
The directors have assessed the prospects of the group in the context of the factors central to its success in realising its strategic objectives. The assessment of the group's longer-term prospects has taken into account, in particular, the group's long-term mining plan, its cash and debt finance position at the end of 2020 and its projected ability to generate sufficient cash to meet its projected capital expenditure and working capital requirements as well as to service and repay, if necessary, its existing debt finance over the medium-term.

The assessment of the group's longer-term prospects has additionally taken into account macroeconomic and financial markets conditions, both globally and in relation to Russia, in particular as these may affect both the gold price and the competitiveness of the group's Russia based business operations. The group undertakes a strategic review of its long-term mining plan annually as the basis for its business planning process. This includes evaluation of the robustness of the group's assumptions of projected gold production, including in the processing of third-party gold concentrate and its availability on acceptable terms, and the corresponding projected Total Cash Costs and All-in Sustaining Costs.

The group undertakes this evaluation also by reference to its gold reserves and resources as well as geological, metallurgical, operational and other technical actual and potential risk factors, including of a capital expenditure and project related nature, as these could affect its gold production.

Based on this assessment, the board considers the group's gold production and associated cost projections to be robust and, taking due account of external gold market and exchange rate risk factors, concludes that its longer-term prospects are satisfactory.

VIABILITY PERIOD
The board has reviewed the period used for the assessment and determined that a five-year period to be appropriate. This period aligns the assessment of viability underlying this viability statement with the tenor of the group's existing debt finance obligations and the possible requirement, in the absence of refinancing or other options for this, to repay the 2022 notes in November 2022 and the outstanding 2024 bonds in June 2024.

Accordingly, the group's longer-term viability assessment and corresponding financial projections stress test the group's ability to meet its debt finance obligations. This is on the basis of its projected cash generation liquidity, taking into account the existing financing facilities available to it and those it reasonably anticipates having in place.

PRINCIPAL RISKS
The board is responsible for setting the risk appetite of the group and for monitoring its risk profile and risk management systems. It is assisted in this by its committees and by the exco which reviews and reports to the board on principal and emerging risks for the group. The board's assessment of the principal risks relating to the group is set out on pages 68 and 75 of this annual report.

In considering risks relevant to the group's longer-term viability, the board has given due consideration to potential emerging risks. The board's assessment has included operational risks, as they may individually or collectively affect the group's longer-term viability. They view these risks, highlighted at the end of this viability statement, as largely within management control or which are or can be mitigated to an acceptable level. As a result, the directors consider the impact of them to be sufficiently remote or otherwise unlikely to affect the group's viability over the longer-term.

The directors have also reviewed external risks largely outside management's control. These include the possible risk of IRC not meeting its debt service obligations under its Gazprombank loan facilities with a consequent call on the guarantee given by the group. Consideration of this has included review of a severe but plausible downside case scenario regarding IRC's future performance. In light of recent improvements in K&S mine production capacity and significant strengthening of the Iron market, this assessment shows IRC being able to continue on a going concern basis and comply with its obligations in respect of its Gazprombank loan facility.

It also does not take into account the possibility of a release of the company's guarantees in consequence of or in connection with a disposal of its shareholding in IRC, expected to happen within 12 months of the date of this annual report, as confirmed by the company's re-classification of its holding in IRC as an asset held for sale for accounting purposes.

The board has additionally considered the actual and potential risks to the group arising as a result of the COVID-19 pandemic. Following the successful implementation of actions across the group and a good track record in 2020, the board does not consider that COVID-19 represents an increasing risk for the company which cannot be duly monitored and mitigated.

Catastrophic events, which could potentially result in long disruption to mining related operations, are regarded as principal risks. The causes of these could be both external (e.g. torrential floods affecting mining operations) and internal, and therefore amenable to management control (e.g. accident emergencies relating to the operation of the group's POX Hub). In considering these, the directors have concluded the likelihood of their occurrence to be remote and have therefore not taken them into account for the purposes of this viability statement.

Based on this assessment, the directors have concluded that the principal risks which could affect the group's longer-term viability comprise the external risks relating to the gold price and exchange rate. These take account of inherent significant volatility which could affect these.

The group's corporate planning process for gauging the possible consequences and of the relevant risks and uncertainties includes financial modelling to stress test the robustness of the group's business model and projections under severe but plausible Reasonable Worst Case (RWC) and mitigated scenarios.

KEY ASSUMPTIONS
The assessment of the group's longer-term viability has taken into consideration a financially modelled base case, RWC and a mitigated RWC scenario, which management has prepared by reference to the group's long-term mining plan and presented to the audit committee on behalf of the board.

The financial projections in the group's base case scenario reflect the following key assumptions:

– Existing JORC gold reserves and resources;

– Operational production capacity as projected in the group's long-term mining plan, including planned capital expenditure for its mining operations and increased processing capacity for producing gold concentrate;

– The group's current operational costs remaining unchanged;

– An average exchange rate of c.RUB71 : US$1; and

– An average gold price of US$ 1,741/oz. Assessment of viability.

In order to assess resilience to principal risks that could threaten viability in severe but plausible scenarios, the group's base case financial model was subjected to stress testing, including by overlaying the assumptions of the RWC scenario, together with potential mitigating actions which could

DIRECTORS' REPORT CONTINUED

be applied to arrive at a mitigated RWC scenario.

The financial projections applied in the RWC and mitigated RWC scenarios assume, throughout the period of this viability statement, a 10% rouble appreciation, a circa RUB64 : US$1 exchange rate, and a US$1,573 / oz gold price and assume:

- A delay in the Pioneer flotation plant commissioning until July 2021;
- A delay in the Malomir flotation expansion by three months until October 2022;
- A 10% reduction of third-party concentrate purchasing volumes; and
- A 10% reduction in gold produced from underground operations.

The mitigating actions applied in the mitigated RWC scenario principally comprise assumed access to debt finance of up to US$200 million for the partial repayment of the 2022 notes, as well as the availability of a further US$300m through a refinancing. together with some partial gold price and exchange rate hedging.

LIQUIDITY AND SOLVENCY
The base case, RWC and mitigated RWC scenarios indicate, by reference to the corresponding projected operating profitability and cash generation over the viability period under these scenarios, that the group should have a capacity to refinance, on a debt funding basis, the resulting projected liquidity requirement to repay the 2022 notes and the outstanding 2024 bonds when due. The sensitivity analyses undertaken at gold prices ranging down to c.US$1,400/oz and rouble appreciation ranging up to a RUB64 : US$1 exchange rate, as applied throughout the viability period, support this analysis.

However, it should be highlighted that a key assumption under the stress tested RWC and sensitised scenarios, which the directors consider reasonable, is that the group will have access to debt finance to refinance its existing borrowings as may be required to a partial extent. In considering this the board has taken into account the discussions which are currently ongoing in relation to refinancings and the recent progress in securing a c.US$66m revolving credit facility from Gazprombank at an interest rate significantly lower than that applicable to the current borrowings of the group.

EXPECTATIONS
In assessing the group's longer-term viability, the directors considered, as indicated, relevant principal risks and the corresponding severe but plausible scenarios financially modelled for these purposes. These have stress tested the robustness of the group's long-term mining plan and the group's projected ability, in the scenarios envisaged, to meet its existing debt obligations in the period to 2024, generating sufficient cash flow as well as arranging such refinancing as may be necessary for these purposes.

On the basis of this assessment, the board has concluded and has a reasonable expectation that the group will be able to continue business operations, in line with its future plans, and to meet its obligations as they fall due during the five-year period covered by this viability statement.

INFORMATION TO THE INDEPENDENT AUDITORS

Each of the directors who held office at the date of this directors' report confirms that, so far as he or she is aware, there is no relevant audit information of which the company's auditor is unaware, and that each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This directors report was approved by the board of directors of Petropavlovsk PLC on 16 May 2021 and signed by the order of the board by:

Dorcas Murray
Company Secretary

16 May 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires directors to prepare financial statements for each financial year in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the International Accounting Standards (IAS) Regulation, The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the relevant period.

In preparing the parent company financial statements, 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

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 Act. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- The strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the board on 16 May 2021 and is signed on its behalf by:

James W. Cameron Jr.
Non-Executive Chairman
16 May 2021

Denis Alexandrov
Chief Executive Officer
16 May 2021

"Fair, balanced and understandable."

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PETROPAVLOVSK PLC

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 plc. For the purposes of the table on pages 144 to 148 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 group financial statements, as defined below, consolidate the accounts of Petropavlovsk plc and its subsidiaries (the "group"). The "parent company" is defined as Petropavlovsk plc. The relevant legislation governing the parent company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

OPINION

We have audited the financial statements of Petropavlovsk plc.

The financial statements that we have audited comprise:

- The Consolidated Statement of Profit or Loss;
- The Consolidated Statement of Comprehensive Income;
- The Consolidated Statement of Financial Position and parent company balance sheet;
- The Consolidated and parent company Statements of Changes in Equity;
- The Consolidated Statement of Cash Flows; and
- The related notes 1 to 34 to the Consolidated financial statements and notes 1 to 11 to the company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

IN OUR OPINION:

- The financial statements give a true and fair view of the state of the group's and Petropavlovsk plc's affairs as at 31 December 2020 and of the group's loss and cash flows for the year then ended;
- The group financial statements have been properly prepared in accordance international accounting standards in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU");
- The Petropavlovsk plc financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard Financial Reporting Standard 101 "Reduced Disclosure Framework", and applicable law); and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 including, as regards the group financial statements, those applicable to companies reporting under international accounting standards.

Our opinion is consistent with our reporting to the audit committee.

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 group and the parent 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent 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 of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the group's operations and specifically its business model;
- The evaluation of how those risks might impact on the group'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 examination of cash flow projections;
- Solvency considerations including examination of budgets and forecasts and their basis of preparation; and
- 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 group'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.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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	
Group	$9.2m	$9.0m	less than 1.5% of net assets
Parent	$8.28m	$8.9m	less than 1.0% of gross assets

KEY AUDIT MATTERS	
Recurring group	- Valuation of the IRC guarantee - Valuation of the IRC investment - Impairment of property, plant and equipment
Event driven	- Valuation of TEMI call option. - Evaluation of provisions for close-down, restoration and environmental obligations. Our assessment of the group's key audit matters is consistent with 2019 except for: - The removal of the key audit matter in relation to deferred taxation; and - The inclusion of the key audit matters in respect of the TEMI option and provisions for restoration obligations.
Scope	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused the full scope audit work on the main parent entity, the three main mining and processing entities in Russia, a Russian entity holding significant fixed assets and we directly performed work over the two other material subsidiaries being the two entities with external finance arrangements. Material subsidiaries were determined based on: 1) Financial significance of the component to the group as a whole; and 2) Assessment of the risk of material misstatements applicable to each component. At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.
First year transition	We developed a detailed audit transition plan, designed to deliver an effective transition from the group's predecessor auditor, Deloitte LLP ("Deloitte"). Our audit planning and transition commenced in September 2020, following our appointment. Our transition activities were performed for components located in the UK and Russia, which included (but were not limited to) meeting relevant partners and senior staff from Deloitte, reviewing the audit committee meeting minutes, and reviewing Deloitte's 2019 audit work papers. Our transition focused on obtaining an understanding of the group's system of internal control, evaluating the group'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 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 IRC GUARANTEE

Key audit matter description	On 12 March 2019 the company's shareholders approved the provision of new guarantees for IRC's new US$240m loan facility with Gazprombank which replaced the ICBC Facility. The amount outstanding under the Gazprombank facility as at 31 December 2020 was US$204 million. The group is required to value its liability for the provision of the guarantee, as well as the associated income stream of guarantee fee payments from IRC, in accordance with IFRS 9 Financial Instruments. The accounting and valuation for the guarantee and associated guarantee fee income asset is complex. Management engaged Ernst & Young ("EY") to determine a valuation of the guarantee liability and of the fee income asset as of 31 December 2020. The estimation of the 12-month Expected Credit Loss ("ECL") for the guarantee liability and the credit provision for the associated guarantee fee asset is dependent on complex valuation techniques and inputs including: the IRC expected credit default loss (for which there are no directly observable inputs), the loss given default, the determination of the group's total potential IRC liability exposure; and the inclusion of the group's own credit default risk.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the valuation of IRC guarantee. We independently reviewed and challenged the accounting treatment and accounting policy adopted, including involving our technical specialists. We assessed the competence, capability, objectivity and the scope of work performed by management's third-party valuation expert (EY) engaged to perform these valuations. We obtained EY's report to management, and challenged the methodologies used, the assumptions applied against third-party data and external benchmark where relevant and the application of the accounting standards. This included joint meetings between the review team, involving our valuation specialists where relevant, management's valuation expert and management. We evaluated whether the guarantee liability should be measured on the basis a 12-months ECL or lifetime ECL, or on the basis of fair value at initial recognition less guarantee fee income already recognised, in accordance with IFRS 9. We performed independent re-calculations of certain key valuation workings in order to verify mathematical accuracy. We evaluated whether the impairment of the group's IRC investment and underlying cashflows are indicative of a significant increase in credit risk by challenging the revised forecasts and covenant compliance, including through our discussions that has been held with EY. We involved our technical specialists to assess the impact of the impairment on IRC's shadow credit rating. We also evaluated management's qualitative credit risk assessment. We reviewed management's disclosures of the arrangements and accounting in the financial statements.
Key observations	We concur that the financial liability recognised in respect of the guarantee, and the financial asset in respect of the guarantee fees income are reasonable and measured in accordance with the requirements of IFRS 9.

CLASSIFICATION AND VALUATION OF IRC INVESTMENT

Key audit matter description	During the period, the directors of the group concluded that the investment in IRC met the requirements of IFRS 5 to be classified as held for sale. A fundamental part of the objective for the directors is to ensure that the disposal of the equity investment also results in the extinguishment of the IRC guarantee liability as part of a single transaction. This disposal is expected to be completed within 12 months after the reporting date and accordingly 29.9% investment in IRC together with the IRC financial guarantee contract were classified as a disposal group and measured at the lower of carrying amount and fair value less costs to sell of the group as a whole as at 31 December 2020. The carrying amount of the investment in IRC was remeasured on the basis of value in use immediately before its classification as held for sale as part of the disposal group. The carrying amount of the IRC guarantee liability was measured in accordance with IFRS 9 as outlined in the above Valuation of IRC Guarantee key audit matter.
How the scope of our audit responded to the key audit matter	We independently reviewed and challenged the accounting treatment and accounting policy adopted, including involving our technical specialists. The audit team performed a number of procedures to in response to the audit risk which included: - We reviewed the internal documents produced by management supporting the intention to sell IRC; - We reviewed the strategy documents and structural options available to the directors to assess whether the potential sale can extinguish the guarantee liability as part of a single transaction; - We discussed with a director of IRC the position and reviewed associated correspondence of the IRC board of directors meeting held in December 2020 which included the potential terms of a transaction with potential buyers; - We discussed individually and independently with key directors of the board the timeline, scope and terms of the potential sale; - We reviewed the latest correspondence and draft legal documents surrounding the potential sale to assess whether it was reasonable to conclude that the sale is expected to be completed within 12 months of classification of the disposal group as held for sale; - We challenged the key assumptions underpinning the IRC investment value in use calculations, in particular in relation to the iron ore price forecasts, life of mine production forecasts, future foreign exchange rates and the discount rate applied; - We reviewed the calculations of the valuation at fair value less costs to sell; and - We reviewed management's disclosures of the arrangements and accounting in the annual report.
Key observations	We concur with the classification of the investment in IRC as part of a disposal group held for sale as at 31 December 2020. We also consider the carrying amount of the investment in IRC before classification as held for sale and the fair value less costs to sell of the disposal group to be reasonable.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Key audit matter description	The group performed a review of its three cash generating units ("CGUs") for impairment and impairment reversal indicators as at 31 December 2020. Following additional exploration and geological modelling of resources and reserves management concluded that impairment indicators existed at the Albyn CGU. The group total carrying value of property, plant and equipment ("PP&E") as at 31 December 2020 was US$1,204.6 million (2019: US$1,209.8 million), after recognising an impairment of US$58.8m million at Albyn. At the 2019 year end, due to improved gold prices and a lower discount rate US$53 million of impairment reversals were recognised at Pioneer, there were no impairments against the Malomir and Albyn CGUs. Determining the recoverable amount for the group's CGUs requires management to make significant judgements, in particular regarding the key assumptions of: - Forecast gold prices; - Production volumes; - Reserves and resources in mine plans; - Cash costs; - Foreign exchange rates; - Operational risks in securing and processing third-party concentrates; and - Post-tax real discount rate.

How the scope of our audit responded to the key audit matter	We challenged management's recoverable amount estimates and decision to recognise the above impairment reversal, by:
	
	- Reviewing management's impairment of mining assets paper approved by the audit committee, and the accompanying VIU models and checking for consistency with other going concern forecasts;
	- Challenging management's determination that the mining and processing operations comprise three CGUs, by assessing whether the cash inflows are separately identifiable and independent;
	- Comparing management's long term gold price to market consensus data;
	- Comparing management's assumed foreign exchange rates to market consensus data;
	- Engaging our valuation specialists to benchmark the 6.45% post-tax real discount rate;
	- Testing the mechanical accuracy of the VIU model and the group's historical forecasting accuracy;
	- Appointing our own mining specialists SRK, to visit all three of the group's mining operations, review and challenge:
	  - The group's long-term mine plan, including refractory and non-refractory, and production forecasts; and
	  - The key forecast costs and compare those to 2020 actuals.
	- Evaluating the sensitivity analysis performed by management relating to the impairment review and performing our own; and
	- Evaluating the key accounting judgement and critical accounting estimate disclosures.

Key observations	We consider that the assumptions made by management in determining the CGU recoverable value are within the reasonable range; and that the carrying value of PP&E and impairment charge recognised are appropriate.

VALUATION OF TEMI CALL OPTION

Key audit matter description	On 22 May 2019 the group purchased a call option to buy the residual 25% equity stake in TEMI LLC ('TEMI'), a 75% subsidiary of the group. TEMI is the legal entity which holds the Elginskoye and Unglichkan mining licences critical to Albyn mine's future production. This was structured as an initial purchase price for the option of US$13m with an additional option exercise price of US$60m (provided that certain conditions are met before the option is exercised that are typically required for the sale of the shares under the Russian law). Management engaged EY to perform the valuation of the option. This involves: - Calculating the prevailing value of the Evaluation& Exploration assets using Discounted Cash Flows techniques (including judgemental control and liquidity discounts), then comparing 25% of that to the full consideration payable of US$73m; and - Measuring the extrinsic option value (considering that the value of the underlying assets may change over the two-year option period) with EY using a range of valuation methodologies with the key assumption being the volatility in equity value. The fair value of the TEMI call option was measured at US$ nil at 31 December 2020 (2019: US$11m). The measurement of fair value of the TEMI option requires management to make significant judgements in regard of reserves and resources in mine plans, production volumes, costs, forecast gold prices and an appropriate discount rate.
How the scope of our audit responded to the key audit matter	We challenged management's estimate of the fair value of the TEMI option by: - Obtaining an understanding of the relevant controls over the valuation of the TEMI call option; - Assessing the competence, capability, objectivity and the scope of work performed by management's third-party valuation expert (EY) engaged to perform these valuations; - Reviewing management paper on the option valuation, the EY's valuation report and accompanying Discounted Cash Flow model; - Robustly challenging management assumptions (gold price, cost projections, operating assumptions and discount rates) and consistency with other forecasts (impairment and going concern). This included joint meetings between the review team, involving our valuation specialists where relevant, management's valuation expert (EY) and management; - Comparing operating assumptions used with those in the Albyn mine plan; - Engaging mining specialist SRK Consulting who visited the mines and challenged the mine plan and operating assumptions; - Engaging external valuation specialists to challenge the DCF valuation and discounts applied (control and liquidity) and the valuation of the option; - Evaluating the sensitivity analysis performed by management relating to the option valuation and performing our own; and - Reviewing management's disclosures of the option agreement and its valuation in the financial statements.
Key observations	We consider that the carrying amount of the TEMI call option to be reasonable

EVALUATION OF PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL OBLIGATIONS

Key audit matter description	The group incurs legal and constructive obligations for close-down and restoration activities which include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas for mines. A significant proportion of the group's assets have long remaining lives, which increases the estimation uncertainty relating to the rehabilitation activities required, including considering the impact of future environmental requirements and climate change, and the timing and amount of the associated future cash flows. Close-down, restoration and environmental remediation activities are governed by a combination of legislative requirements, the group's policies, and commitments made to stakeholders. The group has disclosed that the determination of when an estimate associated with close-down, restoration and environmental obligations is sufficiently reliable to provide for or update them is an area of judgment that may have a significant effect on the amounts recognised in the financial statements. The evaluation of provisions for close-down, restoration and environmental obligations is a key audit matter due to the amount of the provision and the judgment and specialised skills involved in auditing the key inputs used by the group to determine the provision including: - The nature and timing of future close-down and restoration activities including post-closure monitoring and associated costs; - The life of the operation and timing of commencement of rehabilitation activities; and - The interpretation of legislative requirements.
How the scope of our audit responded to the key audit matter	We commissioned external experts SRK Consulting ("SRK") to provide an independent review of the provisions held by the group in respect of close down, restoration and environmental obligations. Their work involved understanding the group's process to estimate provisions for close-down, restoration and environmental obligations, including controls over the groups selection of the assumptions, data, methods and models to be used. This included reviewing the closure design documents to understand and determine key inputs such as future rehabilitation costs, the timing of these costs, the life of the operation or site and the preparation of the underlying closure plan scenarios. Their procedures included: - A review of the reasonableness of key assumptions made by the group for closure activities included in the closure scenarios by comparing them against our understanding of the legislative requirements, the group's closure commitments, industry practice and our understanding of the business; - A review of the group's assumptions regarding the timing and costs of such activities based on their experience and familiarity with applicable regulations and the forecast life of the operation; and - A review of the consistency of closure activities reflected in the group's models used to determine the provision with the relevant closure plan. We reviewed and discussed the key findings from SRK's work with individuals from their team of experts. Together with SRK we held meetings with management to challenge their assumptions and estimates of the provisions for close down and restoration costs held as at 31 December 2020. We reviewed disclosures made by the group in respect of their restoration and environmental policies and obligations.
Key observations	We consider the level of provisions for close-down, restoration and environmental obligations and related disclosures to be acceptable.

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.
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.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls, the impact of there being a number of components and locations and the level of misstatements arising in previous audits.

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Overall materiality	US$9.2 million (2019: US$9.0 million)	US$ 8.28 million (2019: US$ 8.9 million)
How we determined it	Less than 1.5% of the group's net assets (2019: less than 2%)	Less than 1.0% of parent company's gross assets capped at 90% of group materiality (2019: less than 2%)
Rationale for the benchmark applied	We consider the group's net assets as a key indicator for the current and future performance of the group. It is the KPI of critical interest to the users of the financial statements of Petropavlovsk plc as it reflects its mining assets and proven and probable gold reserves which supports those assets. We consider this approach of using a balance sheet metric to be more appropriate than an assessment using a profit-based metric as it is more stable base for materiality and is more reflective of the scale of the group's size and operations.	The parent company is a holding company whose purpose is to consolidate the active trading entities and a number of other group companies. We consider gross assets to be the most important balance to the users of the financial statements.
How we set performance materiality	We set our 2020 performance materiality at 60% of overall materiality, amounting to $5.52m (2019: 60%) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors - the history of misstatements, our risk assessment and the strength and robustness of the control environment.	We set our 2020 performance materiality at 60% of overall materiality, amounting to $4.97m (2019: 60%) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors - the history of misstatements, our risk assessment and the strength and robustness of the control environment.

We agreed with the audit committee that we would report to them all audit differences in excess of US$ 0.46 million (2019: US$ 0.45 million) for the group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

THE SCOPE OF OUR AUDIT

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

Our assessment of significant components of the group consisted of the main parent entity, the three main mining and processing entities in Russia, a Russian entity holding significant fixed assets and other material subsidiaries being the two entities with external finance arrangements.

Specified procedures were completed for eight companies and analytical procedures were completed for twenty-two entities. group companies not subject to a full scope audit or specified procedures largely consist of holding companies.

All of the operating mines were subject to a full scope audit, while the exploration assets, finance and holding companies and service entities were subject to specified audit procedures, including testing of the capitalised spend on exploration activities, an impairment assessment and substantive testing of borrowings, material cost of sales and inventory balances, or desktop reviews. The group's associate was subject to specified audit procedures.

The extent of our audit procedures was based on our assessment of the risks of material misstatement and of the materiality of the group's business operations at the selected locations.

USE OF COMPONENT AUDITORS

Our audit of the group financial statements also involved the use of component auditors, Baker Tilly Russia. The group audit team provided comprehensive instructions to those component auditors. These instructions included details of the identified risks of material misstatement including those risks identified above. Those instruction also included an assessment of component materiality.

The group audit team discussed and agreed the proposed approach to addressing these risks with the component auditors and the nature and form of their reporting on the results of their work. The group team conducted reviews of the working papers prepared by component auditors using remote file reviews. They also participated in conference calls at various phases of the audit engagement as part of their management and control of the group audit engagement. As a visit to the Russian team was not practicable, due to the travel restrictions related to the global COVID-19 pandemic, the group audit team intensified the interaction with the local team via video conferences to review and direct the audit approach taken in respect of significant and a number of other relevant risks of material misstatement.

During the audit the senior members of the group audit team held virtual meetings with Baker Tilly Russia to review the work performed by the Russian component team. Their work included visiting the Amur region of Russia to visit the group's assets and hold meetings with senior operational management.

We were unable to visit the Hong Kong Deloitte team who completed the audit of the group's associate, IRC due to COVID-19 travel restrictions. We therefore held virtual meeting with the auditors and performed our group audit review and oversight procedures remotely.

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.

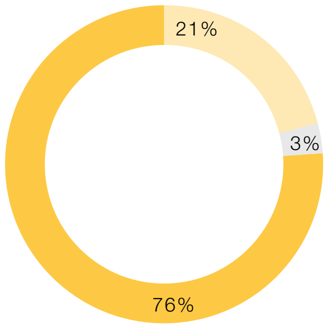
STRATEGIC REPORT AND DIRECTORS REPORT

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

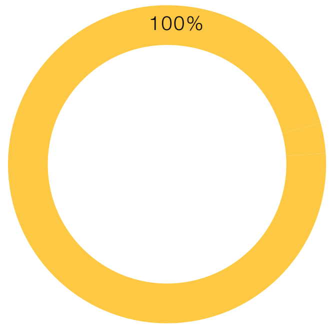
- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

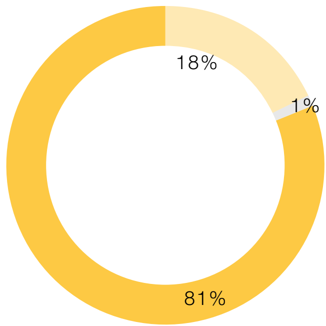
PROFIT BEFORE TAX



REVENUE



NET ASSETS



Full Scope%
Limited Scope%
Analytical Review

Notes:

- *Full scope refers to the conduct of an audit of the components underlying financial information in accordance with ISAs UK.*
- *Limited scope incorporates those circumstances where component auditors have been instructed to perform certain procedures on financial statements areas or specific financial statement line items for individual components.*
- *Component auditors of lower risk components will usually be instructed to conduct a review of the financial position and performance of the component comparing the actual performance of that component with their valid expectations based on their knowledge of the entity and any known changes in its operational environment and investigating any unusual or unexpected results.*
- *Some components have been identified as being immaterial to the group individually and in aggregate.*

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

DIRECTOR'S REMUNERATION REPORT

Those aspects of the director's remuneration report which are required to be audited have been prepared in accordance with applicable legal requirements.

CORPORATE GOVERNANCE REPORT

The Listing Rules require us to review the directors' statement in relation to going concern, long-term viability and that part of the corporate governance statement relating to the group's compliance with the provisions of the UK corporate governance statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 138;

- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on pages 138 to 139;

- Directors' statement on fair, balanced and understandable set out on page 141;

- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 139;

- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 110 to 111;

- The section describing the work of the Audit Committee set out on pages 104 to 111.

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 Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received by branches not visited by us; or

- The parent company financial statements are not in agreement with the accounting records and returns; or

- Certain disclosures of directors' remuneration specified by law are not made; or

- The part of the directors' remuneration report to be audited is 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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:

- Enquiry of management to identify any instances of known or suspected instances of fraud;

- Obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. We obtained this understanding through assessing the risk register of the group and understanding the group's response to assessing the legal and regulatory frameworks that apply to it. In addition, we leveraged our understanding of the legal and regulatory framework applicable to UK listed entities and to those in mining sector. This included, but was not limited to, discussions with the group's internal counsel and key legal advisers and review of minutes of the group's various governance committees;

- The key laws and regulations we considered in this context included UK Companies Act, Listing Rules, and tax legislation. In addition, we considered compliance with the employee legislation and environmental regulations as fundamental to the group's operations;

- Discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists, including mining, valuation, tax and IT;

- Enquiring of the audit committee concerning actual and potential litigation and claims;

- Evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular, with respect to:

    - Valuation of the IRC investment;
    - Valuation of the IRC guarantee;
    - Valuation of the TEMI call option;
    - Provision in respect of the provision for close-down, restoration and environmental obligations; and
    - Impairment of property, plant and equipment.

- Identifying and testing journal entries, in particular, any journal entries posted with understatement of costs, journals that are backdated or posted by senior management; and

- The use of data analytics software to interrogate the journals posted in the year and to review areas where the incentive to override controls may be greatest. We also used our data analytics tool to identify potential transactions with related parties.

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
Following the resignation of Deloitte as auditor, the group's audit committee and board approved the appointment of MHA MacIntyre Hudson, the UK member of Baker Tilly International, as the company's auditor for the year ended 31 December 2020 under the casual vacancy rules. The appointment of MHA MacIntyre Hudson for subsequent financial years will be subject to an audit tender exercise being completed in advance of the Annual General Meeting. 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 to the group or the parent company and we remain independent of the group and of the parent company in conducting our audit.

We have provided a review opinion on the group's financial statements for the six months ended 30 June 2020. This is considered as standard practice for a listed company. Approval was given by the audit committee.

USE OF OUR REPORT
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Rakesh Shaunak FCA
Senior Statutory Auditor

For and on behalf of MHA MacIntyre Hudson
Statutory Auditor

London, United Kingdom
16 May 2021

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	NOTE	2020 US$'000	2019 US$'000
Group revenue	5	988,534	741,589
Operating expenses	6	(840,494)	(590,853)
Operating profit		148,040	150,736
Share of results of associate	14	52,681	(35,376)
Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell	14	(55,798)	-
Net impairment reversals on financial instruments	9	1,000	30,797
Investment and other finance income	9	7,754	8,826
Interest expense	9	(58,533)	(59,854)
Net other finance losses	9	(67,957)	(42,190)
Profit before taxation		27,187	52,939
Taxation	10	(76,069)	(27,246)
(Loss)/profit for the year		(48,882)	25,693
Attributable to:			
Equity shareholders of Petropavlovsk PLC		(45,633)	26,883
Non-controlling interests		(3,249)	(1,190)
Earnings per share			
Basic (loss)/profit per share	11	US$(0.01)	US$0.01
Diluted (loss)/profit per share	11	US$(0.01)	US$0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 US$'000	2019 US$'000
(Loss)/profit for the year	(48,882)	25,693
Items that may be reclassified subsequently to profit or loss:		
Exchange differences:		
Exchange differences on translating foreign operations	(3,029)	2,102
Share of other comprehensive gain/(loss) of associate	902	(1,084)
Cash flow hedges:		
Fair value losses	-	(22,652)
Tax thereon	-	4,234
Transfer to revenue	-	31,471
Tax thereon	-	(5,865)
	(2,127)	8,206
Total comprehensive (loss)/profit for the year	(51,009)	33,899
Attributable to:		
Equity shareholders of Petropavlovsk PLC	(47,760)	35,067
Non-controlling interests	(3,249)	(1,168)
	(51,009)	33,899

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTE	31 DECEMBER 2020 US$'000	31 DECEMBER 2019 US$'000
Assets			
Non-current assets			
Exploration and evaluation assets	12	45,182	53,123
Property, plant and equipment	13	1,204,550	1,209,817
Investments in associate	14	3,936	48,680
Inventories	15	86,186	60,257
Trade and other receivables	16	481	556
Derivative financial instruments	18	-	11,022
Other non-current assets		893	880
		1,341,228	1,384,335
Current assets			
Inventories	15	196,668	307,773
Trade and other receivables	16	98,551	105,975
Current tax assets		13,312	5,807
Derivative financial instruments	18	3,320	-
Cash and cash equivalents	17	35,404	48,153
		347,255	467,708
Assets of disposal group classified as held for sale	14	42,529	-
		389,784	467,708
Total assets		1,731,012	1,852,043
Liabilities			
Current liabilities			
Trade and other payables	19	(191,139)	(389,041)
Current tax liabilities		(144)	(535)
Derivative financial instruments	18	(6,072)	(266)
Provision for close down and restoration costs	22	(34)	-
Lease liabilities	23	(1,895)	(5,373)
		(199,284)	(395,215)
Liabilities of disposal group associated with assets classified as held for sale	14	(8,232)	-
		(207,516)	(395,215)
Net current assets		182,268	72,493
Non-current liabilities			
Borrowings	20	(536,020)	(609,463)
Derivative financial instruments	18	(89,088)	(46,313)
Deferred tax liabilities	21	(140,034)	(112,566)
Provision for close down and restoration costs	22	(70,515)	(36,231)
Financial guarantee contract	26	-	(8,923)
Trade and other payables	19	(13,950)	-
Lease liabilities	23	(2,248)	(7,805)
		(851,855)	(821,301)
Total liabilities		(1,059,371)	(1,216,516)
Net assets		671,641	635,527
Equity			
Share capital	24	57,464	49,003
Share premium		596,713	518,142
Share based payments reserve		34	199
Translation reserve		(18,907)	(15,878)
Retained earnings		29,130	73,605
Equity attributable to the shareholders of Petropavlovsk PLC		664,434	625,071
Non-controlling interests		7,207	10,456
Total equity		671,641	635,527

These consolidated financial statements for Petropavlovsk PLC, registered number 4343841, were approved and authorised for issue by the directors on 16 May 2021 and signed on their behalf by

James W. Cameron Jr.,
Non-Executive Chairman

Denis Alexandrov,
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF PETROPAVLOVSK PLC								
	SHARE CAPITAL US$'000	SHARE PREMIUM US$'000	SHARE BASED PAYMENTS RESERVE US$'000	HEDGING RESERVE US$'000	TRANSLATION RESERVE US$'000	RETAINED EARNINGS/ (LOSSES) US$'000	TOTAL US$'000	NON-CONTROLLING INTERESTS US$'000	TOTAL EQUITY US$'000
Balance at 1 January 2019	48,963	518,142	227	(7,166)	(17,980)	47,538	589,724	11,624	601,348
Total comprehensive income/(loss)	-	-	-	7,166	2,102	25,799	35,067	(1,168)	33,899
Profit for the year	-	-	-	-	-	26,883	26,883	(1,190)	25,693
Other comprehensive income/(loss)	-	-	-	7,166	2,102	(1,084)	8,184	22	8,206
Deferred share awards	40	-	(28)	-	-	268	280	-	280
Balance at 31 December 2019	49,003	518,142	199	-	(15,878)	73,605	625,071	10,456	635,527
Total comprehensive loss	-	-	-	-	(3,029)	(44,731)	(47,760)	(3,249)	(51,009)
Loss for the year	-	-	-	-	-	(45,633)	(45,633)	(3,249)	(48,882)
Other comprehensive (loss)/income	-	-	-	-	(3,029)	902	(2,127)	-	(2,127)
Conversion of convertible bonds	8,429	78,571	-	-	-	-	87,000	-	87,000
Deferred share awards	32	-	(165)	-	-	256	123	-	123
Balance at 31 December 2020	57,464	596,713	34	-	(18,907)	29,130	664,434	7,207	671,641

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	NOTE	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Cash generated from operations	25	265,860	189,321
Interest paid		(58,086)	(67,160)
Guarantee fee received in connection with ICBC facility	26	5,000	6,000
Income tax paid		(56,472)	(32,723)
Net cash from operating activities		156,302	95,438
Cash flows from investing activities			
Purchase of property, plant and equipment	25	(151,503)	(120,798)
Expenditure on exploration and evaluation assets	12	(8,829)	(10,136)
Proceeds from disposal of property, plant and equipment		194	111
Repayment of loans granted	26	-	56,243
Other loans granted	26	-	(389)
Interest received		1,065	3,283
Call option over non-controlling interests	26	-	(13,000)
Net cash used in investing activities		(159,073)	(84,686)
Cash flows from financing activities			
Issue of Bonds, net of transaction cost	20	-	120,561
Repayment of Bonds	20	-	(108,000)
Exercise of the Call Option over the company's shares	18	-	(2,215)
Exercise of gold options	18	(1,525)	-
Exercise of currency options	18	1,389	-
Exercise of other options	18	(999)	-
Funds advanced to the group under investment agreement with the Russian Ministry of Far East Development		-	8,772
Funds transferred under investment agreement with the Russian Ministry of Far East Development		-	(8,772)
Principal elements of lease payments		(3,493)	(1,468)
Bond solicitation expenses		(1,705)	-
Net cash (used in)/from financing activities		(6,333)	8,878
Net decrease in cash and cash equivalents in the period		(9,104)	19,630
Effect of exchange rates on cash and cash equivalents		(3,645)	2,371
Cash and cash equivalents at beginning of period	17	48,153	26,152
Cash and cash equivalents at end of period	17	35,404	48,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Petropavlovsk PLC (the 'company') is a company incorporated and registered in England and Wales. The address of the registered office is 11 Grosvenor Place, London SW1X 7HH.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements of Petropavlovsk PLC and its subsidiaries (the 'group') have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

GOING CONCERN

The group monitors and manages its liquidity risk on an ongoing basis to ensure that it has access to sufficient funds to meet its obligations. Cash forecasts are prepared regularly based on a number of inputs including, but not limited to, forecast commodity prices and the impact of hedging arrangements, the group's mining plan, forecast expenditure and debt repayment schedules. Sensitivities are run for different scenarios including, but not limited to, changes in commodity prices, cost inflation, different production rates from the group's producing assets and the timing of expenditure on development projects. This is done to identify risks to liquidity and enable management to develop appropriate and timely mitigation strategies. The group meets its capital requirements through a combination of sources including cash generated from operations, advances received from customers under prepayment arrangements and external debt.

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.

In selecting these scenarios, the directors have also considered the potential impacts of COVID-19 which are described in detail in the Annual Report.

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 2020. The mitigating actions include 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.

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 (see note 26). 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.

Having taken into account the aforementioned factors, and after making enquiries and considering the uncertainties described above, 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 the next 12 months from the date of approval of the 2020 Annual Report and Accounts. Accordingly, they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

2.2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The following new and revised Standards and Interpretations that were effective for annual periods beginning on or after 1 January 2020 and applicable to the group have been adopted:

- Amendments to References to the Conceptual Framework in IFRS Standards (29 March 2018);
- Amendments to IFRS 3 (October 2018): Definition of Business; and
- Amendments to IAS 1 and IAS 8 (October 2018): Definition of Material.

These standards, amendments, and interpretations have not had a significant impact on amounts reported, presentation or disclosure in these consolidated financial statements and are not expected to significantly affect the future periods.

NEW STANDARDS AND INTERPRETATIONS THAT ARE APPLICABLE TO THE GROUP, ISSUED BUT NOT YET EFFECTIVE FOR THE REPORTING PERIOD BEGINNING 1 JANUARY 2020.

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 16: COVID-19-related Rent Concessions;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before intended use;
- Amendments to IFRS 3: Reference to the Conceptual Framework;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018–2020 Cycle;
- Amendments to IFRS 10 and IAS 28:

- Sale or contribution of assets between an investor and its associate or joint venture.

The group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2.3. BASIS OF CONSOLIDATION

These consolidated financial statements consist of the financial statements of the company and its subsidiaries as at the reporting date. Subsidiaries are all entities over which the group has control.

Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the group controls a subsidiary if, and only if, it has all of the following:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary);
- Exposure, or rights, to variable returns from its involvement with the subsidiary; and
- The ability to use its power over the subsidiary to affect its returns.

When the group has less than a majority of the voting rights of a subsidiary or similar rights of a subsidiary, it considers all relevant facts and circumstances in assessing whether it has power over the subsidiary including:

- The size of the group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The company reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and other comprehensive income from the date the group gains control until the date when the group ceases to control the subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with the policies adopted by the group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. The recognised profit or loss and other comprehensive income are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.4. NON-CONTROLLING INTERESTS

The group treats transactions with non-controlling interests as transactions with equity owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

2.5. INVESTMENTS IN ASSOCIATE

An associate is an entity over which the group is in a position to exercise significant influence but not control or joint control.

Investments in associate are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of an associate in profit or loss and the group's share of movements in other comprehensive income of an associate in other comprehensive income.

Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In the 2020 annual report operating profit is now presented from the perspective of group operations excluding the results of the associate, IRC. This is more representative of how the business is viewed following the classification of IRC as held for sale and this change in classification also been applied to the comparative period.

2.6. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

2.7. FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US Dollars, which is the group's presentation currency. The functional currency of the company is the US Dollar.

The rates of exchange used to translate balances from other currencies into US Dollars were as follows (currency per US Dollar):

	AS AT 31 DECEMBER 2020	AVERAGE YEAR ENDED 31 DECEMBER 2020	AS AT 31 DECEMBER 2019	AVERAGE YEAR ENDED 31 DECEMBER 2019
GB Pounds Sterling (GBP : US$)	0.73	0.78	0.75	0.78
Russian Rouble (RUB : US$)	73.88	72.18	61.91	64.69

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations which have a functional currency other than US Dollars are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and expenses and accumulated in equity, with share attributed to non-controlling interests as appropriate. On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the shareholders of the company are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation.

2.8. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation expenditure incurred in relation to those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale, or where the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves, are capitalised and recorded on the statement of financial position within exploration and evaluation assets for mining projects at the exploration stage. Exploration and evaluation expenditure comprise costs directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration and evaluation assets are subsequently valued at cost less impairment. In circumstances where a project is abandoned, the cumulative capitalised costs related to the project are written off in the period when such decision is made.

Exploration and evaluation assets are not depreciated. These assets are transferred to mine development costs within property, plant and equipment when a decision is taken to proceed with the development of the project.

2.9. PROPERTY, PLANT AND EQUIPMENT

MINE DEVELOPMENT COSTS

Development expenditure incurred by or on behalf of the group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure includes costs directly attributable to the construction of a mine and the related infrastructure.

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as 'mine development costs'. Mine development costs are reclassified as 'mining assets' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Mine development costs are not depreciated, except for property plant and equipment used in the development of a mine. Such property, plant and equipment are depreciated on a straight-line basis based on estimated useful lives and depreciation is capitalised as part of mine development costs.

MINING ASSETS

Mining assets are stated at cost less accumulated depreciation. Mining assets include the cost of acquiring and developing mining assets and mineral rights, buildings, vehicles, plant and machinery and other equipment located on mine sites and used in the mining operations.

Mining assets, where economic benefits from the asset are consumed in a pattern which is linked to the production level, are depreciated using a units of production method based on the volume of ore reserves. This results in a depreciation charge proportional to the depletion of reserves. The basis for determining ore reserve estimates is set out in note 3.2. Where the mining plan anticipates future capital expenditure to support the mining activity over the life of the mine, the depreciable amount is adjusted for the related assets under construction and estimated future expenditure.

Certain property, plant and equipment within mining assets are depreciated based on estimated useful lives, if shorter than the remaining life of the mine or if such property, plant and equipment can be moved to another site subsequent to the mine closure.

STRIPPING ACTIVITY ASSETS

Stripping costs incurred during the

development of the mine are capitalised as part of mine development costs and are subsequently depreciated over the life of a mine on a units of production basis.

Stripping costs incurred during the production phase of a mine if they relate to gaining improved access to an identified component of an ore body to be mined in future periods are deferred and capitalised as part of the mining assets and are written off to profit or loss in the period over which economic benefits related to the stripping activity are realised where this is the most appropriate basis for matching the costs against the related economic benefits.

Where, during the production phase, further development of the mine requires a phase of unusually high overburden removal activity that is similar in nature to pre-production mine development, such stripping costs are considered in a manner consistent with stripping costs incurred during the development of the mine before the commercial production commences.

NON-MINING ASSETS
Non-mining assets are stated at cost less accumulated depreciation. Non-mining assets are depreciated on a straight-line basis based on estimated useful lives.

CAPITAL CONSTRUCTION IN PROGRESS
Capital construction in progress is stated at cost. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. Capital construction in progress is not depreciated.

DEPRECIATION
Property, plant and equipment are depreciated using a units of production method as set out above or on a straight-line basis based on estimated useful lives. Estimated useful lives normally vary as set out below:

	AVERAGE LIFE NUMBER OF YEARS
Buildings	15-50
Plant and machinery	3-20
Vehicles	5-7
Office equipment	5-10
Computer equipment	3-5

The residual values and the useful lives of the assets are reviewed at least at each financial year end and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

2.10. IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment, exploration and evaluation assets and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This applies to the assets held by the group itself as well as the group's share of the assets held by the associate.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) or 'fair value less costs of disposal'. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the group could receive for the cash generating unit in an arm's length transaction. Future cash flows are based on:

- Estimates of the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices (assuming the current market prices will revert to the group's assessment of the long-term average price, generally over a period of up to five years); and
- Future cash costs of production, capital expenditure, environment protection, rehabilitation and closure.

IAS 36 'Impairment of assets' includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement related capital expenditure. When calculating 'value in use', it also requires that calculations should be based on exchange rates current at the time of the assessment.

For operations with a functional currency other than the US Dollar, the impairment review is undertaken in the relevant functional currency. These estimates are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36 'Impairment of assets'.

The discount rate applied is based upon a post-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecast cash flows.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount in the statement of financial position to its recoverable amount. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in profit or loss and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

2.11. PROVISIONS FOR CLOSE DOWN AND RESTORATION COSTS

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the legal or constructive obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to profit or loss in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost. Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at each reporting date. All other costs of continuous rehabilitation are charged to profit or loss as incurred.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out above.

2.12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the group entity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs attributable to financial assets and financial liabilities carried at fair value through profit or loss (FVPL) are expensed in profit or loss.

The subsequent measurement of financial assets and liabilities is set out below.

EFFECTIVE INTEREST METHOD

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or financial liability, or where appropriate, a shorter period, to the gross carrying amount of the financial asset or amortised cost of the financial liability.

PROBABILITY OF DEFAULT

For the purpose of IFRS, management considers the following definition of "default", subject to underlying agreements:

- A missed or delayed disbursement of interest and/or principal; or
- Bankruptcy, administration, legal receivership, or other legal blocks to the timely payment of interest and/or principal; or
- A distressed exchange occurs where a new security is issued which amounts to a diminished financial obligation or had the apparent purpose of helping the borrower avoid default.

FINANCIAL ASSETS

Classification and subsequent measurement

The group classified its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through profit or loss or through OCI); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value either through OCI or profit or loss.

The group may, at initial recognition, irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Impairment

The group 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.

For trade receivables and contract assets, the group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

For credit-impaired financial assets, the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset from initial recognition. When calculating the credit-adjusted effective interest rate, the group estimates the expected cash flows by considering all contractual terms of the financial asset and ECL.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value and are measured at cost which is deemed to be fair value as they have a short-term maturity.

TRADE RECEIVABLES

Trade receivables are recognised initially at the amount of consideration, unless they contain significant financing components, when they are recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less loss allowance.

FINANCIAL LIABILITIES AND EQUITY

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

Gazprombank Guarantee: The guarantee asset and liability under the financial guarantee contract are recognised as one unit of account at nil fair value on inception. Subsequently, the guarantee asset is measured at amortised cost based on the guarantee fee accrued to the reporting date that is expected to be received from IRC less provision for expected credit losses and the guarantee liability is measured at the amount of the loss allowance for expected credit losses. The guarantee liability is measured at the higher of the amount of the loss allowance in accordance with IFRS 9 and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15. As the amount initially recognised was nil, the guarantee liability is measured at the amount of the loss allowance for expected credit losses in accordance with IFRS 9.

ICBC Guarantee: The liability was measured on a consistent basis, however, upon transition to IFRS 9 the guarantee fee income asset was recognised as the present value of all future guarantee income measured at FVTPL.

DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured at fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group designates certain derivative financial instruments as hedging relationships. For the purposes of hedge accounting, hedging relationships may be of three types:

- Fair value hedges are hedges of particular risks that may change the fair value of a recognised asset or liability;
- Cash flow hedges are hedges of particular risks that may change the amount or timing of future cash flows; and
- Hedges of net investment in a foreign entity are hedges of particular risks that may change the carrying value of the net assets of a foreign entity.

The group have not designated any derivate financial instruments as hedge relationships in 2020 (2019: the group had only cash flow hedges).

To qualify for hedge accounting the hedging relationship must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting. In this case the hedging instrument and the hedged item are reported independently as if there were no hedging relationship.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The fair value gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is reclassified to profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised in profit or loss immediately and included in other finance gains or losses.

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host-contract and the host contract is not carried at fair value. Embedded derivatives are recognised at fair value at inception. Any change to the fair value of the embedded derivatives is recognised in other finance gains or losses in profit or loss. Embedded derivatives which are settled net are disclosed in line with the maturity of their host contracts.

2.13. PROVISIONS

Provisions are recognised when the group has a present obligation, whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

2.14. INVENTORIES

Inventories include the following major categories:

- Stores and spares represent raw materials consumed in the production process as well as spare parts and other maintenance supplies;
- Construction materials represent materials for use in capital construction and mine development;
- Ore in stockpiles represent material that, at the time of extraction, is expected to be processed into a saleable form and sold at a profit. Ore in stockpiles is valued at the average cost per tonne of mining and stockpiling the ore. Quantities of ore in stockpiles ore are assessed through surveys and assays. Ore in stockpiles is classified between current and non-current inventory based on the expected processing schedule in accordance with the group's mining plan;
- Work in progress inventory primarily represents gold in processing circuit that has not completed the production process. Work in progress inventory is valued at the average production costs; and
- Flotation concentrate represents very fine, powder-like product containing the valuable ore mineral from which most of the waste mineral has been eliminated. Flotation concentrate is valued at the average production costs.

Inventories are valued at the lower of cost and net realisable value, with cost being determined primarily on a weighted average cost basis.

Provisions are recorded to reduce ore in stockpiles, work in process, flotation concentrate and finished goods inventory to net realisable value where the net realisable value is lower than relevant inventory cost at the reporting date. Net realisable value is determined with reference to relevant market prices less estimated costs to complete production and bring the inventory into its saleable form. Provisions are also recorded to reduce mine operating supplies to net realisable value, which is generally determined with reference to salvage or scrap value, when it is determined that the supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realisable value where the inventory is still on hand at the reporting date.

2.15. LEASES

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets are recognised at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the commencement date of the lease. The corresponding liability to the lessor is included in the statement of financial position as a lease obligation. The right-of-use asset is included within Property, plant and equipment. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The group applies IAS 36 to determine whether right-of-use assets are impaired and accounts for any identified impairment loss when incurred.

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Lease liabilities are presented as a separate line in the statement of financial position.

The group continues to account for the payments associated with short-term leases, leases of low-value assets and leases to explore for or use minerals and similar non-regenerative resources as an expense on a straight-line basis in profit or loss.

2.16. REVENUE RECOGNITION

To recognise revenue under IFRS 15, the group applies the following five steps:

- Identify the contract(s) with a customer;
- Identify the separate performance obligations in the contract: Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct;
- Determine the transaction price: The transaction price is the amount of consideration to which the group expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, the group estimates the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;
- Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract; and
- Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time or over time. For a performance obligation satisfied over time, the group selects an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

SALES OF GOLD AND SILVER
The majority of the group's revenue is derived from the sale of refined gold. The sale of gold is classified as a single performance obligation and revenue is recognised at a point in time when control has passed to the customer, as specified in individual sales contracts. The sales price is determined with reference to LBMA fixing at the time of sale.

Silver is a co-product of gold production. Sales of silver is recognised in revenue. Sales of silver is classified as a single performance obligation and revenue is recognised at a point in time when control has passed to the customer, as specified in individual sales contracts.

OTHER REVENUE
Other revenue is recognised as follows:

- Engineering contracts: revenue under each engineering contract is classified as a single performance obligation and revenue is recognised over time based on percentage completion applied to the contract price;
- Flotation concentrate: the sale of flotation concentrate is classified as a single performance obligation and revenue is recognised at a point in time when control has passed to the customer, as specified in individual sales contracts;
- Sales of other goods represent the procurement of materials, consumables and equipment for third parties. Revenue from sales of other goods is classified as a single performance obligation and revenue is recognised at a point in time when control has passed to the customer;
- Other services: revenue from other services is classified as a single performance obligation and revenue is recognised over time during the term of the relevant contract; and
- Rental income is classified as a single performance obligation and revenue is recognised over time during the term of the relevant lease.

2.17. BORROWING COSTS

Borrowing costs are generally expensed as incurred except where they relate to the financing of acquisition, construction or development of qualifying assets, which are mining projects under development that necessarily take a substantial period of time to get prepared for their intended use. Such borrowing costs are capitalised and added to capital construction in progress until such time when the project is substantially ready for its intended use (which is when commercial production is ready to commence).

To the extent that funds are borrowed to finance a specific mining project, borrowing costs capitalised represent the actual borrowing costs incurred. To the extent that funds are borrowed for the general purpose, borrowing costs capitalised are determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of capital expenditure incurred to develop the relevant mining project during the period.

2.18. TAXATION

Tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity. In this case, the tax is also recognised in the statement of comprehensive income or directly in equity, respectively.

Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted by the reporting date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Full provision is made for deferred taxation on all temporary differences existing at the reporting date with certain limited exceptions. Temporary differences are the difference between the carrying value of an asset or liability and its tax base. The main exceptions to this principle are as follows:

- Tax payable on the future remittance of the past earnings of subsidiaries, associate and jointly controlled entities is provided for except where the company is able to control the remittance of profits and it is probable that there will be no remittance in the foreseeable future;

- Deferred tax is not provided on the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and

- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as mining rights that, in general, are not eligible for income tax allowances. In such cases, the provision for deferred tax is based on the difference between the carrying value of the asset and its nil income tax base.

Deferred tax is calculated at the tax rates and laws that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted, or substantively enacted, at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

3. AREAS OF JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When preparing the consolidated 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.

3.1. CRITICAL ACCOUNTING JUDGEMENTS

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in these financial statements.

SIGNIFICANT INFLUENCE OVER IRC AND IRC CLASSIFICATION

As at 31 December 2020, the group was the single largest shareholder of IRC, holding approximately 31.1% of IRC's issued shares. The group considers that it exercises significant influence over, but does not control, IRC such that its equity is accounted for as an investment in an associate, in accordance with IAS 28 "Investments in associates". Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee. If control were to exist then IRC would be required to be consolidated as a subsidiary into the group's consolidated financial information.

In making this assessment, the group also considered the definition of control under IFRS 10 "Consolidated Financial Statements" being where an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The factors considered included:

- Relative shareholdings;

- Shareholder voting rights;

- Rights to nominate and appoint directors and executive management of IRC;

- Influence over the IRC board and executive management; and

- Operational independence of IRC.

After taking into account the aforementioned control factors in aggregate, it is considered that the group does not exercise de facto control over IRC and IRC is not a subsidiary to the group.

Accordingly, accounting treatment applied to treat the group's investment in IRC is as an investment in associate in accordance with IAS 28 "Investments in associates". Continuous increase in iron ore price and increase in production output as reaching design capacity by K&S mine of IRC, combined with depreciation of the Russian Rouble against the US Dollar, had a positive effect on the value in use of the IRC investment during the year ended 31 December 2020. The group reviewed the carrying value of its 31.1% investment in IRC and concluded that, based on value-in-use calculations, a US$21.4 million reversal of impairment was required and recorded accordingly (2019: a US$23.4 million impairment was required and recorded accordingly) (note 14).

On 18 March 2020, the group signed a preliminary agreement to dispose of its 29.9% out of 31.1.% interest in IRC to Stocken Board AG for a cash consideration of US$10 million, subject to certain conditions precedent being met, including the release of the group's obligation to guarantee IRC's external debt under the Gazprombank Facility (note 26). This was a non-adjusting event and the investment was not considered to be an asset held-for-sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 31 December 2019.

Throughout 2020, the group has continued to explore disposal options for the interest in IRC and further engaged with several parties to dispose of the equity holding and release the group's obligation to guarantee IRC's external debt under the Gazprombank Facility (note 26). Following negotiations with several interested parties the directors resolved to approve the potential disposal of 29.9% investment in IRC. In the opinion of the directors it is highly probable this disposal to be completed within 12 months after the reporting date and accordingly 29.9% investment in IRC together with the financial guarantee contract were considered to be a disposal group held-for-sale under IFRS

5 "Non-current Assets Held for Sale and Discontinued Operations" as at 31 December 2020. The group does not participate in the business conducted by IRC neither did it historically receive cash inflows from IRC operations in the form of dividends or other distributions. Furthermore the group is not involved in the management of IRC and the investment in IRC is not considered to be part of core business of the group. Management therefore do not consider IRC to be a separate major line of business, notwithstanding the value of the investment included in the Statement of financial position and the size of the share of results in IRC included in the Statement of Profit or Loss. Consequently, IRC is not recognised as a discontinued operation under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

VALUATION OF FINANCIAL GUARANTEE CONTRACT

The group has provided a guarantee over IRC's external borrowings from Gazprombank, which was issued in March 2019. Details of the guarantee arrangements are set out in note 26.

The group made an accounting policy choice to recognise the guarantee asset and liability under the financial guarantee contract as one unit of account at nil fair value on inception. Subsequently, the guarantee asset is recognised on accruals basis and the guarantee liability is measured at the amount of the loss allowance for expected credit losses (ECL), as this was higher than the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15.

In determining the amount of the loss allowance, the group makes significant judgement with regards to whether the credit risk on the financial guarantee contract has increased significantly since initial recognition and whether the amount of the loss allowance is measured as a 12-month ECL or lifetime ECL in accordance with the IFRS 9 Impairment Model.

In making the assessment whether the credit risk on the financial guarantee contract has increased significantly since initial recognition, the group considered the following factors:

- Changes in the cumulative probability of default;
- Changes in the calculated shadow credit rating of IRC using a Moody's scorecard methodology;
- Operational and financial performance of IRC during the period and future outlook;
- Compliance with debt service obligations and covenants under the Gazprombank Facility;
- Changes in the regulatory, economic, or technological environment of IRC; and
- The impact of the IRC investment impairment review (note 14).

After taking into account the aforementioned factors in aggregate, the directors concluded that the credit risk on the financial guarantee contract has not increased significantly since initial recognition. Accordingly, the financial guarantee contract liability as at 31 December 2020 was recognised in the amount of 12-month ECL of US$8.2 million (2019: in the amount of 12-month ECL of US$8.9 million).

The following methodologies and key input and assumptions were used to estimate the amount of the 12-month ECL:

- Estimation of the total liability value using a number of valuation techniques incorporating an estimation of current market borrowing rates, as well as techniques considering the capital structure of IRC and future projections of the likelihood of default;
- Information used in the valuation included factors relating to IRC performance mentioned in addition to equity market prices for IRC and Petropavlovsk and yields on comparable credit bonds in the mining industry; and
- The total liability value is used to derive a market implied annualised default rate over the life of the guarantee which is then applied to the balance over the next 12 months to estimate the probability of default over this period and subsequent loss adjusted for assumed recovery.

FUNCTIONAL CURRENCY

IAS 21 "The Effects of Changes in Foreign Exchange Rates" defines functional currency as the currency of the primary economic environment in which the entity operates. The group therefore performs an analysis of the currencies in which each subsidiary primarily generates and expends cash. This involves an assessment of the currency in which sales are generated and operational and capital expenditures are incurred, and currency in which external borrowing costs are denominated. Management makes judgements in defining the functional currency of the group's subsidiaries based on economic substance of the transactions relevant to these entities.

For each of the group's consolidated entities, management performed analysis of relevant factors that are indicators of functional currency and, based on the analysis performed, determined functional currency, accordingly. The group concluded that the functional currency for each of the subsidiaries in Russia, except for its research institute Irgiredmet, is the US Dollar. Functional currency for Irgiredmet was concluded to be the Russian Rouble.

CASH GENERATING UNIT ("CGU") DETERMINATION AND IMPAIRMENT INDICATORS

The group exercises judgement in determining the groups individual CGUs based upon an assessment of the whether the cash inflows generated are capable of being separately identifiable and independent. This assessment considered whether there is an active market for the outputs of each significant element of the production process, including gold concentrate, and the group's CGUs were concluded to be Pioneer, Malomir and Albyn (note 4) with POX Hub facilities allocated between Pioneer, Malomir and Albyn CGUs based on expected processing of flotation concentrate. Management also applies judgement in allocating assets that do not generate independent cash inflows to the group's CGUs. Any changes to CGU determinations would impact the carrying values of the respective CGUs.

The group considers both external and internal sources of information in assessing whether there are any indications that its CGUs are impaired. External sources of information include changes in the market, economic and legal environment in which the group operates that are not within its control. Internal sources of information include the manner in which mining assets and plant and equipment are being used or are expected to be used and indicators of economic performance of such assets. Judgement is therefore required to determine whether these updates represent significant changes in the recoverable amount of an asset or CGU, and are therefore indicators of impairment or impairment reversal.

ADVANCES FROM CUSTOMERS UNDER GOLD SALES CONTRACTS

The group has entered into prepaid gold sales arrangements, which are settled solely through physical delivery and are priced based on the spot gold price, prevailing at the date of the respective shipment. The arrangements are considered to fall under IFRS 15 'Revenue from Contracts with Customers' and the advances received represent contract liabilities included within Trade and other payables as Advances from customers rather than falling to be accounted under IFRS 9 'Financial Instruments' on which case it would be presented within borrowings. As of 31 December 2020, the relevant contract liabilities amount to US$63.8 million (31 December 2019: US$187.4 million).

3.2. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

ORE RESERVE ESTIMATES
The group estimates its ore reserves and mineral resources based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) and the internally used Russian Classification System, adjusted to conform with the mining activity to be undertaken under the group mining plan. Both the JORC Code and the Russian Classification System require the use of reasonable investment assumptions when reporting reserves, including future production estimates, expected future commodity prices and production cash costs.

Ore reserve estimates are used in the calculation of depreciation of mining assets using a units of production method (note 13), impairment charges (note 6) and for forecasting the timing of the payment of close down and restoration costs (note 22). Also, for the purposes of impairment reviews and the assessment of life of mine for forecasting the timing of the payment of close down and restoration costs, the group may take into account mineral resources in addition to ore reserves where there is a high degree of confidence that such resources will be extracted. Ore reserve estimates may change from period to period as additional geological data becomes available during the course of operations or economic assumptions used to estimate reserves change. Such changes in estimated reserves may affect the group's financial results and financial position in a number of ways, including the following:

- Asset carrying values due to changes in estimated future cash flows (note 6);
- Depreciation charged to profit or loss where such charges are determined by using a units of production method or where the useful economic lives of assets are determined with reference to the life of the mine;
- Provisions for close down and restoration costs where changes in estimated reserves affect expectations about the timing of the payment of such costs (note 22); and
- Carrying value of deferred tax assets and liabilities (note 21) where changes in estimated reserves affect the carrying value of the relevant assets and liabilities.

IMPAIRMENT AND IMPAIRMENT REVERSALS
The group reviews the carrying values of property, plant and equipment to determine whether there is any indication that those assets are impaired. The recoverable amount of an asset, or cash-generating unit ('CGU'), is measured as the higher of fair value less costs to sell and value in use.

The group necessarily applies judgement in the determining the assumptions to be applied within the value in use calculations. The key assumptions which formed the basis of forecasting future cash flows and the value in use calculation are set out in note 6. Future changes to the key assumptions in the value in use calculation could impact the carrying value of the respective assets. The impairment assessments are sensitive to changes in commodity prices, foreign exchange rates and discount rates. Changes to these assumptions would result in changes to conclusions in relation to impairment, which could have a significant effect on the consolidated financial statements. Details of impairment and/or impairment reversals, together with a sensitivity analysis, in relation to the property, plant and equipment are set out in note 6.

VALUATION OF CONVERTIBLE BONDS
The conversion option is a derivative financial liability measured at fair value whose valuation incorporates among other inputs the group's credit risk, implied credit spreads and historic share price volatility. The significant increase in the gold price that together with depreciation of the Russian Rouble, in which most of the group's operating expenses are denominated, have contributed to significant increase in the share price of the company increasing the value of the convertible bond option liability.

TAXATION
The group is subject to income tax in the UK, Russian Federation and Cyprus.

Deferred tax liabilities are calculated on taxable temporary differences, being the difference between the tax and accounting base.

Deferred tax assets, including those arising from unused tax losses carried forward for the future tax periods and deductible temporary differences, are recognised only when it is either probable that the future taxable profits will be available against which the unused tax losses can be utilised or there are sufficient taxable temporary differences.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. In addition, the functional currency for the subsidiaries in Russia is the US Dollar which gives rise to foreign exchange movements in relation to temporary differences and deferred tax (note 10).

The aforementioned estimate and assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, the carrying amount of recognised deferred tax assets may require adjustment, resulting in a corresponding charge or credit to profit or loss. In particular, if the Russian Rouble was 10% weaker as at 31 December 2020, this would give rise to an additional US$14.9 million deferred tax liability and corresponding increase to the tax charge for the year ended 31 December 2020. Details of deferred tax disclosures are set out in note 21.

3.3. OTHER SOURCES OF ESTIMATION UNCERTAINTY

EXPLORATION AND EVALUATION COSTS
The group's accounting policy for exploration and evaluation expenditure results in exploration and evaluation expenditure being capitalised for those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale or where the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether the group will proceed with development based on existence of reserves or whether an economically viable extraction operation can be established. Such estimates and assumptions may change from period to period as new information becomes available. If, subsequent to the exploration and evaluation expenditure being capitalised, a judgement is made that recovery of the expenditure is unlikely or the project is to be abandoned, the relevant capitalised amount will be written off to profit or loss. Details of exploration and evaluation assets are set out in note 12.

DEFERRED STRIPPING COSTS
Stripping costs are deferred and capitalised if they relate to gaining improved access to an identified component of an ore body to be mined in future periods. The capitalised amount is determined based on the volume of waste extracted, compared with expected ore volume in the identified component of the ore body. The identification of the components of a mine's ore body is a critical estimate and is made by reference to the respective life of mine plan. Changes to the life of mine plan, including the life and design of a mine, may result in the capitalisation of production stripping costs or adjustments of the carrying

value of stripping costs capitalised in previous periods. As a result, there could be significant adjustments to the amounts of deferred stripping costs capitalised. Details of deferred stripping costs capitalised are set out in note 13.

CLOSE DOWN AND RESTORATION COSTS

Costs associated with restoration and rehabilitation of mining sites are typical for extractive industries and are normally incurred at the end of the life of the mine. Provision is recognised for each mining site for such costs discounted to their net present value, as soon as the obligation to incur such costs arises. The costs are estimated on the basis of the scope of site restoration and rehabilitation activity in accordance with the mine closure plan and represent management's best estimate of the expenditure that will be incurred. Estimates are reviewed annually as new information becomes available.

The actual costs may be different from those estimated due to changes in relevant laws and regulations, changes in prices as well as changes to the restoration techniques. The actual timing of cash outflows may be also different from those estimated due to changes in the life of the mine as a result of changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provision for close down and restoration costs established which would affect future financial results. Details of provision for close down and restoration costs are set out in note 22.

4. SEGMENT INFORMATION

The group's reportable segments under IFRS 8, which are aligned with its operating locations, were determined to be Pioneer, Malomir and Albyn hard rock gold mines which are engaged in gold and silver production as well as field exploration and mine development. POX Hub facilities are allocated between Pioneer, Malomir and Albyn reportable segments based on the expected use by each segment.

Corporate and Other segment amalgamates corporate administration, in-house geological exploration and construction and engineering expertise, engineering and scientific operations and other supporting in-house functions as well as various gold projects and other activities that do not meet the reportable segment criteria.

Reportable segments are based on the internal reports provided to the Chief Operating Decision Maker ('CODM') to evaluate segment performance, decide how to allocate resources and make other operating decisions and reflect the way the group's businesses are managed and reported.

The financial performance of the segments is principally evaluated with reference to operating profit less foreign exchange impacts.

2020	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	CONSOLIDATED US$'000
Revenue					
Gold	486,207	247,921	221,244	-	955,372
Silver	338	100	196	-	634
Other external revenue	-	-	-	32,528	32,528
Inter segment revenue	32,694	380	23,104	143,425	199,603
Intra group eliminations	(32,694)	(380)	(23,104)	(143,425)	(199,603)
Total group revenue from external customers	486,545	248,021	221,440	32,528	988,534
Operating expenses and income					
Operating cash costs	(366,677)	(106,959)	(92,307)	(35,497)	(601,440)
Depreciation	(49,824)	(53,771)	(27,969)	(2,515)	(134,079)
Central administration expenses	-	-	-	(61,371)	(61,371)
Impairment of mining assets	-	-	(58,806)	-	(58,806)
Impairment of exploration and evaluation assets	-	-	(16,112)	-	(16,112)
Impairment of gold in circuit	(77)	-	-	-	(77)
Impairment of bullion in process	(41)	-	-	-	(41)
Write-down of inventories to net realisable value	-	-	-	(1,215)	(1,215)
Total operating expenses [(a)]	(416,619)	(160,730)	(195,194)	(100,598)	(873,141)
Segment result	69,926	87,291	26,246	(68,070)	115,393
Foreign exchange gains					32,647
Operating profit					148,040
Share of results of associate					52,681
Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell					(55,798)
Net impairment reversals on financial instruments					1,000
Investment and other finance income					7,754
Interest expense					(58,533)
Net other finance losses					(67,957)
Taxation					(76,069)
Loss for the year					(48,882)
Segment assets	619,004	603,684	312,678	149,698	1,685,064
Segment liabilities	(109,478)	(70,650)	(28,169)	(166,788)	(375,085)
Deferred tax – net					(140,034)
Unallocated cash					3,419
Borrowings					(536,020)
Net assets of disposal group classified as held for sale					34,297
Net assets					671,641
Other segment information					
Additions to non-current assets:					
Exploration and evaluation expenditure	-	799	5,707	2,310	8,816
Capital Expenditure	54,926	19,905	40,518	3,191	118,540
Capitalised Stripping	20,992	23,836	-	-	44,828
Other items capitalised [(b)]	20,838	9,113	7,726	-	37,677
Average number of employees	2,816	1,280	1,421	3,372	8,889

(a) Operating expenses excluding foreign exchange gains (note 6).
(b) Interest and close down and restoration costs capitalised (note 13).

For the year ended 31 December 2020

2019	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	CONSOLIDATED US$'000
Revenue					
Gold [c]	223,193	239,365	229,139	-	691,697
Silver	464	267	146	-	877
Other external revenue	-	-	-	49,015	49,015
Inter segment revenue	45,970	537	4,493	145,326	196,326
Intra group eliminations	(45,970)	(537)	(4,493)	(145,326)	(196,326)
Total group revenue from external customers	223,657	239,632	229,285	49,015	741,589
Operating expenses and income					
Operating cash costs	(170,349)	(135,427)	(80,017)	(48,745)	(434,538)
Depreciation	(41,225)	(46,549)	(48,144)	(1,857)	(137,775)
Central administration expenses	-	-	-	(52,527)	(52,527)
Reversal of impairment of mining assets and in-house service	42,755	-	-	9,404	52,159
(Impairment)/reversal of impairment of ore stockpiles	(664)	(517)	3,959	-	2,778
Reversal of impairment/(impairment) of gold in circuit	101	(243)	-	-	(142)
Total operating expenses [d]	(169,382)	(182,736)	(124,202)	(93,725)	(570,045)
Segment result	54,275	56,896	105,083	(44,710)	171,544
Foreign exchange losses					(20,808)
Operating profit					150,736
Share of results of associate					(35,376)
Net impairment reversals on financial instruments					30,797
Investment and other finance income					8,826
Interest expense					(59,854)
Net other finance losses					(42,190)
Taxation					(27,246)
Profit for the year					25,693
Segment assets	629,169	705,230	315,152	199,578	1,849,129
Segment liabilities	(185,883)	(157,335)	(23,065)	(128,204)	(494,487)
Deferred tax – net					(112,566)
Unallocated cash					2,914
Borrowings					(609,463)
Net assets					635,527
Other segment information					
Additions to non-current assets:					
Exploration and evaluation expenditure	691	-	8,350	1,095	10,136
Capital Expenditure	34,945	24,840	22,009	18,362	100,156
Capitalised Stripping	14,454	12,653	-	-	27,107
Other items capitalised [e]	19,058	6,087	1,435	-	26,580
Average number of employees	2,910	1,284	1,442	3,345	8,981

(c) Net of US$(31.5) million net of cash settlement paid by the group for realised cash flow hedges.
(d) Operating expenses excluding foreign exchange losses (note 6).
(e) Interest and close down and restoration costs capitalised (note 13).

ENTITY WIDE DISCLOSURES

Revenue by geographical location [(a)]

	2020 US$'000	2019 US$'000
Russia and CIS	714,263	678,348
United Kingdom of Great Britain and Northern Ireland	208,166	44,975
Switzerland	66,059	17,898
Other	46	368
	988,534	741,589

(a) Based on the location to which the product is shipped or in which the services are provided.

Non-current assets by location of asset [(b)]

	2020 US$'000	2019 US$'000
Russia	1,339,675	1,371,358
Other	878	1,113
	1,340,553	1,372,471

(b) Excluding financial instruments and deferred tax assets.

Information about major customers
During the years ended 31 December 2020 and 31 December 2019 the group generated revenues from the sales of gold to banks. Included in gold sales revenue for the year ended 31 December 2020 are revenues of US$955 million which arose from sales of gold to three bank groups that individually accounted for more than 10% of the group's revenue, namely US$612 million to Gazprombank and US$135 million to Sberbank group, and US$208 million to ICBC (2019: US$647 million which arose from sales of gold to two bank groups that individually accounted for more than 10% of the group's revenue, namely US$518 million to Gazprombank and US$129 million to Sberbank group). The proportion of group revenue of each bank may vary from year to year depending on commercial terms agreed with each bank. Management considers there is no major customer concentration risk due to high liquidity inherent to gold as a commodity.

5.GROUP REVENUE

	2020 US$'000	2019 US$'000
Sales of goods:		
Gold	955,372	691,697
Silver	634	877
Other goods	19,664	33,395
Rendering of services:		
Engineering and construction contracts	10,390	12,535
Other services	1,897	2,347
Rental income	577	738
	988,534	741,589

	2020 US$'000	2019 US$'000
Timing of revenue recognition:		
At a point in time	975,670	725,969
Over time	12,864	15,620
	988,534	741,589

For assets and liabilities related to contracts with customers, including revenue recognised in the period that was included in the contract liability balance at the beginning of the period, please refer to notes 16 and 19.

6. OPERATING EXPENSES AND INCOME

	2020 US$'000	2019 US$'000
Net operating expenses [(a)]	735,519	572,313
Impairment/(reversal of impairment) of mining assets and in-house service [(a)]	58,806	(52,159)
Impairment of exploration and evaluation assets [(a)]	16,112	-
Write-down of inventory to net realisable value	1,215	-
Reversal of impairment of ore stockpiles [(a)]	-	(2,778)
Impairment of gold in circuit	77	142
Impairment of bullion in process	41	-
Central administration expenses [(a)]	61,371	52,527
Foreign exchange (gains)/losses	(32,647)	20,808
	840,494	590,853

(a) As set out below.

NET OPERATING EXPENSES

	2020 US$'000	2019 US$'000
Depreciation	134,079	137,775
Staff costs	88,492	97,615
Materials	88,623	91,004
Flotation concentrate purchased	201,647	74,010
Fuel	29,565	43,612
External services	43,095	46,392
Mining tax charge	33,796	15,917
Electricity	33,880	34,118
Smelting and transportation costs	777	858
Movement in ore stockpiles, work in progress, bullion in process, limestone and flotation concentrate attributable to gold production	29,962	(34,156)
Taxes other than income	7,962	7,706
Insurance	3,641	8,437
Rental fee	2,861	3,194
Provision for impairment of trade and other receivables	650	2,021
Bank charges	1,088	876
Repair and maintenance	5,061	6,896
Security services	4,424	4,503
Travel expenses	1,284	2,902
Goods for resale	11,068	19,471
Other operating expenses	13,564	9,162
	735,519	572,313

CENTRAL ADMINISTRATION EXPENSES

	2020 US$'000	2019 US$'000
Staff costs	29,926	33,466
Professional fees	20,615	1,771
Insurance	739	797
Rental fee	416	481
Business travel expenses	541	2,000
Office costs	830	832
Other	8,304	13,180
	61,371	52,527

IMPAIRMENT CHARGES

Impairment of mining assets

The group undertook a review of impairment indicators of the tangible assets attributable to its gold mining projects and supporting in-house service companies. Detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded no impairment was required in relation to Pioneer and Malomir CGUs and indicated an impairment in relation to Albyn CGU as at 31 December 2020.

The directors concluded to record a pre-tax impairment of an aggregate of US$74.9 million (being a post-tax impairment of an aggregate of US$59.9 million) to the extent that recoverable amounts no longer supported the relevant carrying values of assets that are part of Albyn CGU on the statement of financial position as at 31 December 2020 as set out below:

- A pre-tax impairment of US$58.8 million (being a post-tax impairment of US$47.0 million) has been recorded against the associated assets within property, plant and equipment; and
- A pre-tax impairment of US$16.1 million (being a post-tax impairment of US$12.9 million) has been recorded against the associated exploration and evaluation assets.

As at 31 December 2019, the group recognised US$43.5 million (US$34.8 million post-tax) reversal of impairment previously recorded against the carrying value of the assets of the Pioneer CGU and US$9.4 million (US$7.8 million post-tax) reversal of impairment previously recorded against the carrying value of the assets of the supporting in-house service companies. The aforementioned impairment reversals took into consideration the effect of depreciation attributable to relevant assets and intra-group transfers of previously impaired assets.

Impairment of exploration and evaluation assets

The group performed a review of its exploration and evaluation assets and concluded no impairment except for in relation to assets that are part of Albyn CGU was required as at 31 December 2020 (31 December 2019: The group performed a review of its exploration and evaluation assets and concluded no impairment was required).

As at 31 December 2020 and 31 December 2019, exploration and evaluation assets in the statement of financial position primarily related to the areas adjacent to the existing mines (note 12).

The key assumptions which formed the basis of forecasting future cash flows and the value in use calculation are set out below:

	YEAR ENDED 31 DECEMBER 2020	YEAR ENDED 31 DECEMBER 2019
Long-term real gold price [(a)]	US$1,575/oz	US$1,400/oz
Discount rate [(b)]	6.4%	7.0%
RUB : US$ exchange rate [(c)]	RUB73.6 : US$1	RUB65.8 : US$1

(a) Being upper 75% range of the analyst forecasts based on Consensus Economics, published in December 2019 and January 2021. Based on experience of analyst forecasts being on a conservative side, it is management's view that the upper 75% range is a more accurate basis on which to base the forecasting of forecasting future cash flows for value-in-use calculations.
(b) Being the post-tax real weighted average cost of capital, an equivalent to a nominal pre-tax discount rate of 8.7% (2019: 9.8%), applied to cash flows prepared on a consistent post-tax real basis.
(c) Based on Consensus Economics, published in December 2019 and January 2021.

With all other assumptions being constant, changes to the aforementioned key assumptions could potentially result in impairment of certain mining assets as set out below:

		POTENTIAL IMPAIRMENT
Long-term real gold price [(a)]	US$1,420/oz	US$212 million
Discount rate [(b)]	7.4%	US$18 million
RUB : US$ exchange rate [(a)]	RUB66.0 : US$1	US$113 million

(a) In relation to Pioneer and Albyn CGUs.
(b) In relation to Albyn CGU.

Impairment of ore stockpiles

The group assessed the recoverability of the carrying value of ore stockpiles and recorded impairment charges/reversals of impairment as set out below:

	YEAR ENDED 31 DECEMBER 2020			YEAR ENDED 31 DECEMBER 2019		
	PRE-TAX IMPAIRMENT CHARGE US$'000	TAXATION US$'000	POST-TAX IMPAIRMENT CHARGE US$'000	PRE-TAX IMPAIRMENT CHARGE US$'000	TAXATION US$'000	POST-TAX IMPAIRMENT CHARGE US$'000
Pioneer	-	-	-	664	(133)	531
Malomir	-	-	-	517	(88)	429
Albyn	-	-	-	(3,959)	673	(3,286)
	-	-	-	(2,778)	452	(2,326)

7. AUDITOR'S REMUNERATION

The group, including its overseas subsidiaries, obtained the following services from the company's auditor and their associate:

	2020 US$'000	2019 US$'000
Audit fees and related fees		
Fees payable to the company's auditor for the annual audit of the parent company and consolidated financial statements	1,750	1,021
Fees payable to the company's auditor and their associate for other services to the group:		
For the audit of the company's subsidiaries as part of the audit of the consolidated financial statements	650	351
For the audit of subsidiary statutory accounts pursuant to legislation [(a)]	122	84
Fees payable to the previous auditor for work carried out in the previous year for the annual audit of the parent company and consolidated financial statements	486	-
	3,008	1,456
Non-audit fees		
Other services pursuant to legislation – interim review	400	337
Fees for reporting accountants services [(b)]	-	400
	400	737

(a) Including the statutory audit of subsidiaries in the UK and Cyprus.
(b) Fees payable in relation to the circular for the ICBC guarantee restructuring process (notes 26).

8. STAFF COSTS

	2020 US$'000	2019 US$'000
Wages and salaries	93,099	103,728
Social security costs	25,065	26,952
Pension costs	131	121
Share-based compensation	123	280
	118,418	131,081
Average number of employees	8,889	8,981

9. FINANCIAL INCOME AND EXPENSES AND IMPAIRMENT OF FINANCIAL INSTRUMENTS

	2020 US$'000	2019 US$'000
Net impairment reversals on financial instruments		
Reversal of impairment of financial assets	309	2,333 [a]
Financial guarantee contract	691	28,464 [b]
	1,000	30,797
Investment and other finance income		
Interest income	1,100	3,216
Guarantee fee income [c]	6,654	5,610
	7,754	8,826
Interest expense		
Notes	(42,238)	(41,995)
Convertible bonds	(9,231)	(12,984)
Prepayment on gold sale agreements	(9,938)	(16,019)
Lease liabilities	(485)	(593)
	(61,892)	(71,591)
Interest capitalised	4,134	12,287
Unwinding of discount on environmental obligation	(775)	(550)
	(58,533)	(59,854)
Net other finance (losses)/gains		
Fair value loss on the conversion option [d]	(42,775)	(31,127)
Loss on repurchase of the Existing Bonds [e]	-	(11,211)
Loss on Bonds conversion [f]	(9,536)	-
Fair value gain on the guarantee receivable [g]	571	3,607
Fair value loss on the call option over non-controlling interests [h]	(11,022)	(1,978)
Fair value loss on other derivative financial instruments	(733)	(1,345)
Fair value loss on listed equity investments	(92)	(302)
Gain on lease modification	224	166
Fair value loss on gold option contracts [i]	(7,021)	-
Fair value gain on currency option contracts [i]	4,132	-
Bond solicitation expenses	(1,705)	-
	(67,957)	(42,190)

(a) 2019: US$3.2 million reversal of ECL in relation to loans granted to IRC (note 26).
(b) 2019: US$28.5 million gain, being net of:
- Recognition of US$8.9 million guarantee contract liability under Gazprombank guarantee arrangements as at 31 December 2019 in the amount of 12-month ECL; and
- De-recognition of US$(37.4) million guarantee contract liability previously recognised under ICBC guarantee arrangements in the amount of the lifetime ECL following termination of the ICBC Facility Agreement. Further details on the financial guarantee contracts are set out in note 26.
(c) Guarantee fee income under Gazprombank Guarantee arrangements (note 26).
(d) Result of re-measurement of the conversion option to fair value (notes 18 and 20).
(e) US$100 million convertible bonds due 2020 (the 'Existing Bonds'): difference between the US$108 million paid to fund the Repurchase Price and the carrying value of the Existing Bonds at redemption (note 20).
(f) Result of Bonds being converted and settled in shares at their nominal value and the carrying value of Convertible Bonds.
(g) Result of re-measurement of receivable from IRC under ICBC Guarantee arrangements to fair value (2019: result of re-measurement of receivable from IRC under ICBC guarantee arrangements to fair value, including US$0.7 million guarantee fee income) (note 26).
(h) Result of re-measurement of the TEMI option to fair value (notes 18 and 26).
(i) Result of measurement of gold and currency option contracts (note 18).

10. TAXATION

	2020 US$'000	2019 US$'000
Current tax		
Russian current tax	48,652	29,660
	48,652	29,660
Deferred tax		
Origination/(reversal) of temporary differences [(a)]	27,417	(2,414)
Total tax charge	76,069	27,246

(a) Including effect of foreign exchange movements in respect of deductible temporary differences of US$33.1 million (year ended 31 December 2019: US$(20.4) million) which primarily arises as the tax base for a significant portion of the future taxable deductions in relation to the group's property, plant and equipment are denominated in Russian Rouble whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value and reflects the movements in the Russian Rouble to the US Dollar exchange rate.

	2020 US$'000	2019 US$'000
(Loss)/profit before tax	27,187	52,939
Less: share of results of associate	(52,681)	35,376
(Loss)/profit before tax (excluding associate)	(25,494)	88,315
Tax on profit (excluding associate) at the Russian corporation tax rate of 20% (2019: 20%)	(5,099)	17,663
Effect of the reduced corporation tax rate	23	(4,813) [(a)]
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,207	1,239
Tax effect of expenses that are not deductible for tax purposes [(b)]	23,382	7,681
Tax effect of tax losses for which no deferred income tax asset was recognised [(c)]	15,460	11,967
Utilisation of previously unrecognised tax losses	(2)	(124)
Foreign exchange movements in respect of deductible temporary differences [(d)]	33,064	(20,424)
Other adjustments [(e)]	8,034	14,057
Tax charge	76,069	27,246

(a) Under the Russian Federal Law 144-FZ dated 23 May 2016 taxpayers who are participants to the Regional Investment Projects ("RIP") have the right to apply the reduced corporation tax rate over the period until 2027, subject to eligibility criteria. In 2019 LLC Malomirskiy Rudnik and LLC Albynskiy Rudnik have received tax relief as a RIP participant and was entitled to the reduced statutory corporation tax rate of 17%.
(b) Primarily relate to fair value loss on re-measurement of the conversion option of the Convertible Bonds (note 9) and write-down to adjust the carrying value of net assets of the disposal group to fair value less costs to sell (note 14).
(c) Primarily relate to interest expense incurred in the UK and loss on repurchase of the Existing Bonds (note 9) (2019: primarily relate to interest expense incurred in the UK and loss on repurchase of the Existing Bonds).
(d) Foreign exchange movements primarily arise as the tax base for a significant portion of the future taxable deductions in relation to the group's property, plant and equipment are denominated in Russian Rouble whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value and reflects the movements in the Russian Rouble to the US Dollar exchange rate.
(e) Other adjustments primarily relate to Russian withholding tax on intercompany dividends and dividend income treated as not exempt from UK corporation tax under s.931R Corporation Tax Act 2009.

Tax laws, regulations and court practice applicable to the group are complex and subject to frequent change, varying interpretations and inconsistent and selective enforcement. There are a number of practical uncertainties associated with the application of relevant tax legislation and there is a risk of tax authorities making arbitrary judgements of business activities. If a particular treatment, based on management's judgement of the group's business activities, was to be challenged by the tax authorities, the group may be subject to tax claims and exposures. Management has calculated a total exposure (including taxes and respective interest and penalties) estimated to be US$7.5 million (2019: US$10.5 million) of contingent liabilities, including US$0.2 million (2019:US$4.8 million) in respect of income tax and US$7.3 million (2019: US$5.7 million) in respect of other taxes.

11. EARNINGS PER SHARE

	2020 US$'000	2019 US$'000
(Loss)/profit for the year attributable to equity holders of Petropavlovsk PLC	(45,633)	26,883
Interest expense on convertible bonds [(a)]	-	-
(Loss)/profit used to determine diluted earnings per share	(45,633)	26,883
	NO OF SHARES	**NO OF SHARES**
Weighted average number of Ordinary Shares	3,564,250,949	3,309,193,559
Adjustments for dilutive potential Ordinary Shares [(a)]	-	-
Weighted average number of Ordinary Shares for diluted earnings per share	3,564,250,949	3,309,193,559
	US$	**US$**
Basic (loss)/profit per share	(0.01)	0.01
Diluted (loss)/profit per share	(0.01)	0.01

(a) Convertible bonds which could potentially dilute basic profit per ordinary share in the future are not included in the calculation of diluted profit per share because they were anti-dilutive for the years ended 31 December 2020 and 31 December 2019.

12. EXPLORATION AND EVALUATION ASSETS

	FLANKS OF PIONEER US$'000	FLANKS OF ALBYN US$'000	OTHER US$'000	TOTAL US$'000
At 1 January 2020	7,544	43,397	2,182	53,123
Additions	-	5,707	3,109	8,816
Reallocation and other transfers	-	(645)	-	(645)
Impairment (note 6)	-	(16,112)	-	(16,112)
At 31 December 2020	7,544	32,347	5,291	45,182

	FLANKS OF PIONEER US$'000	FLANKS OF ALBYN US$'000	OTHER US$'000	TOTAL US$'000
At 1 January 2019	6,919	35,047	1,149	43,115
Additions	691	8,350	1,095	10,136
Reallocation and other transfers	(66)	-	-	(66)
Transfer to mining assets	-	-	(62)	(62)
At 31 December 2019	7,544	43,397	2,182	53,123

13. PROPERTY, PLANT AND EQUIPMENT

	MINING ASSETS [d] US$'000	NON-MINING ASSETS [d] US$'000	CAPITAL CONSTRUCTION IN PROGRESS US$'000	TOTAL US$'000
Cost				
At 1 January 2019	2,057,758	174,543	386,415	2,618,716
Additions [a]	67,691	24,427	33,406	125,524
Interest capitalised [b]	-	-	12,287	12,287
Close down and restoration cost capitalised (note 22)	14,293	-	-	14,293
Transfer from exploration and evaluation assets (note 12)	62	-	-	62
Transfers from capital construction in progress [c]	390,540	815	(391,355)	-
Disposals [e]	(21,148)	(7,718)	(50)	(28,916)
Reallocation and other transfers	80	(271)	-	(191)
Foreign exchange differences	-	2,719	36	2,755
At 31 December 2019 [h]	2,509,276	194,515	40,739	2,744,530
Additions [a]	78,060	4,654	80,654	163,368
Interest capitalised [b]	-	-	4,134	4,134
Close down and restoration cost capitalised (note 22)	33,543	-	-	33,543
Transfers from capital construction in progress [c]	26,190	1,165	(27,355)	-
Disposals [e]	(33,890)	(12,653)	(152)	(46,695)
Reallocation and other transfers	39	(39)	645	645
Foreign exchange differences	-	(4,167)	(88)	(4,255)
At 31 December 2020 [h]	2,613,218	183,475	98,577	2,895,270
Accumulated depreciation and impairment				
At 1 January 2019	1,337,785	133,621	1,508	1,472,914
Charge for the year [f]	135,265	3,386	-	138,651
Disposals	(20,355)	(6,158)	(7)	(26,520)
Reallocation and other transfers	(4,843)	4,696	(110)	(257)
Reversal of impairment of mining assets and in-house service (note 6)	(42,755)	(8,013)	(1,391)	(52,159)
Foreign exchange differences	-	2,084	-	2,084
At 31 December 2019 [h]	1,405,097	129,616	-	1,534,713
Charge for the year [f]	133,655	4,242	-	137,897
Disposals	(32,610)	(4,936)	-	(37,546)
Reallocation and other transfers	(4,437)	4,437	-	-
Impairment (note 6)	58,806	-	-	58,806
Foreign exchange differences	-	(3,150)	-	(3,150)
At 31 December 2020 [h]	1,560,511	130,209	-	1,690,720
Net book value				
At 31 December 2019 [g]	1,104,179	64,899	40,739	1,209,817
At 31 December 2020 [g]	1,052,707	53,266	98,577	1,204,550

(a) Including US$44.8 million stripping cost capitalised (2019: US$27.1 million).
(b) Borrowing costs were capitalised at the weighted average rate of the group's relevant borrowings being 9.0% (2019: 9.1%).
(c) Being costs primarily associated with the Elginskoye and POX hub projects (2019: Being costs primarily associated with the POX hub project and the Malomir flotation plant).
(d) Mining and Non-mining assets include of right-of-use assets. For the movement in the right-of-use assets during the period see note 23.
(e) Including US$19.5 million of fully depreciated fleet that is not suitable for future use due to wear and tear, US$11.7 million disposals of mining fleet due to derecognition of the replaced part (31 December 2019: US$13.8 million of fully depreciated fleet that is not suitable for future use due to wear and tear, US$7.5 million disposals of mining fleet due to derecognition of the replaced part).
(f) Including US$30.3 million depreciation charge of capitalized stripping cost (2019: US$32.2 million).
(g) Including US$56.4 million net book value of capitalized stripping cost (31 December 2019: US$41.9 million).
(h) Including US$498.0 million of fully depreciated property, plant and equipment (31 December 2019: US$485.2 million).

14. INVESTMENT IN ASSOCIATE AND DISPOSAL GROUP HELD FOR SALE

	2020 US$'000	2019 US$'000
IRC Limited ('IRC') [a]	3,936	48,680
	3,936	48,680

(a) 1.2% interest in IRC, with 29.9% interest in IRC re-classified as assets held for sale as set out below (31 December 2019: 31.1%).

Summarised financial information for IRC and its subsidiaries is set out below.

	IRC 2020 US$'000	IRC 2019 US$'000
Non-current assets		
Exploration and evaluation assets	20,165	19,877
Property, plant and equipment	573,041	522,640
Other non-current assets	14,481	14,859
	607,687	557,376
Current assets		
Cash and cash equivalents	20,371	4,292
Other current assets	53,063	46,106
	73,434	50,398
Current liabilities		
Borrowings [a]	(20,082)	(20,703)
Other current liabilities	(77,898)	(80,288)
	(97,980)	(100,991)
Non-current liabilities		
Borrowings [a]	(181,998)	(201,204)
Other non-current liabilities	(18,857)	(27,578)
	(200,855)	(228,782)
Net assets	382,286	278,001

(a) On 18 December 2018, IRC entered into two facility agreements for a loan in aggregate of US$240 million (the "Gazprombank Facility"). The Gazprombank Facility will mature in 2026 and consists of two tranches. The principal under the first tranche amounts to US$160 million with interest being charged at the London Inter-bank Offer Rate ("LIBOR") + 5.7% per annum and is repayable in equal quarterly payments during the term of the Gazprombank Facility, the final payment in December 2026. The principal under the second tranche amounts to US$80 million with interest being charged at LIBOR + 7.7% per annum and is repayable in full at the end of the term, in December 2026. Interest charged on the drawn down amounts under the two tranches is payable in equal quarterly payments during the term of the Gazprombank Facility. As at 31 December 2020 and 2019, the entire facility amount of US$240 million has been fully drawn down.

The Gazprombank Facility is secured by (i) IRC's property, plant and equipment with net book value of US$52.3 million, (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK and (iii) a guarantee from the company. Please refer to the note 26 for the details on the guarantee arrangements. The Gazprombank Facility is also subject to certain financial covenants and requirements.

	IRC YEAR ENDED 31 DECEMBER 2020 US$'000	IRC YEAR ENDED 31 DECEMBER 2019 US$'000
Revenue	224,591	177,164
Net operating expenses	(97,366)	(178,653)
Including:		
Depreciation	(28,818)	(28,504)
Impairment losses under expected credit loss model	(7,115)	-
Reversal of impairment of mining assets	75,832	-
Foreign exchange gains/(losses)	6,934	(6,181)
Investment income	44	83
Interest expense	(25,157)	(40,421)
Taxation	(1,602)	3,157
Profit/(loss) for the year	100,510	(38,670)
Other comprehensive profit/(loss)	2,902	(3,483)
Total comprehensive profit/(loss)	103,412	(42,153)
Group's share %	31.1%	31.1%
Group's share in profit/(loss) for the year	31,257	(12,026)
Reversal of impairment/(impairment) of investment in associate	21,424	(23,350)
Share of results of associate	52,681	(35,376)

The group undertook a review of impairment indicators of its investment in IRC. Detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded US$21.4 million reversal impairment was required and recorded accordingly (31 December 2019: US$23.4 million impairment was required and recorded accordingly). The key assumptions which formed the basis of forecasting future cash flows and the value in use calculation as at 31 December 2020 were real long-term selling price for 65% iron ore concentrate of US$77.5 per dry metric tonne and discount rate, being the post-tax real weighted average cost of capital, of 9.7%.

Following negotiations with several interested parties the directors resolved to approve the potential disposal of 29.9% investment in IRC (note 3.1). This disposal is expected to be completed within 12 months after the reporting date and accordingly investment in IRC has been classified as "held for sale" and presented separately in the statement of financial position as at 31 December 2020.

The following assets and liabilities were re-classified as held for sale as at 31 December 2020.

	CARRYING AMOUNT US$'000	FAIR VALUE LESS COSTS TO SELL [(a)] US$'000
Investment in associate [(b)]	98,327	42,529
Total assets of disposal group classified as held for sale	98,327	42,529
Financial guarantee contract	(8,232)	(8,232)
Total liabilities of disposal group associated with assets classified as held for sale	(8,232)	(8,232)
Net assets of disposal group classified as held for sale	90,095	34,297
Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell		(55,798)

(a) Based on market share price of HK$0.14 per IRC share as at 31 December 2020, less estimated transaction costs, and fair value of Gazprombank Guarantee of US$nil. A decrease/ increase of 10% in IRC's share price would result in US$3.8 million additional write-down/ reversal of write-down adjustment.
(b) 29.9% interest in IRC Limited.

15. INVENTORIES

	YEAR ENDED 31 DECEMBER 2020 US$'000	YEAR ENDED 31 DECEMBER 2019 US$'000
Current		
Construction materials	9,060	6,600
Stores and spares	84,309	86,985
Ore in stockpiles [a]	29,901	68,479
Gold in circuit [a]	26,567	37,740
Bullion in process [a]	9,284	4,732
Flotation concentrate	32,801	97,932
Other	4,746	5,305
	196,668	307,773
Non-current		
Ore in stockpiles [a], [b]	75,605	60,257
Other [c]	10,581	-
	86,186	60,257

(a) As at 31 December 2020, there were no balances of ore in stockpiles carried at net realisable value (31 December 2019: US$0.1 million) and there were US$3.4 million of gold in circuit (31 December 2019: US$1.4 million) and US$0.2 million of bullion in process (31 December 2019: US$nil) carried at net realisable value (note 6).
(b) Ore in stockpiles that is not planned to be processed within twelve months after the reporting period.
(c) As at 31 December 2020 there were US$10.6 million goods for resale at Irgiredmet planned to be realised more than one year after the reporting period.

16. TRADE AND OTHER RECEIVABLES

	2020 US$'000	2019 US$'000
Current		
VAT recoverable	37,959	51,499
Advances to suppliers	17,800	10,513
Prepayments for property, plant and equipment	5,753	9,216
Trade receivables [a]	8,547	10,254
Contract assets	827	2,856
Guarantee fee receivable [b]	11,926	9,417
Other debtors [c]	15,739	12,220
	98,551	105,975
Non-current		
Other [d]	481	556
	481	556

(a) Net of provision for impairment of US$1.1 million (2019: US$1.2 million). Trade receivables are generally due for settlement between three and twelve months.
(b) Please refer to 14 and 26 for the details of ICBC and Gazprombank guarantee arrangements.
(c) Net of provision for impairment of US$2.2 million (2019: US$1.7 million).
(d) Net of provision for impairment of US$0.1 million (2019: US$nil).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

17. CASH AND CASH EQUIVALENTS

	2020 US$'000	2019 US$'000
Cash at bank and in hand	7,862	14,181
Short-term bank deposits	27,542	33,972 [a]
	35,404	48,153

(a) Including US$1.1 million of restricted bank deposit as at 31 December 2019.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	31 DECEMBER 2020		31 DECEMBER 2019	
	ASSETS US$'000	LIABILITIES US$'000	ASSETS US$'000	LIABILITIES US$'000
Current				
Gold option contracts [a], [c]	172	(5,668)	-	-
Currency option contracts [b], [c]	3,148	(404)	-	-
Other	-	-	-	(266)
	3,320	(6,072)		(266)
Non-current				
Conversion option [d], [e]	-	(89,088)	-	(46,313)
Call option over non-controlling interests [f], [g]	-	-	11,022	-
	-	(89,088)	11,022	(46,313)

(a) Gold option contracts with an exercise price of US$1,600/oz for purchased put options and US$1,832/oz for issued call options for an aggregate of 42,000 ounces of gold maturing over a period until December 2021.
(b) Currency option contracts with an exercise price of RUB75.00 for purchased put options and in the range between RUB90.65 and RUB100.00 for issued call options for an aggregate of US$84 million maturing over a period until December 2021.
(c) Measured at fair value and considered as Level 2 of the fair value hierarchy which valuation incorporates the following inputs:
- Historic gold price / RUB: USD exchange rates volatility;
- Exercise price;
- Time to maturity; and
- Risk free rate.
(d) Note 20.
(e) Measured at fair value and considered as Level 3 of the fair value hierarchy which valuation incorporates the following inputs:
- The group's credit risk and implied credit spreads (Level 3);
- Historic share price volatility;
- The conversion price;
- Time to maturity; and
- Risk free rate.
(f) Call option to acquire non-controlling 25% interest in the group's subsidiary LLC TEMI: In May 2019, the group entered into the option contract to acquire non-controlling 25% interest in LLC TEMI from its shareholder Agestinia Trading Limited for an aggregate consideration of US$60 million (adjusted to US$53.5 million if certain conditions are met). LLC TEMI holds the licences for the Elginskoye Ore Field and Afanasievskaya Prospective Ore Are, which have substantial non-refractory gold reserves and resources, suitable for processing at the Albyn Plant. Further details on this transaction are set out in note 26.
(g) Measured at fair value and considered as Level 3 of the fair value hierarchy which valuation incorporates the following inputs:
- The current valuation of the underlying investment (Level 3);
- Historic peers' volatility attributed to the valuation of the underlying investment (Level 3);
- The exercise price;
- Time to maturity; and
- Risk free rate.

19. TRADE AND OTHER PAYABLES

	2020 US$'000	2019 US$'000
Current		
Trade payables [(a)]	48,604	134,818
Payables for property, plant and equipment	9,244	5,810
Contract liabilities - advances from customers under gold sales agreements [(b)]	63,787	187,433
Other contract liabilities [(c)]	7,371	9,233
Accruals and other payables	62,133	51,747
	191,139	389,041
Non-current		
Other contract liabilities [(c)]	13,288	-
Accruals and other payables	662	-
	13,950	-

(a) The trade payables as at 31 December 2020 include US$23.1 million payable for flotation concentrate purchased (31 December 2019: US$81.0 million).
(b) Include US$63.8 million (31 December 2019: US$152.5 million) Russian Rouble denominated and US$nil million (31 December 2019: US$34.9 million) US Dollar denominated advance payments received from Gazprombank and Sberbank, respectively, under gold sales agreements. Advance payments are to be settled against physical delivery of gold produced by the group in regular intervals over the period of up to twelve months from the reporting date based on the sales price prevailing at delivery that is determined with reference to LBMA fixing. Contractual interest charged on the advances received as at 31 December 2020 is in the range 8.0 - 8.32% and is payable monthly (31 December 2019: in the range of 10.0-10.32% for Russian Rouble denominated advances and in the range 7.43% - 7.45% for US Dollar denominated advances, payable monthly). The table below sets out reconciliation of opening and closing balances, including revenue recognised in the period (note 5) that was included in the contract liability balance at the beginning of the period.

	2020 US$'000	*2019 US$'000*
At 1 January	*187,433*	*163,820*
New contract liabilities	*71,222*	*192,663*
Revenue recognised in the period that was included in the contract liability balance at the beginning of the period	*(163,043)*	*(143,974)*
Revenue recognised in the period against new contract liabilities	*(7,107)*	*(44,367)*
Interest accrued [(note 9)]	*9,938*	*16,019*
Interest paid [(note 9)]	*(9,938)*	*(16,019)*
Foreign exchange difference	*(24,718)*	*19,291*
At 31 December	*63,787*	*187,433*

(c) Being primarily advances received under re-sale contracts in connection with services performed by the group's subsidiary, Irgiredmet, in its activity to procure materials such as reagents, consumables and equipment for third parties. Revenue recognised in the period (note 5) that was included in the contract liability balance at the beginning of the period amounted to US$1.3 million (2019: US$1.6 million).

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

20. BORROWINGS

	2020 US$'000	2019 US$'000
Borrowings at amortised cost		
Notes [a]	501,990	500,377
Convertible bonds [b]	34,030	109,086
	536,020	609,463
Amount due for settlement after 12 months	536,020	609,463
	536,020	609,463

(a) US$500 million Guaranteed Notes due for repayment on 14 November 2022 (the "Notes"), measured at amortised cost. The Notes were issued by the group's wholly owned subsidiary Petropavlovsk 2016 Limited and are guaranteed by the company and its subsidiaries JSC Pokrovskiy Rudnik, LLC Albynskiy Rudnik and LLC Malomirskiy Rudnik. The Notes have been admitted to the official list of the Irish Stock Exchange and to trading on the Global Exchange Market of the Irish Stock Exchange on 14 November 2017. The Notes carry a coupon of 8.125% payable semi-annually in arrears. The interest charged was calculated by applying an effective interest rate of 8.35%.

(b) 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 group's wholly owned subsidiary Petropavlovsk 2010 Limited (the "Issuer") on 03 July 2019 and are guaranteed by the company. 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%.

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 Issuer 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 Issuer 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 Issuer 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 Issuer. 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 (note 9).

During the year ended 31 December 2020, the company has received Conversion Notices in respect of the exercise of conversion rights under the US$125 million Convertible Bonds. The principal amount of the Convertible Bonds in respect of which the Conversion Notices have been served amounted to an aggregate of US$87 million, which, at a fixed exchange price of US$0.1350 per ordinary share, resulted in the issue and allotment of an aggregate of 644,444,432 new ordinary shares.

The conversion option of the convertible bonds represents the fair value of the embedded option for the bondholders to convert into the equity of the company (the "Conversion Right"). As the company 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 (note 18) which the fair value loss is included in the net other finance (losses)/ gains (note 9).

As at 31 December 2020, the fair value of debt component of the convertible bonds, considered as Level 3 of the fair value hierarchy, amounted to US$36.8million (31 December 2019: US$122.8 million), with the carrying value of US$34.0 million (31 December 2019: US$109.0 million). Valuation incorporates the following inputs: the group's credit risk and implied credit spreads, time to maturity and risk free rate.

As at 31 December 2020, the fair value of the convertible bonds, considered as Level 1 of the fair value hierarchy and calculated by applying the market traded price to the convertible bonds outstanding, amounted to US$125.9 million (31 December 2019: US$169.1 million).

21. DEFERRED TAXATION

	2020 US$'000	2019 US$'000
At 1 January	112,566	113,354
Deferred tax charged/(credited) to profit or loss [(a)]	27,417	(2,414)
Deferred tax charged to equity	-	1,631
Exchange differences	51	(5)
At 31 December	140,034	112,566
Deferred tax liabilities	(140,034)	(112,566)
Net deferred tax liability	(140,034)	(112,566)

(a) Note 10.

	AT 1 JANUARY 2020 US$'000	CHARGED/ (CREDITED) TO PROFIT OR LOSS US$'000	CHARGED DIRECTLY TO EQUITY US$'000	EXCHANGE DIFFERENCES US$'000	AT 31 DECEMBER 2020 US$'000
Property, plant and equipment	130,877	8,937	-	(76)	139,738
Inventory	8,391	3,551	-	59	12,001
Exploration and evaluation assets	8,026	96	-	-	8,122
Other temporary differences	(1,358)	(4,360)	-	68	(5,650)
Tax losses carried forward [(b)]	(33,370)	19,193	-	-	(14,177)
	112,566	27,417	-	51	140,034

(b) Deferred tax recognised in relation to unused tax losses of JSC Pokrovskiy mine, LLC Malomirskiy Rudnik, LLC TEMI and in-house service companies to the extent that it is either probable that future taxable profit will be available against which the unused tax losses can be utilised or there are sufficient taxable temporary differences.

	AT 1 JANUARY 2019 US$'000	CHARGED/ (CREDITED) TO PROFIT OR LOSS US$'000	CHARGED DIRECTLY TO EQUITY US$'000	EXCHANGE DIFFERENCES US$'000	AT 31 DECEMBER 2019 US$'000
Property, plant and equipment	121,800	9,063	-	14	130,877
Inventory	11,264	(2,823)	-	(50)	8,391
Exploration and evaluation assets	7,088	938	-	-	8,026
Other temporary differences	(3,183)	163	1,631	31	(1,358)
Tax losses carried forward [(c)]	(23,615)	(9,755)	-	-	(33,370)
	113,354	(2,414)	1,631	(5)	112,566

(c) Deferred tax recognised in relation to unused tax losses of JSC Pokrovskiy mine, LLC Malomirskiy Rudnik, LLC TEMI and in-house service companies to the extent that it is either probable that future taxable profit will be available against which the unused tax losses can be utilised or there are sufficient taxable temporary differences.

As at 31 December 2020, the group did not recognise deferred tax assets in respect of the accumulated unused tax losses comprising US$850.5 million (2019: US$718.8 million) on the basis that there is no certainty about future taxable profit of relevant entities against which the unused tax losses can be utilised or there are insufficient relevant taxable temporary differences. Tax losses of US$540.3 million (2019: US$535.4 million) and corporate interest restriction disallowances of US$287.5 million (2019: US$155.6 million) arise in the UK and tax losses of US$21.8 million (2019: US$26.7 million) arise in Russia, both can be carried forward indefinitely.

As at 31 December 2020, the group did not recognise deferred tax assets of US$10.6 million (2019: US$7.8 million) in respect of deductible temporary differences arising primarily on close down and restoration costs.

The group has not recorded a deferred tax liability in respect of withholding tax and other taxes that would be payable on the unremitted earnings associated with investments in its subsidiaries and associate as the group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future. As at 31 December 2020, statutory unremitted earnings comprised in aggregate US$946.8 million (2019: US$960.1 million).

22. PROVISION FOR CLOSE DOWN AND RESTORATION COSTS

	2020 US$'000	2019 US$'000
At 1 January	36,231	21,388
Unwinding of discount	775	550
Change in estimates [(a)]	33,543	14,293
Amounts charged against provision	-	-
At 31 December	70,549	36,231
Amount due for settlement within 12 months	34	-
Amount due for settlement after 12 months	70,515	36,231
	70,549	36,231

(a) Primarily reflects updated cost estimates for acid mine water drainage treatment and unit costs (2019: primarily reflects the effect of change in the forecast Russian Rouble to the US Dollar exchange rate and the inflation rate).

The group recognised provisions in relation to close down and restoration costs for the following mining operations:

	2020 US$'000	2019 US$'000
POX Hub	13,717	7,401
Pioneer	29,192	12,864
Malomir	16,955	10,630
Albyn	10,685	5,336
	70,549	36,231

The provision recognised represents the present value of the estimated expenditure that will be incurred, which has been arrived at using the long-term risk-free pre-tax cost of borrowing. The expenditure arises at different times over the life of mine. The expected timing of significant cash outflows is between years 2022 and 2055 varying from mine site to mine site.

23. LEASE LIABILITIES

The following information is in relation to transactions for which the group is a lessee (for leases where the group is a lessor, see note 29).

Movement in the lease liabilities during the years ended 31 December 2020 and 31 December 2019 was as follows:

	2020 US$'000	2019 US$'000
At 1 January	13,178	1,739
Additions	3,410	13,279
Interest expense	485	593
Payment of lease liabilities, including interest expense	(4,153)	(1,879)
Disposals	(7,755)	(1,124)
Foreign exchange differences	(1,022)	570
At 31 December	4,143	13,178
Amount due for settlement within 12 months	1,895	5,373
Amount due for settlement after 12 months	2,248	7,805
	4,143	13,178

The associated right-of-use assets were measured at the amount equal to the lease liabilities adjusted for prepaid and accrued lease payments in accordance with IFRS 16. The recognised right-of-use assets relate to the rent of office premises and other non-mining assets.

The movement in the right-of-use asset during the years ended 31 December 2020 and 31 December 2019 was as follows:

	2020 US$'000	2019 US$'000
At 1 January	11,725	1,818
Additions	3,410	13,279
Disposals	(7,531)	(958)
Depreciation	(3,423)	(2,423)
Translation difference	(23)	9
At 31 December	4,158	11,725

The statement of profit or loss shows the following amounts relating to leases where the group is a lessee:

	2020 US$'000	2019 US$'000
Depreciation charge of right-of-use assets	3,423	2,423
Interest expense	485	593
Expense relating to short-term leases	1,576	2,169
Expense relating to leases of low-value that are not shown above as short-term leases	62	49

24. SHARE CAPITAL

	2020		2019	
	NO OF SHARES	US$'000	NO OF SHARES	US$'000
Allotted, called up and fully paid				
At 1 January	3,310,210,281	49,003	3,307,151,712	48,963
Issued during the period	647,059,973	8,461	3,058,569	40
At 31 December	3,957,270,254	57,464	3,310,210,281	49,003

25. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF PROFIT BEFORE TAX TO OPERATING CASH FLOW

	2020 US$'000	2019 US$'000
(Loss)/profit before tax	27,187	52,939
Adjustments for:		
Share of results of associate	(52,681)	35,376
Net impairment reversals on financial instruments	(1,000)	(30,797)
Investment and other finance income	(7,754)	(8,826)
Interest expense	58,533	59,854
Net other finance losses	67,957	42,190
Share based payments	123	280
Depreciation	134,079	137,775
Impairment/(reversal of impairment) of mining assets and in-house service	58,806	(52,159)
Impairment of exploration and evaluation assets	16,112	-
Write-down of inventory to net realisable value	1,215	-
Reversal of impairment of ore stockpiles	-	(2,778)
Effect of processing previously impaired stockpiles	(517)	(6,398)
Impairment of gold in circuit	77	142
Effect of processing previously impaired gold in circuit	(244)	(1,413)
Impairment of bullion in process	41	-
Provision for impairment of trade and other receivables	1,339	2,280
Loss on disposals of property, plant and equipment	1,451	1,118
Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell	55,798	-
Foreign exchange (gains)/losses	(32,647)	20,808
Other non-cash items	645	129
Changes in working capital:		
Increase in trade and other receivables	(5,149)	(31,204)
Decrease/(increase) in inventories	85,512	(133,848)
(Decrease)/Increase in trade and other payables	(143,023)	103,853
Net cash generated from operations	265,860	189,321

RECONCILIATION OF CASH FLOWS USED TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

	2020 US$'000	2019 US$'000
Additions to property, plant and equipment	163,368	125,524
Non-cash additions to property, plant and equipment:		
Transfer from materials	2,120	7,343
Capitalised depreciation	(3,818)	(737)
Right-of-use assets additions	(3,410)	(13,279)
	158,260	118,851
Associated cash flows:		
Purchase of property, plant and equipment	151,503	120,798
Decrease/(increase) in prepayments for property, plant and equipment	3,480	(1,982)
Increase in payables for property, plant and equipment	3,434	568
Cash movements presented in other cash flow lines:		
Changes in working capital	(157)	(533)
	158,260	118,851

NON-CASH TRANSACTIONS
An equivalent of US$0.1 million of VAT recoverable was offset against profit tax during the year ended 31 December 2020 (year ended 31 December 2019 : US$0.1 million) and US$1 million of provision of profit tax relating to Albyn, was accrued as at 31 December 2020 (31 December 2019: US$1.5 million). There were no other significant non-cash transactions during the years ended 31 December 2020 and 2019.

26. RELATED PARTIES

RELATED PARTIES THE GROUP ENTERED INTO TRANSACTIONS WITH DURING THE REPORTING PERIOD
The Petropavlovsk Foundation for Social Investment (the 'Petropavlovsk Foundation') is considered to be a related party due to the participation of the key management of the group in the board of directors of the Petropavlovsk Foundation.

IRC Limited and its subsidiaries (note 33) are associates to the group and hence are related parties since 7 August 2015.

Transactions with related parties which the group entered into during the years ended 31 December 2020 and 2019 are set out below.

TRADING TRANSACTIONS
Related party transactions the group entered into that relate to the day-to-day operation of the business are set out below.

	SALES TO RELATED PARTIES		PURCHASES FROM RELATED PARTIES	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Close family members of key management personnel	-	-	256	4,046 [a]
IRC Limited and its subsidiaries	85	42	111	5,458 [b]
	85	42	367	9,504

(a) In March 2018, the group entered into a transaction with the member of key management personnel to purchase the office building and land, which were subject to an operating lease arrangement. The aggregate consideration paid was an equivalent of c.US$3.2 million. The transaction was completed in February 2019.
(b) On 13 December 2019, the group entered into the sale and purchase agreement with a seller (the "Seller"), a related party of the company, LLC GMMC. Pursuant to the sale and purchase agreement, the group agreed to purchase, and the Seller agreed to sell, a helicopter for a consideration of RUB316.7 million (equivalent to US$5.0 million).

During the year ended 31 December 2020, the group made US$0.3 million charitable donations to the Petropavlovsk Foundation (2019: US$1.0 million).

The outstanding balances with related parties at 31 December 2020 and 2019 are set out below.

	AMOUNTS OWED BY RELATED PARTIES		AMOUNTS OWED TO RELATED PARTIES	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Close family members of key management personnel	-	-	-	759
IRC Limited and its subsidiaries	3,604	3,651	1,100	5,863
	3,604	3,651	1,100	6,622

FINANCING TRANSACTIONS
Guarantee over IRC's external borrowings
The group historically entered into an arrangement to provide a guarantee over its associate's, IRC, external borrowings, the ICBC Facility ('ICBC Guarantee'). As at 31 December 2020 the remaining outstanding contractual guarantee fee was US$0.01 million, which had a corresponding fair value of US$0.01 million (31 December 2019: outstanding contractual guarantee fee of US$5.0 million with corresponding fair value after provision for credit losses of US$4.4 million).

In March 2019, IRC has refinanced the ICBC Facility through entering into a US$240 million new facility with Gazprombank ('Gazprombank Facility'). The facility was fully drawn down during the year ended 31 December 2019.

A new guarantee was issued by the group over part of the Gazprombank Facility ('Gazprombank Guarantee'), the guarantee mechanism is implemented through a series of five guarantees that fluctuate in value through the eight-year life of the loan, with the possibility of the initial US$160 million principal amounts guaranteed reducing to US$40 million within two to three years, subject to certain conditions being met.
For the final two years of the Gazprombank Facility, the guaranteed amounts will increase to US$120 million to cover the final principal and interest repayments. If certain springing recourse events transpire, including default on a scheduled payment, then full outstanding loan balance is accelerated and subject to the guarantee. The outstanding loan principal was US$204 million as at 31 December 2020 (31 December 2019: US$225 million). Under the Gazprombank Guarantee arrangements, the guarantee fee receivable is determined at each reporting date on an independently determined fair value basis, which for the years ended 31 December 2020 and 2019 was at the annual rate of 3.07% by reference to the average outstanding principal balance under Gazprombank Facility. The guarantee fee charged for 2020 was US$6.7 million, with corresponding value of US$6.3 million after provision for expected credit losses (31 December 2019: US$5.6 million, with corresponding value of US$5.0 million after provision for expected credit losses). As at 31 December 2020 the remaining outstanding contractual guarantee fee was US$12.3 million, with corresponding value of US$11.9 million after provision for expected credit losses (31 December 2019: US$5.6 million, with corresponding value of US$5.0 million after provision for expected credit losses).

The following assets and liabilities have been recognised in relation to the ICBC Guarantee and Gazprombank Guarantee as at 31 December 2020 and 31 December 2019:

	31 DECEMBER 2020 US$'000	31 DECEMBER 2019 US$'000
Other receivables – ICBC Guarantee [a]	7	4,436
Other receivables – Gazprombank Guarantee [b]	11,919	4,981
Financial guarantee contract – Gazprombank Guarantee [c], [d]	8,232	8,923

(a) The fair value of the receivable, comprising billed fee receivable, less provision for credit losses. Considered Level 3 of the fair value hierarchy which valuation incorporates the following inputs:
- Assessment of the credit standing of IRC and implied credit spread;
- Share price and share price volatility of IRC as at 31 December 2020 and 2019.
(b) Amounts of guarantee fee that are expected to be received from IRC and calculated by applying annual rate of 3.07% for 2020 and 2019 by reference to the average outstanding principal balance under Gazprombank Facility for the relevant the period, less provision for ECL.
(c) Measured in accordance with ECL model: the amount of the loss allowance equals to 12-month ECL as it has been concluded that the credit risk on the financial guarantee contract has not increased significantly since initial recognition (note 3.1.).
(d) Classified as "held for sale" and presented separately in the statement of financial position as at 31 December 2020 (note 3.1.).

The results from relevant re-measurements of the aforementioned assets and liabilities were recognised within Other finance gains and losses and impairments of financial instruments (note 9).

Other financing transactions
In March 2018, the group entered into a loan agreement with Dr. Pavel Maslovskiy. As at 31 December 2020, the loan principal outstanding amounted to an equivalent of US$0.1 million, with corresponding value of US$nil after provision for expected credit losses (2019: US$0.2 million, with corresponding value of US$0.2 million after provision for expected credit losses). Interest charged during the year ended 31 December 2020 comprised an equivalent of US$0.01 million (2019: US$0.01 million). At 10 August 2020, Dr. Pavel Maslovskiy ceased to be a related party.

In April 2019, the group entered into a loan agreement with Dr. Alya Samokhvalova. As at 31 December 2020 the loan principal outstanding amounted to an equivalent of US$0.3 million, with corresponding value of US$nil after provision for expected credit losses (2019: US$0.4 million, with corresponding value of US$0.4 million after provision for expected credit losses). Interest charged during the year ended 31 December 2020 comprised an equivalent of US$0.03 million (2019: US$0.02 million). At 12 October 2020, Dr. Alya Samokhvalova ceased to be a related party.

INVESTING TRANSACTIONS
In May 2019, the group entered into the option contract to acquire the remaining non-controlling 25% interest in the subsidiary LLC TEMI from Agestinia Trading Limited, a non-controlling holder of 25% interest in LLC TEMI, for an aggregate consideration of US$60 million (adjusted to US$53.5 million if certain conditions are met). This represents a related party transaction as it is over the equity of a subsidiary company. The option premium payable is US$13 million, which was paid during the year ended 31 December 2019. The exercise period of the option is 730 days from 22 May 2019.

The group employed an independent third party expert to undertake the valuations of the underlying 25% interest in LLC TEMI and the call option. As at 31 December 2020, the fair value of the derivative financial asset was US$nil million (31 December 2019: US$11.0 million) reflecting a loss on re-measurement to fair value of US$(11.0) million (31 December 2019: US$(2.0) million loss) (note 18).

There are no other related party relationships with Agestinia Trading Limited present.

KEY MANAGEMENT COMPENSATION
Key management personnel, comprising a group of 11 individuals during the period (2019: 14), including executive and non-executive directors of the company and members of senior management, are those having authority and responsibility for planning, directing and controlling the activities of the group.

	2020 US$'000	2019 US$'000
Wages and salaries	4,228	5,794
Pension costs	47	62
Share-based compensation	33	157
	4,308	6,013

27. ANALYSIS OF NET DEBT

	AT 1 JANUARY 2020 US$'000	NET CASH MOVEMENT US$'000	EXCHANGE MOVEMENT US$'000	NON-CASH CHANGES US$'000	At 31 DECEMBER 2020 US$'000
Cash and cash equivalents	48,153	(9,104)	(3,645)	-	35,404
Borrowings	(609,463)	47,447[a]	-	25,996 [b]	(536,020)
Net debt•	(561,310)	38,343	(3,645)	25,996	(500,616)
Lease liabilities [c]	(13,178)	4,153	1,022	3,860	(4,143)
Conversion option [d]	(46,313)	-	-	(42,775)	(89,088)
	(620,801)	42,496	(2,623)	(12,919)	(593,847)

(a) Being US$47.4 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows.
(b) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 9) and US$77.5 million of Bonds conversion into share.
(c) Note 23.
(d) Notes 18, 20 and 28.

	AT 1 JANUARY 2019 US$'000	NET CASH MOVEMENT US$'000	EXCHANGE MOVEMENT US$'000	NON-CASH CHANGES US$'000	At 31 DECEMBER 2019 US$'000
Cash and cash equivalents	26,152	19,630	2,371	-	48,153
Borrowings	(594,177)	38,128 [e]	-	(53,414) [f]	(609,463)
Net debt•	(568,025)	57,758	2,371	(53,414)	(561,310)
Lease liabilities [g]	(1,739)	1,879	(570)	(12,748)	(13,178)
Conversion option [h]	(2,411)	-	-	(43,902)	(46,313)
Call option over company's shares	(1,136)	2,215	-	(1,079)	-
	(573,311)	61,852	1,801	(111,143)	(620,801)

(e) Being US$50.7 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows, and US$12.6 million net cash inflow from the issue of US$125 million Convertible Bonds and the repurchase of the outstanding US$100 million convertible bonds (note 20).
(f) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 9).
(g) Note 23.
(h) Notes 18, 20 and 28.

• Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APM), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

CAPITAL RISK MANAGEMENT
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to optimise the weighted average cost of capital and tax efficiency subject to maintaining sufficient financial flexibility to undertake its investment plans.

The capital structure of the group consists of Net debt• (note 27) and equity (comprising issued capital, reserves and retained earnings). As at 31 December 2020, the capital comprised US$1.2 billion (2019: US$1.2 billion).

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group adopts a modular approach in developing its projects in order to minimise upfront capital expenditure and related funding requirements. The group manages in detail its funding requirements on a 12 month rolling basis and maintains a five year forecast in order to identify medium-term funding needs.

The group is not subject to any externally imposed capital requirements.

As at 31 December 2020, there are no material offsetting contracts (2019: none).

SIGNIFICANT ACCOUNTING POLICIES
Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the consolidated financial statements.

CATEGORIES OF FINANCIAL INSTRUMENTS

	2020 US$'000	2019 US$'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	35,404	48,153
Trade receivables and contract assets	9,374	13,110
Loans granted to an associate	-	-
Other financial assets at amortised cost	18,139	10,441
Financial assets at FVPL		
Guarantee fee receivable	7	4,436
Listed equity securities	194	286
Derivative financial instruments	3,320	11,022
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	68,875	143,706
Borrowings	536,020	609,463
Lease liabilities	4,143	13,178
Derivative financial instruments	95,160	46,579
Financial guarantee contract	-	8,923

FAIR VALUE MEASUREMENTS
Recurring fair value measurements are set out below.

31 DECEMBER 2020	LEVEL 1 US$'000	LEVEL 2 US$'000	LEVEL 3 US$'000	Total US$'000
Financial assets				
Financial assets at FVPL:				
Guarantee fee receivable	-	-	7	7
Listed equity securities	194	-	-	194
Gold option contracts	-	172	-	172
Currency option contracts	-	3,148	-	3,148
Call option over non-controlling interests	-	-	-	-
Total financial assets	194	3,320	7	3,521
Financial liabilities				
Conversion option	-	-	89,088	89,088
Gold option contracts	-	5,668	-	5,668
Currency option contracts	-	404	-	404
Total financial liabilities	-	6,072	89,088	95,160

For the year ended 31 December 2020

31 DECEMBER 2019	LEVEL 1 US$'000	LEVEL 2 US$'000	LEVEL 3 US$'000	TOTAL US$'000
Financial assets				
Financial assets at FVPL:				
Guarantee fee receivable	-	-	4,436	4,436
Listed equity securities	286	-	-	286
Call option over non-controlling interests	-	-	11,022	11,022
Total financial assets	286	-	15,458	15,744
Financial liabilities				
Conversion option	-	-	46,313	46,313
Other	-	266	-	266
Total financial liabilities	-	266	46,313	46,579

There were no transfers between Levels 1, 2 and 3 for recurring fair value measurements during the year.

The changes in Level 3 items for the periods ended 31 December 2020 and 31 December 2019 are set out in the table below:

	GUARANTEE FEE RECEIVABLE US$'000	CALL OPTION OVER NON- CONTROLLING INTERESTS US$'000	CONVERSION OPTION US$'000	TOTAL US$'000
1 January 2019	6,829	-	(2,411)	4,418
Purchases (note 26)	-	13,000	-	13,000
Cash settlements	(6,000)	-	-	(6,000)
Issue of convertible bonds (note 20)	-	-	(12,775)	(12,775)
Gains/ (losses) recognised in net other finance gains/ (losses) (note 9)	3,607	(1,978)	(31,127)	(29,498)
31 December 2019	4,436	11,022	(46,313)	(30,855)
Cash settlements	(5,000)	-	-	(5,000)
Gains/ (losses) recognised in net other finance gains/ (losses) (note 9)	571	(11,022)	(42,775)	(53,226)
31 December 2020	7	-	(89,088)	(89,081)

Valuation inputs and relationships to fair value

The quantitative information about the significant unobservable inputs used in level 3 fair value measurements is set out in the table below:

	FAIR VALUE AT 31 DECEMBER				
	2020 US$'000	2019 US$'000	UNOBSERVABLE INPUTS	RANGE OF INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Guarantee fee receivable (note 26)	7	4,436	- Implied credit spread	- 11.5% (2019: 12.4%);	A reasonable change in unobservable inputs has been assessed to not result in a significantly different fair value measurement
Call option over non-controlling interests (notes 18, 26)	-	11,022	- The current valuation of the underlying investment; and - Historic peers' volatility attributed to the valuation of the underlying investment	- US$20 million (2019: US$71 million); - 45% (2019: 40%)	A reasonable change in unobservable inputs has been assessed to not result in a significantly different fair value measurement
Conversion option – US$125 million convertible bonds due in 2025 (note 20)	(89,088)	(46,313)	- The group's credit risk and implied credit spreads	- 9.33% (2019: 7.25%)	1% increase in credit spread would result in US$1.0 million increase in fair value (2019: US$4.2 million increase)

Valuation processes

The group employed independent third party experts to undertake valuations of all Level 3 financial instruments.

FINANCIAL RISK MANAGEMENT

The group's activities expose it to interest rate risk, foreign currency risk, risk of change in the commodity prices, credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by a central finance department and all key risk management decisions are approved by the board of directors. The group identifies and evaluates financial risks in close cooperation with the group's operating units. The board provides written principles for overall risk management, as well as guidance covering specific areas, such as foreign exchange risk, interest rate risk, gold price risk, credit risk and investment of excess liquidity.

INTEREST RATE RISK

The group has borrowings with fixed rate, which are carried at amortised cost. They are therefore not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. The group does not have borrowings with variable interest rates.

FOREIGN EXCHANGE RISK

The group operates internationally and is exposed to foreign exchange risk arising from fluctuations in currencies the group transacts, primarily US Dollars, GB Pounds Sterling and Russian Roubles.

Exchange rate risks are mitigated to the extent considered necessary by the board of directors, through holding the relevant currencies. At present, the group does not undertake any foreign currency transaction hedging.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at period end are set out below.

	ASSETS		LIABILITIES	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Russian Roubles	65,868	86,581	580,277	165,473
US Dollars [(a)]	8,100	10,759	423	4,169
GB Pounds Sterling	2,839	1,252	5,705	759
EUR	3	22	6,398	603
Other currencies	11	10	269	267

(a) US Dollar denominated monetary assets and liabilities in group companies with Rouble functional currency.

The table set out below illustrates the group's profit sensitivity to changes in exchange rates by 25% (2019: 25%), representing management's assessment of a reasonably possible change in foreign exchange currency rates. The analysis was applied to monetary assets and liabilities at the reporting dates denominated in respective currencies.

For the year ended 31 December 2020

	2020 US$'000	2019 US$'000
Russian Rouble currency impact	128,602	19,723
US Dollar currency impact	1,919	1,647
GB Pounds Sterling currency impact	716	123
EUR currency impact	1,599	145
Other currencies	65	64

CREDIT RISK

The group's principal financial assets are cash and cash equivalents, comprising current bank accounts and amounts held on deposit with banks. In the case of deposits, the group is exposed to a credit risk, which results from the non-performance of contractual agreements on the part of the contract party. The group is also exposed to a credit risk in relation to the amounts guaranteed under the Gazprombank Facility (notes 14 and 26). The group's maximum exposure to credit risk is limited to the carrying amounts of the financial assets recorded in the consolidated financial statements as set out above and the US$204 million outstanding principal under the Gazprombank Facility (notes 14 and 26).

The major financial assets are cash and cash equivalents of US$35.4 million (2019: US$48.2 million) and receivables from IRC with an aggregate carrying value of US$13.8 million (2019: US$12.3 million) (note 26). There is no significant concentration of credit risk with respect to trade receivables and contract assets. The credit risk on cash and cash equivalents is limited because the main counterparties are banks with high credit-ratings assigned by international credit-rating agencies as set out below. As at 31 December 2020, the credit rating for IRC, calculated as shadow credit rating using a Moody's scorecard methodology, was B3.

COUNTERPARTY	CREDIT RATING	CARRYING AMOUNT AT 31 DECEMBER 2020 US$'000	CARRYING AMOUNT AT 31 DECEMBER 2019 US$'000
Gazprombank	BBB-	12,676	28,616
Asian-Pacific	B	10,330	483
Sberbank	BBB	8,209	8,501
Citibank	AA-	3,357	2,073
VTB	BBB-	559	5,936
Other		273	2,544
		35,404	48,153

The analysis of loss allowances that have been recognised for financial assets and financial guarantee contracts is set out below:

	TRADE RECEIVABLES AND CONTRACT ASSETS US$'000	OTHER FINANCIAL ASSETS AT AMORTISED COST US$'000	FINANCIAL GUARANTEE CONTRACT US$'000	TOTAL US$'000
Loss allowance at 1 January 2020	1,219	2,370	8,923	12,512
Increase in loss allowance	555	822	-	1,377
Written off during the year	(32)	(356)	-	(388)
Unused amount reversed	(333)	-	(691)	(1,024)
Exchange differences	(276)	(369)	-	(645)
Loss allowance at 31 December 2020	1,133	2,467	8,232	11,832

	TRADE RECEIVABLES AND CONTRACT ASSETS US$'000	LOANS GRANTED TO AN ASSOCIATE US$'000	OTHER FINANCIAL ASSETS AT AMORTISED COST US$'000	FINANCIAL GUARANTEE CONTRACT US$'000	TOTAL US$'000
Loss allowance at 1 January 2019	891	3,163	1,128	37,387	42,569
Increase in loss allowance	421	-	1,326	8,923	10,670
Written off during the year	(90)	-	-	-	(90)
Unused amount reversed	-	(3,163)	-	(37,387)	(40,550)
Exchange differences	(3)	-	(84)	-	(87)
Loss allowance at 31 December 2019	1,219	-	2,370	8,923	12,512

COMMODITY PRICE RISK
The group generates most of its revenue from the sale of gold. The group's policy is to sell its products at the prevailing market price. In 2020 and 2019, the group has entered into gold forward contracts to protect cash flows from the volatility in the gold price (note 18).

LIQUIDITY RISK
Liquidity risk is the risk that suitable sources of funding for the group's business activities may not be available. The group constantly monitors the level of funding required to meet its short, medium and long-term obligations. The group also monitors compliance with restrictive covenants set out in various loan agreements (note 20) to ensure there is no breach of covenants resulting in associated loans become payable immediately.

Effective management of liquidity risk has the objective of ensuring the availability of adequate funding to meet short-term requirements and due obligations as well as the objective of ensuring a sufficient level of flexibility in order to fund the development plans of the group's businesses.

The table below details the group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The amounts disclosed are the contractual undiscounted cash flows and so these balances will not necessarily agree with the amounts disclosed in the statement of financial position. The contractual maturity is based on the earliest date on which the group may be required to pay.

	0 - 3 MONTHS US$'000	3 MONTHS - 1 YEAR US$'000	1 - 2 YEARS US$'000	2 - 3 YEARS US$'000	3 - 6 YEARS US$'000	6+ YEARS US$'000
2020						
Borrowings						
Convertible bonds	-	-	-	-	38,000	-
Notes	-	-	500,000	-	-	-
Future interest payments (a)	-	42,976	43,760	3,135	2,351	-
Trade and other payables	47,755	21,120	-	-	-	-
Lease liabilities	894	1,234	618	564	550	2,234
Financial guarantee contract (b)	203,871	-	-	-	-	-
Total non-derivative financial liabilities	252,520	65,330	544,378	3,699	40,901	2,234
Gold option contracts	950	4,718	-	-	-	-
Currency option contracts	2	402	-	-	-	-
Total derivative financial liabilities	952	5,120	-	-	-	-
2019						
Borrowings						
Convertible bonds	-	-	-	-	125,000	-
Notes	-	-	-	500,000	-	-
Future interest payments (a)	-	48,359	50,938	50,938	18,047	-
Trade and other payables	106,353	37,353	-	-	-	-
Lease liabilities	1,724	4,203	5,578	2,491	357	-
Financial guarantee contract (b)	225,000	-	-	-	-	-
Total non-derivative financial liabilities	333,077	89,915	56,516	553,429	143,404	-
Other	266	-	-	-	-	-
Total derivative financial liabilities	266	-	-	-	-	-

(a) Future interest payments have been estimated using interest rates applicable at 31 December. There are no borrowings that are subject to variable interest rates and, therefore, subject to change in line with the market rates.
(b) Note 26.

29. OPERATING LEASE ARRANGEMENTS

THE GROUP AS A LESSOR
The group earned property rental income during the year of US$0.6 million (2019: US$0.7million) on buildings owned by its subsidiary Irgiredmet.

30. COMMITMENTS AND CONTINGENCIES

CAPITAL COMMITMENTS

At 31 December 2020, the group had entered into contractual commitments in relation to the acquisition of property, plant and equipment amounting to US$3.5 million, including US$2.0 million in relation to Pioneer Flotation project and US$0.9 million in relation to Malomir Flotation project. (31 December 2019: The group had entered into contractual commitments in relation to the acquisition of property, plant and equipment amounting to US$10.7 million, including US$7.4 million in relation to Pioneer Flotation project and US$2.5 million in relation to POX Hub project.)

CONTINGENCIES

On 23 November 2020, the company announced that it had engaged KPMG LLP to carry out an independent review of certain transactions undertaken by the company and its subsidiaries or IRC and its subsidiaries in the three years to August 2020 pursuant to Resolution 19, as outlined on page 3. PWC Advisory in Russia have also been appointed to carry out a further transactional review. This work is ongoing.

As stated on page 74, the group may be exposed to the risk of civil, criminal or regulatory actions and liabilities (including fines and penalties) may accrue to the group if it becomes apparent that transactions have been entered into with related parties of the group without proper processes having been followed, including proper approvals obtained and/or disclosures made.

At the current time the existence, timing and quantum of potential future liability (if any) including fines, penalties, damages or other consequences arising from any such transactions or failures to obtain all proper approvals or make proper disclosures cannot be determined or measured. As a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as at 31 December 2020.

31. SUBSEQUENT EVENTS

In April 2021, the group signed RUB5 billion (an equivalent of approximately US$67 million) revolving credit facility with Gazprombank valid until May 2022. The following amounts have been drawn down:
- US$10 million, bearing 3.7% interest and repayable within 12 months; and
- US$7 million, bearing 2.9% interest and repayable within 6 months.

32. RECONCILIATION OF NON-GAAP MEASURES (UNAUDITED)

	2020 US$'000	2019 US$'000
(Loss)/profit for the year	(48,882)	25,693
Add/(less):		
Net impairment reversals on financial instruments	(1,000)	(30,797)
Investment and other finance income	(7,754)	(8,826)
Interest expense	58,533	59,854
Net other finance losses	67,957	42,190
Foreign exchange (gains)/losses	(32,647)	20,808
Taxation	76,069	27,246
Depreciation	134,079	137,775
Impairment/(reversal of impairment) of mining assets and in-house service	58,806	(52,159)
Impairment of exploration and evaluation assets	16,112	-
Write-down of inventory to net realisable value	1,215	-
Reversal of impairment of ore stockpiles	-	(2,778)
Impairment of gold in circuit	77	142
Impairment of bullion in process	41	-
Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell	55,798	-
Share of results of associate [(a)]	(27,680)	45,699
Underlying EBITDA◆	350,724	264,847

(a) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains/losses, taxation, depreciation and impairment/reversal of impairment recognised by the associate and impairment/reversal of impairment recognised against investment in the associate (note 14).

◆ Underlying EBITDA is an Alternative Performance Measure (APM), which is not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.

33. PRINCIPAL SUBSIDIARIES AND OTHER SIGNIFICANT INVESTMENTS

The group has the following principal subsidiaries and other significant investments, which were consolidated in this financial information.

PRINCIPAL SUBSIDIARY, JOINT VENTURE AND ASSOCIATE UNDERTAKINGS	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	PROPORTION OF SHARES HELD BY PETROPAVLOVSK PLC (a) 31 DECEMBER 2020	PROPORTION OF SHARES HELD BY PETROPAVLOVSK PLC (a) 31 DECEMBER 2019	PROPORTION OF SHARES HELD BY THE GROUP (a) 31 DECEMBER 2020	PROPORTION OF SHARES HELD BY THE GROUP (a) 31 DECEMBER 2019
Subsidiaries						
JSC Management Company Petropavlovsk	Russia	Management company	100%	100%	100%	100%
Petropavlovsk 2010 Limited	Jersey	Finance company	100%	100%	100%	100%
Petropavlovsk 2016 Limited	Jersey	Finance company	100%	100%	100%	100%
JSC Pokrovskiy mine	Russia	Gold exploration and production	19.37%	19.37%	99.38%	99.38%
LLC Malomirskiy Rudnik	Russia	Gold exploration and production	-	-	99.94%	99.94%
LLC Albynskiy Rudnik	Russia	Gold exploration and production	100%	100%	100%	100%
LLC Osipkan	Russia	Gold exploration and production	-	-	100%	100%
LLC Tokurskiy Rudnik	Russia	Gold exploration and production	-	-	100%	100%
LLC TEMI	Russia	Gold exploration and production	-	-	75%	75%
LLC Perspektiva DV	Russia	Gold exploration and production	-	-	99.94%	99.94%
LLC Vostok Geologiya	Russia	Gold exploration and production	-	-	99.94%	99.94%
LLC Kapstroi	Russia	Construction services	-	-	100%	100%
LLC NPGF Regis	Russia	Exploration services	-	-	100%	100%
CJSC ZRK Dalgeologiya	Russia	Exploration services	-	-	99.38%	99.38%
JSC PHM Engineering	Russia	Project and engineering services	-	-	94%	94%
JSC Irgiredmet	Russia	Research services	-	-	99.69%	99.69%
LLC NIC Gydrometallurgia	Russia	Research services	-	-	100%	100%
LLC BMRP	Russia	Repair and maintenance	-	-	100%	100%
LLC AVT-Amur	Russia	Production of explosive materials	-	-	49%	49%
LLC Transit	Russia	Transportation services	-	-	100%	100%
Pokrovskiy Mining College	Russia	Educational institute	-	-	99.38%	99.38%
Associate						
IRC Limited (b)	Hong Kong	Management and holding company	-	-	31.10%	31.10%

(a) In the ordinary class of shares.
(b) IRC Limited and its principal subsidiary and joint venture undertakings.

PRINCIPAL SUBSIDIARY, JOINT VENTURE AND ASSOCIATE UNDERTAKINGS	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	PROPORTION OF SHARES HELD BY PETROPAVLOVSK PLC (a) 31 DECEMBER 2020	PROPORTION OF SHARES HELD BY PETROPAVLOVSK PLC (a) 31 DECEMBER 2019	PROPORTION OF SHARES HELD BY THE GROUP (a) 31 DECEMBER 2020	PROPORTION OF SHARES HELD BY THE GROUP (a) 31 DECEMBER 2019
IRC and its principal subsidiary and joint venture undertakings ('IRC')						
IRC Limited	Hong Kong	Management and holding company	-	-	31.10%	31.10%
Principal subsidiaries of IRC						
LLC Petropavlovsk-Iron Ore	Russia	Management company	-	-	31.10%	31.10%
Ariti HK Limited	Hong Kong	General trading	-	-	31.10%	31.10%
LLC KS GOK	Russia	Iron ore exploration and production	-	-	31.10%	31.10%
LLC GMMC	Russia	Iron ore exploration and production	-	-	30.97%	30.97%
LLC Garinskaya Infrastructure	Russia	Transportation services to Garinskoye project	-	-	31.10%	31.10%
LLC Kostenginskiy GOK	Russia	Iron ore exploration and production	-	-	31.10%	31.10%
OJSC Giproruda	Russia	Engineering services	-	-	21.86%	21.86%
LLC Uralmining	Russia	Ilmenite and iron ore exploration and production	-	-	31.10%	31.10%
Principal joint ventures of IRC						
Heilongjiang Jianlong Vanadium Industry Co., Ltd	China	Vanadium project	-	-	14.31%	14.31%

(a) In the ordinary class of shares.

34. RELATED UNDERTAKINGS OF THE GROUP

The group consists of the parent company, Petropavlovsk PLC, incorporated in the United Kingdom and its subsidiaries, associates and joint ventures. In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings, the country of incorporation and the effective percentage of equity owned as at 31 December 2020 is disclosed below. The group's principal subsidiaries and other significant investments are set out in note 33.

NAME OF UNDERTAKING	COUNTRY OF INCORPORATION	PROPORTION OF SHARES HELD BY THE GROUP [(a)]	REGISTERED ADDRESS
Subsidiaries			
Eponymousco Limited	UK	100%	11 Grosvenor Place, London, SW1X 7HH
Victoria Resources Limited	UK	100%	11 Grosvenor Place, London, SW1X 7HH
Petropavlovsk Mining Treasury UK Limited	UK	100%	11 Grosvenor Place, London, SW1X 7HH
Petropavlovsk Rouble Treasury Limited	UK	100%	11 Grosvenor Place, London, SW1X 7HH
Petropavlovsk Dollar Treasury Limited	UK	100%	11 Grosvenor Place, London, SW1X 7HH
Petropavlovsk 2010 Limited	Jersey	100%	13-14 Esplanade, St. Helier, JE1 1EE
Petropavlovsk 2016 Limited	Jersey	100%	13-14 Esplanade, St. Helier, JE1 1EE
JSC Management Company Petropavlovsk	Russia	100%	675000, Amur Region, Blagoveshchensk, Lenina Street, 140/1
JSC Pokrovskiy mine	Russia	99.38%	676150, Amur Region, Magdagachinskiy District, Tygda Village, Sovetskaya Street, 17
LLC Malomirskiy Rudnik	Russia	99.94%	675000, Amur Region, Blagoveshchensk, Lenina Street, 140/1
LLC Albynskiy Rudnik	Russia	100%	675000, Amur Region, Blagoveshchensk, Lenina Street, 140/1
LLC Osipkan	Russia	100%	675000, Amur Region, Blagoveshchensk, Lenina Street, 140/1
LLC Tokurskiy Rudnik	Russia	100%	676581, Amur Region, Selemdzhinskiy District, Tokur Village, Vorozhejkina Street, 16
LLC TEMI	Russia	75%	675000, Amur Region, Blagoveshchensk, Lenina Street, 140/1
LLC AGPK	Russia	99.38%	675000, Amur Region, Blagoveshchensk, Lenina Street, 140/1
LLC Perspektiva DV	Russia	99.94%	680021, Khabarovskiy Region, Khabarovsk, Vladivostokskaya Street, 22, build.3, office 11
LLC Vostok Geologiya	Russia	99.94%	680021, Khabarovskiy Region, Khabarovsk, Vladivostokskaya Street, 22, build.3, office 9
LLC Kapstroi	Russia	100%	675002, Amur Region, Blagoveshchensk, Pervomayskaya Street, 62/1
LLC NPGF Regis	Russia	100%	675027, Amur Region, Blagoveshchensk, Western Industrial Hub
CJSC ZRK Dalgeologiya	Russia	99.38%	680041, Khabarovskiy Region, Khabarovsk, Balashovskaya Street, 15
JSC PHM Engineering	Russia	94%	105082, Moscow, Rubtsov Pereulok, 13
JSC Irgiredmet	Russia	99.69%	664025, Irkutsk, Gagarina Boulevard, 38
LLC NIC Gydrometallurgia	Russia	100%	196247, St. Petersburg, Leninskiy Prospekt, 151, level 6, office 635, 26
LLC BMRP	Russia	100%	675016, Amur Region, Blagoveshchensk, Kalinina Street, 137
LLC AVT-Amur	Russia	49%	675000, Amur Region, Blagoveshchensk, Lenina Street, 140/1
LLC Transit	Russia	100%	676572, Amur Region, Selemdzhinskiy District, Fevralsk Urban Village, Vysotskogo Street, 1
Pokrovskiy Mining College	Russia	99.38%	676244, Amur Region, Zeya, Zolotogorskoe Shosse, 6
LLC Atlas Mining	Russia	100%	111024, Moscow, 2nd Entuziastov Street, 5, level 3, V, room 23, office 3
Universal Mining Inc.	Guyana	100%	Lot 8 Pere Street, Kitty, Georgetown
Petropavlovsk (Cyprus) Limited	Cyprus	100%	14 Souliou Street, Aglantzia, Nicosia, 2102
Voltimand Limited	Cyprus	100%	14 Souliou Street, Aglantzia, Nicosia, 2102
Horatio Limited	Cyprus	100%	14 Souliou Street, Aglantzia, Nicosia, 2102
Sicinius Limited	Cyprus	100%	14 Souliou Street, Aglantzia, Nicosia, 2102
Cayiron Limited	Cayman Islands	100%	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002
Associates			
IRC Limited [(b)]	HK	31.10%	6H, 9 Queen's Road Central, Central, Hong Kong
Subsidiaries of IRC			
LLC Petropavlovsk- Iron Ore	Russia	31.10%	127055, Moscow, Lesnaya Street, 43, Office 313
LLC Olekminsky Rudnik	Russia	31.10%	676253, Amur Region, Tyndinskiy District, Village Olekma

(a) In the ordinary class of shares.
(b) IRC Limited and its principal subsidiary and joint venture undertakings.

NAME OF UNDERTAKING	COUNTRY OF INCORPORATION	PROPORTIONOF SHARES HELD BY THE GROUP [a]	REGISTERED ADDRESS
LLC KS GOK	Russia	31.10%	679000, The Jewish Autonomous Region, Birobidzhan, 60-Letiya SSSR Street, Building 22B
LLC GMMC	Russia	30.97%	675028, Amur Region, Blagoveshchensk, Ignatievskaya Road, 19
LLC Kostenginskiy GOK	Russia	31.10%	679000, The Jewish Autonomous Region, Birobidzhan, 60-Letiya SSSR Street, Building 22B.
LLC Orlovsko-Sokhatinsky Rudnik	Russia	31.10%	675028, Amur Region, Blagoveshchensk, Ignatievskaya Road, 19
OJSC Giproruda	Russia	21.86%	196247, St. Petersburg, Leninskiy Prospect,151, Liter A
CJSC SGMTP	Russia	31.10%	682813, RF, Khabarovsk Territory, Town Sovetskaya Gavan, Goncharova Street, 2, room 5I(27-29)
LLC Amursnab	Russia	31.07%	127055, Moscow, Lesnaya Street, 43, Office 313
LLC Uralmining	Russia	31.10%	105066, Moscow, Dobroslobodskaya, 7/1, build. 3, level 2, 1, room 2, office 33
LLC Gorniy Park	Russia	15 .58%	101000, Moscow, Pokrovka Street,1/13/6 Building 2, Office 35
LLC Garinskaya Infrastructure	Russia	31.10%	675028, Amur Region, Blagoveshchensk, Ignatievskaya Road, 19
LLC TOK	Russia	31.10%	676282, Amur Region, Tynda, Sovetskaya Street,1A
Lucilius Investments Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Kapucius Services Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Lapwing Limited	Cyprus	30.97%	Themistokli Dervi 12, Palais D' Ivoire, 2nd Floor, 1066 Nicosia
Russian Titan Company Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Brasenose Services Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Tenaviva Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Esimanor Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Metellus Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Dardanius Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Rumier Holdings Ltd	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Guiner Enterprises Ltd	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Expokom (Cyprus) Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Arfin Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Caedmon Ltd	Cyprus	15.58%	Souliou 14, Aglantzia, 2102 Nicosia
Thorholdco (Cyprus) Limited	Cyprus	31.10%	Souliou 14, Aglantzia, 2102 Nicosia
Heilongjiang Jiatai Titanium Co., Ltd	China	31.10%	668, Songxing Street, Jiamusi, Heilongjiang Province
Ariti HK Limited	Hong Kong	31.10%	6H, 9 Queen's Road Central, Central, Hong Kong
Ariva HK Limited	Hong Kong	31.10%	6H, 9 Queen's Road Central, Central, Hong Kong
Thorrouble Limited	Cayman Islands	31.10%	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205
Thordollar Limited	Cayman Islands	31.10%	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205
Thorholdco Limited	Cayman Islands	31.10%	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205
Aricom UK Limited	UK	31.10%	11 Grosvenor Place, London, SW1X 7HH
Aricom Limited	UK	31.10%	11 Grosvenor Place, London, SW1X 7HH
Joint ventures of IRC			
Heilongjiang Jianlong Vanadium Industry Co., Ltd	China	14.31%	Building 50, Block12, Advanced Business Park, No. 188.West Road, South Ring 4, Fengtai District, Beijing

(a) In the ordinary class of shares.

COMPANY
BALANCE SHEET

For the year ended 31 December 2020

	NOTE	31 DECEMBER 2020 US$'000	31 DECEMBER 2019 US$'000
Fixed assets			
Tangible assets		12	14
Right-of-use assets	9	757	992
Investments	3	575,916	603,019
		576,685	604,025
Current assets			
Derivative financial asset		-	11,022
Debtors: due within one year	4	959,955	898,318
Cash at bank and in hand		3,384	2,881
		963,339	912,221
Creditors: amounts falling due within one year	5	(997,569)	(930,216)
Net current liabilities		(34,230)	(17,995)
Total assets less current liabilities		542,455	586,030
Derivative financial liability	8	(89,088)	(46,313)
Creditors: amounts falling due after more than one year	5	(544,780)	(631,195)
Financial guarantee contract	7	(8,232)	(8,923)
Net liabilities		(99,645)	(100,401)
Capital and reserves			
Share capital [(a)]		57,464	49,003
Share premium		596,714	518,142
Other reserves		34	200
Retained earnings		(753,857)	(667,746)
Shareholders' deficit		(99,645)	(100,401)

(a) Please see note 24 to the consolidated financial statements.

The loss after tax for the year of the company was US$86.4 million (2019: profit after tax of US$96.9 million).

The accompanying notes are an integral part of this balance sheet.

These financial statements for Petropavlovsk PLC, registered number 4343841, on pages 204 to 209 were approved and authorised for issue by the directors on 16 May 2021 and signed on their behalf by:

Mr. James W. Cameron Jr.
Non-Executive Chairman

Mr. Denis Alexandrov
Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	SHARE CAPITAL [a] US$'000	SHARE PREMIUM [a] US$'000	OTHER RESERVES US$'000	RETAINED EARNINGS US$'000	TOTAL US$'000
Balance at 1 January 2019	48,963	518,142	228	(764,939)	(197,606)
Profit for the year	-	-	-	96,925	96,925
Deferred share awards	40	-	(28)	268	280
Balance at 1 January 2020	49,003	518,142	200	(667,746)	(100,401)
Loss for the year	-	-	-	(86,367)	(86,367)
Conversion of convertible bonds	8,428	78,572	-	-	87,000
Deferred share awards	33	-	(166)	256	123
Balance at 31 December 2020	57,464	596,714	34	(753,857)	(99,645)

(a) Please see note 24 to the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. BASIS OF PREPARATION

Petropavlovsk PLC (the 'company') is a public company limited by shares, incorporated and registered in England and Wales. The address of the registered office is 11 Grosvenor Place, London SW1X 7HH.

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.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The impact of adoption of new and revised Standards and Interpretations is detailed in note 2.2 to the consolidated financial statements.

2.2 FOREIGN CURRENCIES

The functional and presentation currency of the company is the US Dollar. Transactions denominated in other currencies, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities that are denominated in other currencies are retranslated at the rates prevailing on the balance sheet date. Exchange rates used are consistent with the rates used by the group as disclosed in note 2.7 to the consolidated financial statements. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

2.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life as follows:

	Average life Number of years
Office equipment	4-7
Computer equipment	3

Useful lives and residual values are reviewed at the end of every reporting period.

2.4 INVESTMENTS

Investments in subsidiary undertakings are initially measured at cost and subsequently carried at cost less provisions for impairment. Investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised if the carrying amount of the investment exceeds the higher of net realisable value and the discounted future earnings from the investment.

Investments, other than investments in subsidiary undertakings, are measured at fair value. Changes to the fair value of other investments are recognised through profit or loss.

2.5 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.

2.6 DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established.

2.7 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, other than derivatives, 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 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.

2.8 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially accounted for and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is a designated cash flow hedging instrument.

Derivative financial instruments embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, are recognised at fair value at inception with gains or losses reported in the income statement.

2.9 DIVIDENDS

Interim dividends are recognised when declared. Final dividends are recognised when approved by the shareholders at an annual general meeting.

2.10 LEASES

The right-of-use asset is initially measured at the initial measurement of the corresponding lease liability and subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

2.11 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, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances and previous experience. Actual results may differ from these estimates under different assumptions and conditions (note 3 to the consolidated financial statements).

The assessment of impairment of investments in group companies and carrying values of balances owed by group companies, as well as the valuation of the company's guarantees over IRC borrowings and the convertible bonds (see notes 26 and 18 to the consolidated financial statements respectively), are considered key areas of estimation uncertainty.

3. INVESTMENTS

	INVESTMENTS IN GROUP COMPANIES US$'000	OTHER INVESTMENTS US$'000	TOTAL US$'000
Cost			
At 1 January 2020	2,296,310	285	2,296,595
Additions	87,241 (a)	-	87,241
Fair value change	-	(92)	(92)
At 31 December 2020	2,383,551	193	2,383,744
Provision for impairment			
At 1 January 2020	(1,693,576)	-	(1,693,576)
Charge for the year	(114,252) (b)	-	(114,252)
At 31 December 2020	(1,807,828)	-	(1,807,828)
Net book value			
At 1 January 2020	602,734	285	603,019
At 31 December 2020	575,723	193	575,916

(a) Including a US$87.0 million investment in Petropavlovsk 2010 Limited as part of the Convertible Bonds conversions (note 20 to the consolidated financial statements).
(b) Including US$98.4 million impairment of the investment in Petropavlovsk 2010 Limited and US$12.9 million impairment charge to reflect changes in the value of the underlying investment in IRC Limited (note 14 to the consolidated financial statements).

Details of the company's subsidiary undertakings at 31 December 2020 are provided in note 33 to the consolidated financial statements.

For the year ended 31 December 2020

4. DEBTORS

DUE WITHIN ONE YEAR	2020 US$'000	2019 US$'000
Owed by group companies [(a)]	944,977	886,343
Other debtors	14,978	11,975
	959,955	898,318

(a) Net of provision for impairment of US$401.1 million (2019: $374.7million).

5. CREDITORS

	2020 US$'000	2019 US$'000
Due to group companies	1,513,446	1,546,376
Accruals and other creditors	28,903	15,035
	1,542,349	1,561,411
Due within one year	997,569	930,216
Due after more than one year	544,780	631,195
	1,542,349	1,561,411

6. TAXATION

As at 31 December 2020, the company has tax losses available to carry forward in the amount of US$267.0 million and corporate interest restriction disallowances in the amount of US$115.6 million (2019: US$269.8 million and US$61.8 million).

7. PARENT COMPANY GUARANTEES

The company has provided a number of corporate guarantees including being a guarantor to the US$500 million Guaranteed Notes due for repayment on 14 November 2022 and US$125 million Convertible Bonds due on 03 July 2024. No material value is associated with these guarantees. The company also guarantees the borrowings of IRC with US$8.2 million financial liability recognised at 31 December 2020 (2019: US$8.9 million), with further details provided in note 26 to the consolidated financial statements.

8. DERIVATIVE FINANCIAL LIABILITY

In respect of the US$125 million Convertible Bonds due on 3 July 2024, the conversion option is measured at fair value and is presented separately within derivative financial liabilities with US$89.1 million recognised at 31 December 2020 (2019: US$46.3 million) as set out in note 20 to the consolidated financial statements.

9. LEASES

At the balance sheet date, the company has the following amounts recognised relating to leases that relate to the rent of office premises:

	2020 US$'000
Right-of-use assets	757
Lease liabilities	
Amount due for settlement within 12 months	219
Amount due for settlement after 12 months	574
	793

10. DIRECTORS' REMUNERATION

There was one executive director who held office at the end of the year (2019: one executive director who held office at the end of the year). Details of directors' remuneration are provided in the directors' remuneration report on pages 112 to 133 of this annual report.

11. SUBSEQUENT EVENTS

On 12 April 2021 it was resolved that the principal subsidiary of the company would distribute a Russian Rouble denominated dividend in the amount of equivalent of US$13.0 million.

THE USE AND APPLICATION OF ALTERNATIVE PERFORMANCE MEASURES (APMS)

Throughout this Annual Report, when discussing the group's financial performance, reference is made to APMs.

Each of the APMs is defined and calculated by the group and as such they are non-IFRS measures because they may include or exclude certain items that an IFRS measure ordinarily would or would not take into account. APMs should not be regarded as an alternative or substitute for the equivalent measures calculated and presented in accordance with IFRS but instead should be seen as additional information provided to investors to enable the comparison of information between different reporting periods of the group.

Although the APMs used by the group may be calculated in a different manner and defined differently by other peers in the precious metals mining sector (despite being similar in title), they are nonetheless relevant and commonly used measures for the industry in which Petropavlovsk operates. These and similar measures are used widely by certain investors, analysts and other interested parties as supplemental measures of financial performance.

Some of the APMs form part of the group's key performance indicators (KPIs), which are used to monitor progress and performance against strategic objectives and to benchmark the performance of the business each year.

A discussion of the relevance of each APM as well as a description of how they are calculated is set out below, with reconciliation to IFRS equivalents from the consolidated IFRS financial statements (Consolidated Statement of Profit or Loss (SPL), Consolidated Statement of Financial Position (SFP), Consolidated Statement of Cash Flows (SCF) and the notes to the consolidated IFRS financial statements).

TOTAL CASH COSTS (TCC)

DEFINITION
The total cash cost per ounce is the cost of producing and selling an ounce of gold from the group's three hard-rock operations and processing and selling an ounce of gold by treatment of third party sourced refractory concentrate at the POX Hub.

CALCULATION
TCC are calculated by the group as operating cash costs less co-product revenue. TCC per oz are calculated as total cash costs divided by the ounces of gold sold. TCC per oz are presented on a segment basis.

Operating cash costs are defined by the group as operating cash expenses plus refinery and transportation costs, other taxes and mining tax. This also equates to the group's segment result as reported under IFRS plus each segment's loss/gain on disposal of subsidiaries, impairment of ore stockpiles, gold in circuit, bullion in process and flotation concentrate, impairment of exploration and evaluation assets, impairment of mining assets, write-down of inventory to net realisable value, central administration expenses, depreciation minus each segment's revenue from external customers, reversal of impairment of ore stockpiles, gold in circuit, bullion in process and flotation concentrate, reversal of impairment of mining assets and in-house service. Operating cash costs are presented on a segment basis. Operating cash expenses are defined by the group as the total of staff costs, materials, fuel, electricity, other external services, other operating expenses, and the movement in ore stockpiles, work in progress, bullion in process and flotation concentrate attributable to gold production. The main cost drivers affecting operating cash expenses are stripping ratios, production volumes of ore mined/processed, recovery rates, cost inflation and fluctuations in the rouble to US dollar exchange rate.

Other companies may calculate this measure differently.

RELEVANCE
The group closely monitors its current and projected costs to track and benchmark the ongoing efficiency and effectiveness of its operations. This monitoring includes analysing fluctuations in the components that operating cash costs and cost per tonne mined and processed to identify where and how efficiencies may be made.

RECONCILIATION
The tables below provide a reconciliation between operating expenses and total cash costs to calculate the cash cost per ounce sold for relevant periods.

2020	REF	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	TOTAL US$'000
Operating expenses	SPL					840,494
Deduct:						
Foreign exchange gains	note 6					32,647
Depreciation	note 6					(134,079)
Impairment of mining assets	note 6					(58,806)
Impairment of exploration and evaluation assets	note 6					(16,112)
Write-down of inventory to net realisable value	note 6					(1,215)
Impairment of gold in circuit	note 6					(77)
Impairment of bullion in process	note 6					(41)
Central administration expenses	note 6					(61,371)
Operating cash costs	note 4	366,677	106,959	92,307	35,497	601,440
Deduct:						
Corporate and other segment	note 4				(35,497)	(35,497)
Deduct: silver revenue	note 4	(338)	(100)	(196)	-	(634)
Total Cash Costs		366,339	106,859	92,111	-	565,309
Total ounces sold	oz	279,364	140,436	126,658	-	546,458
Total Cash Cost per ounce sold	US$/oz	1,311	761	727	-	1,034

2019	REF	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	TOTAL US$'000
Operating expenses	SPL					590,853
Deduct:						
Foreign exchange losses	note 6					(20,808)
Depreciation	note 6					(137,775)
Reversal of impairment of mining assets and in-house service	note 6					52,159
Reversal of impairment of ore stockpiles	note 6					2,778
Impairment of gold in circuit	note 6					(142)
Central administration expenses	note 6					(52,527)
Operating cash costs	note 4	170,349	135,427	80,017	48,745	434,538
Deduct:						
Corporate and other segment	note 4				(48,745)	(48,745)
Deduct: silver revenue	note 4	(464)	(267)	(146)	-	(877)
Total Cash Costs		169,885	135,160	79,871	-	384,916
Total ounces sold	oz	163,398	179,791	170,817	-	514,005
Total Cash Cost per ounce sold	US$/oz	1,040	752	468	-	749

THE USE AND APPLICATION OF ALTERNATIVE PERFORMANCE MEASURES (APMS) — CONTINUED

ALL IN SUSTAINING COSTS (AISC)

DEFINITION
AISC includes both operating and capital costs required to sustain gold production on an ongoing basis, over and above the direct mining and selling costs shown by TCC.

CALCULATION
AISC are calculated by the group as TCC plus/(minus) impairment/(reversal of impairment) of ore stockpiles, gold in circuit, bullion in process and flotation concentrate, central administration expenses, plus sustaining capitalised stripping, close down and site restoration, sustaining capital and exploration expenditure and payments under sustaining leases. This is then divided by the ounces of gold sold. AISC are presented on a segment basis.

AISC are calculated in accordance with guidelines for reporting AISC as published by the World Gold Council in June 2013. Other companies may calculate this measure differently.

RELEVANCE
AISC allows for a better understanding of the true cost of producing gold once key components such as central admin costs and the cost of sustaining capital and exploration expenditure are taken into account. Management uses this measure to monitor the performance of our assets and their ability to generate positive cash flows.

RECONCILIATION
The tables below provide a reconciliation between total cash costs and all-in sustaining costs to calculate all-in sustaining cost per ounce sold for relevant periods.

2020	REF	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	TOTAL US$'000
Total cash costs		366,339	106,859	92,111	-	565,309
Add:						
Impairment of gold in circuit	note 6	77	-	-	-	77
Impairment of bullion in process	note 6	41	-	-	-	41
Central administration expenses	note 6	31,374	15,772	14,225	-	61,371
Capitalised stripping		11,227	22,593	-	-	33,820
Site restoration costs		1,264	465	114	-	1,843
Sustaining exploration expenditures		539	-	391	-	930
Sustaining capital expenditures		25,143	18,094	6,004	-	49,241
Sustaining Lease		384	2,116	1,653	-	4,153
All-in Sustaining Costs		436,388	165,899	114,498	-	716,785
Total ounces sold	oz	279,364	140,436	126,658	-	546,458
All-in Sustaining Costs per ounce sold	US$/oz	1,562	1,181	904	-	1,312

2019	REF	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	TOTAL US$'000
Total cash costs		169,885	135,160	79,871	-	384,916
Add:						
Impairment/(reversal of impairment) of ore stockpiles	note 6	664	517	(3,959)	-	(2,778)
Impairment/(reversal of impairment) of gold in circuit	note 6	(101)	243	-	-	142
Central administration expenses	note 6	16,698	18,373	17,456	-	52,527
Capitalised stripping		14,454	12,653	-	-	27,107
Site restoration costs		210	229	614	-	1,053
Sustaining exploration expenditures		3,983	77	29	-	4,089
Sustaining capital expenditures		16,883	16,467	23,893	-	57,243
All-in Sustaining Costs		222,676	183,719	117,904	-	524,299
Total ounces sold	oz	163,398	179,791	170,817	-	514,005
All-in Sustaining Costs per ounce sold	US$/oz	1,363	1,022	690	-	1,020

ALL IN COSTS (AIC)

DEFINITION
AIC comprises of AISC as well as capital expenditures for major growth projects or enhancement capital for significant improvements at existing operations.

CALCULATION
AIC are calculated by the group as AISC plus non-sustaining capitalised stripping (when the resulting ore production phase is more than five years), non-sustaining exploration and capital expenditure, (reversal of impairment)/ impairment of refractory ore stockpiles and payments under non-sustaining leases. This is then divided by the ounces of gold sold. AIC are presented on a segment basis.

AIC is calculated in accordance with guidelines for reporting AIC as published by the World Gold Council in June 2013. Other companies may calculate this measure differently.

RELEVANCE
AIC reflect the costs of producing gold over the life-cycle of a mine.

RECONCILIATION
The tables below provide a reconciliation between all-in sustaining costs and all-in costs to calculate all-in cost per ounce sold for relevant periods.

2020	REF	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	TOTAL US$'000
All-in Sustaining Costs		436,388	165,899	114,498	-	716,785
Add:						
Capitalised stripping		8,717	-	-	-	8,717
Exploration expenditure		-	3,109	5,707	-	8,816
Capital expenditure		23,133	3,507	32,168	-	58,808
All-in Costs		468,238	172,515	152,373	-	793,126
Total ounces sold	oz	279,364	140,436	126,658	-	546,458
All-in Costs per ounce sold	US$/oz	1,676	1,228	1,203	-	1,451

2019	REF	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	TOTAL US$'000
All-in Sustaining Costs		222,676	183,719	117,904	-	524,299
Add:						
Exploration expenditure		691	1,095	8,350	-	10,136
Capital expenditure		22,169	10,190	-	-	32,359
All-in Costs		245,536	195,004	126,254	-	566,794
Total ounces sold	oz	163,398	179,791	170,817	-	514,005
All-in Costs per ounce sold	US$/oz	1,503	1,085	739	-	1,103

THE USE AND APPLICATION OF ALTERNATIVE PERFORMANCE MEASURES (APMS) — CONTINUED

AVERAGE REALISED GOLD SALES PRICE

DEFINITION
The average realised gold sales price is the mean price at which the group sold its gold production output throughout the reporting period, including the realised effect of cash flow hedge contracts during the period.

CALCULATION
The average realised gold sales price is calculated by dividing total revenue received from gold sales (including the realised effect of any hedging contracts) by the total quantity of gold sold during the period. Other companies may calculate this measure differently.

RELEVANCE
As gold is the key commodity produced and sold by the group, the average realised gold sales price is a key driver behind the group's revenues and profitability.

RECONCILIATION
The average realised gold price has been calculated as set out in the table below.

	REF		2020	2019
Gold revenue	note 4	US$'000	955,372	691,697
Gold sold		ounces	546,458	514,005
Average realised gold price		US$/oz	1,748	1,346

CAPITAL EXPENDITURE (CAPEX)

DEFINITION
CAPEX is the investment required by the group to explore and develop its gold assets and keep current plants and other equipment at its gold mines in good working order.

CALCULATION
CAPEX represents cash flows used in investing activities, namely purchases of property, plant and equipment and expenditure of exploration and evaluation assets.

RELEVANCE
Capital expenditure is necessary in order not only to maintain but also to develop and grow the business. Capex requirements need to be balanced in line with the group's strategy and provide an optimal allocation of the group's funds.

RECONCILIATION
The table below provides a reconciliation between capital expenditure and cash flows used in investing activities.

	REF	31 DECEMBER 2020 US$'000	31 DECEMBER 2019 US$'000
Purchase of property, plant and equipment	SCF	151,503	120,798
Expenditure on exploration and evaluation assets	SCF	8,829	10,136
Less:			
Capitalised stripping		(42,537)	(27,107)
Total Capital Expenditure		117,795	103,827

NET DEBT

DEFINITION
Net debt shows how indebted a company is after total debt and any cash (or its equivalent) are netted off against each other.

CALCULATION
Net debt is calculated as the sum of current borrowings and non-current borrowings less cash and cash equivalents. Other companies may calculate this measure differently.

RELEVANCE
Management considers Net debt a key measure of the company's leverage and its ability to repay debt as well showing what progress is being made in strengthening the statement of financial position. The measure is also widely used by various stakeholders.

RECONCILIATION
The table below provides calculation of net debt at relevant reporting dates.

	REF	US$'000 OUNCES	2020	2019
Cash and cash equivalents	SFP		35,404	48,153
Borrowings	SFP		(536,020)	(609,463)
Net debt			(500,616)	(561,310)

UNDERLYING EBITDA

DEFINITION
EBITDA is a common measure used to assess profitability without the impact of different financing methods, tax, asset depreciation and amortisation of intangibles and items of an exceptional / non-recurring nature, or those that could make comparison of results from prior periods less meaningful.

CALCULATION
Underlying EBITDA is calculated as profit/(loss) for the period before financial income, financial expenses, foreign exchange gains and losses, fair value changes, taxation, depreciation, impairment charges/reversal of impairment. Other companies may calculate this measure differently.

RELEVANCE
Underlying EBITDA is an indicator of the group's ability to generate operating cash flows, which are the source of funding for the group's working capital requirements, capital expenditure and debt service obligations. The measure is also widely used by various stakeholders.

RECONCILIATION
The tables below provide reconciliations between net profit and Underlying EBITDA as well as reconciliation between operating profit and Underlying EBITDA for relevant periods.

	REF	2020 US$'000	2019 US$'000
(Loss)/profit for the period	SPL	(48,882)	25,693
Add/(less):			
Net impairment reversals on financial instruments	SPL	(1,000)	(30,797)
Investment and other finance income	SPL	(7,754)	(8,826)
Interest expense	SPL	58,533	59,854
Net other finance losses	SPL	67,957	42,190
Foreign exchange (gains)/losses	note 6	(32,647)	20,808
Taxation	SPL	76,069	27,246
Depreciation	note 6	134,079	137,775
Impairment/(reversal of impairment) of mining assets and in-house service	note 6	58,806	(52,159)
Impairment of exploration and evaluation assets	note 6	16,112	-
Write-down of inventory to net realisable value	note 6	1,215	-
Reversal of impairment of ore stockpiles	note 6	-	(2,778)
Impairment of gold in circuit	note 6	77	142
Impairment of bullion in process	note 6	41	-
Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell	note 14	55,798	-
Share of results of associate [(a)]	note 14	(27,680)	45,699
Underlying EBITDA		350,724	264,847

(a) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognised by an associate and impairment/reversal of impairment recognised against investment in the associate.

THE USE AND APPLICATION OF ALTERNATIVE PERFORMANCE MEASURES (APMS) — CONTINUED

2020	REF	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	CONSOLIDATED US$'000
Operating profit	SPL					148,040
Foreign exchange gains	note 6					(32,647)
Segment result	note 4	69,926	87,291	26,246	(68,070)	115,393
Add/(less):						
Depreciation	notes 4,6	49,824	53,771	27,969	2,515	134,079
Impairment of mining assets	notes 4,6	-	-	58,806	-	58,806
Impairment of exploration and evaluation assets	notes 4,6	-	-	16,112	-	16,112
Impairment of bullion in process	notes 4,6	41	-	-	-	41
Impairment of gold in circuit	notes 4,6	77	-	-	-	77
Write-down of inventory to net realisable value	notes 4,6	-	-	-	1,215	1,215
Underlying EBITDA by segment		119,868	141,062	129,133	(64,340)	325,723
Share of results of associate	note 14					52,681
Share of results of associate [(a)]	note 14					(27,680)
Underlying EBITDA						350,724

2019	REF	PIONEER US$'000	MALOMIR US$'000	ALBYN US$'000	CORPORATE AND OTHER US$'000	CONSOLIDATED US$'000
Operating profit	SPL					150,736
Foreign exchange losses	note 6					20,808
Segment result	note 4	54,275	56,896	105,083	(44,710)	171,544
Add/(less):						
Depreciation	notes 4,6	41,225	46,549	48,144	1,857	137,775
Reversal of impairment of mining assets and in-house service	notes 4,6	(42,755)	-	-	(9,404)	(52,159)
Impairment/(reversal of impairment) of ore stockpiles	notes 4,6	664	517	(3,959)	-	(2,778)
Impairment/(reversal of impairment) of gold in circuit	notes 4,6	(101)	243	-	-	142
Underlying EBITDA by segment		53,308	104,205	149,268	(52,257)	254,524
Share of results of associate	note 14					(35,376)
Share of results of associate [(a)]	note 14					45,699
Underlying EBITDA						264,847

(a) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognised by an associate and impairment/reversal of impairment recognised against investment in the associate.

APPENDIX, GLOSSARY AND DEFINITIONS

For the year ended 31 December 2020

IMPORTANT INFORMATION
Past performance of Petropavlovsk PLC or any other company referred to in this document cannot be relied on as a guide to its future performance. Some figures may be rounded. The content of websites referred to in this document does not form part of this document.

FORWARD-LOOKING STATEMENTS
This document 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', 'targets', 'seeks', 'projects', 'anticipates', 'expects', 'intends', 'forecast', 'may', 'will' 'would' or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, targets, future events or intentions.

These forward-looking statements include all matters that are not historical facts and speak only as at the date of this document. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the group's intentions, beliefs or current expectations concerning, among other things, the group's operational results, financial position, liquidity, prospects, growth, strategies, estimation of mineral reserves and resources and strategies, exchange rates, the price of gold and industry expectations.

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 document.

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 document, 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 is under no 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.

Nothing in this publication should be considered to be a profit forecast and no statement in this document should be interpreted to mean that earnings per share for the current or future financial years would necessarily match or exceed the historical published earnings per share. This document does not constitute or form part of an invitation to sell or issue, or any solicitation of any offer or invitation to purchase or subscribe for, any securities.

ORE RESERVE AND MINERAL RESOURCE REPORTING (BASIS OF PREPARATION)
In line with the approach adopted in previous years, the group has reported its hard-rock Mineral Resources and Ore Reserves in accordance with the JORC Code. Mineral Resource and, where appropriate, Ore Reserve estimates for all assets with the exception of Tokur, were independently audited by Wardell Armstrong International (WAI) in accordance with the JORC Code (2012) in April 2017.

The Tokur Mineral Resource estimate was prepared internally by the group as a revision of a historical estimate previously prepared by WAI in 2009, in accordance with the 2004 edition of the JORC Code. This revision has aligned Tokur's resource estimate with the 2012 version of the JORC Code, resulting in a resource decrease for the project.

The group's Ore Reserve estimates are based on a long-term gold price assumption of US$1,400/oz with other modifying factors derived from actual operational performance and appropriate technical studies. Mineral Resources are estimated using a US$1,700/oz long-term gold price assumption.

2018 code	The UK Corporate Governance Code 2018
2018 policy	The remuneration policy approved by shareholders at the AGM in 2018 and remaining in force at the date of this report
2020 AGM	The AGM in the financial year ended 31 December 2020
2021 AGM	The AGM in the financial year ending 31 December 2021
2021 policy	The remuneration policy to be proposed to shareholders for approval at the 2021 AGM
2022 notes	The US$500m 8.125% guaranteed notes maturing November 2022, issued by Petropavlovsk 2016 Limited and guaranteed by the company
2024 bonds	The US$125m 8.25% convertible bonds maturing July 2024, issued by Petropavlovsk 2010 Limited and guaranteed by the company
AGM	The annual general meeting of the company in the relevant financial year
accounts	The financial accounts for the year ended 31 December 2020
alluvial	Material transported by river and deposited at points along the flood plain and riverbed. The material may contain economical deposits of gold and other valuable minerals
annual report	This annual report and accounts for the year ended 31 December 2020
articles	The company's articles of association
assay	Chemical laboratory analysis of an ore sample to determine the proportion of gold, silver or other metal contained within
au	Chemical symbol for the element gold
audit committee	the audit committee of the board
autoclave	Equipment used as part of the pressure oxidation (POX) process to facilitate gold extraction from refractory concentrate by using a combination of high temperature, pressure and pure oxygen to break down the sulphides encapsulating the gold
backfill	Waste material used to fill the void created by mining an ore body
board	The board of directors of the company
brownfield exploration	Exploration work carried out close to, at or adjacent to existing mines. Also known as near-mine exploration
CEO *or* Chief Executive	The Chief Executive Officer of the company
CFO	The Chief Financial Officer of the company
Companies Act	The Companies Act 2006
company	The company, Petropavlovsk PLC, registered in England and Wales with company number 04343841
concentrate	A semi-finished product (from which waste mineral has been removed), containing a significantly higher quantity of gold per unit of weight than was originally mined and which requires additional processing at the POX Hub before it can be processed in the usual way, using the company's RIP facilities
concentrate yield	The percentage of the mass of the original ore which is pulled into the concentrate
COO	The Chief Operating Officer of the company
crushing	Breaking down ore size as first delivered from the mine into smaller, more uniform fragments, to then be fed into grinding mills or heaped onto a leach pad
cut-off grade	The lowest grade of mineralised material considered economically feasible for mining and processing. Used in the reporting of Ore Reserves and Mineral Resources
cyanidation	Treatment of finely crushed or ground ore with cyanide solution to dissolve and extract gold from it
depletion	Decrease in the quantity of ore at a deposit due to mining / extraction
deposit	Natural occurrence of a mineral or ore, in sufficient quantity and concentration to enable exploitation
dilution	The effect of mixing waste material with mined ore prior to delivery to the processing plant
doré	Unrefined / impure alloy of gold and silver produced at the mine before being sent to a refinery for additional purification
DTR	The FCA's Disclosure Guidance and Transparency Rules
exco	The executive committee of the company
executive director *or* executive	An executive director of the company

exploration	Prospecting, sampling, mapping, drilling and other work involved in searching for ore
FCA	The Financial Conduct Authority
feasibility study	Extensive technical and financial study to assess the commercial viability of a mining project
financial statements	The financial statements to the accounts
flotation	The process of separation, extraction and concentration of ore that results in the production of a high-grade refractory concentrate to be processed inside the autoclaves at the POX Hub. As part of the flotation process, certain mineral particles are induced to float by becoming attached to bubbles of froth while the unwanted mineral particles sink
Foundation *or* the Petropavlovsk Foundation	The Petropavlovsk Foundation for Social Investment
geochemical prospecting	Techniques which measure the content of specified metals in soil and rock. Sampling defines anomalies for further testing
geophysical prospecting	Techniques that measure the physical properties (magnetism, conductivity, density) of rock and define anomalies
g/t	Grams per metric tonne
grade	Amount of gold contained in a tonne of gold bearing ore, expressed in grams per metric tonne
greenfield exploration	Exploration carried out at a location where minimal to no previous exploration work has taken place
GHG	Greenhouse gas emissions
group	The company and its direct and indirect subsidiaries and subsidiary undertakings (as defined in section 1159 of the Companies Act), from time to time
head grade	Gold content per tonne of ore fed into a mill for processing (in grams per metric tonnes)
heap-leach	A process used for the recovery of gold from low grade ore. Crushed ore is piled high on a mildly sloping, impervious foundation and uniformly leached by the percolation of a cyanide solution through the ore, dissolving the contained gold. Thereafter, the metal is recovered from the solution using conventional methods
HSE	Health Safety and Environmental
hydrotechnical storage facility	An open-air storage facility used to store by-products and residue produced during the process of extracting gold from the ore
ICBC	Industrial and Commercial Bank of China
IFRS	International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation
Indicated Resource	That part of a Mineral Resource for which quantity, grade, density, shape and physical characteristics are estimated with sufficient confidence to allow the application of mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing from trenches, pits, workings and drill holes *(An Indicated Mineral Resource has a lower level of confidence than a Measured Mineral Resource and may only be converted to a Probable Ore Reserve (but will be based on more data and therefore will be more reliable than an Inferred Resource estimate)*
Inferred Resource	That part of a Mineral Resource for which quantity and grade are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade continuity. It is based on exploration, sampling and testing information from trenches, pits, workings and drill holes An Inferred Mineral Resource has a lower level of confidence than an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration
iNED	An independent non-executive director of the company
IRC	IRC Limited, the Hong Kong listed former subsidiary, now associate, of the group. Petropavlovsk remains a major shareholder with a holding of 31.1%
JORC	Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia
K&S	The Kimkan and Sutara deposits, which are being developed as one project by IRC
koz	Thousand ounces

KPI	Key performance indicator, used to monitor progress and performance against strategic objectives and to benchmark the group's performance
ktpa	Thousand tonnes per annum
life of mine	Remaining years of production at a particular location or asset, based on production rates and ore reserves, as per the company's current mine plan
listing rules	The Listing Rules of the UKLA
Lost Time Injury Frequency Rate (LTIFR)	Time lost as a result of an accident or fatality, measured as the number of accidents per million man-hours worked
LTIP	The company's long-term incentive plan approved by shareholders on 30 June 2020
m^3/oz	Cubic meters per ounce of gold produced
Measured Resource	That part of a Mineral Resource for which quantity, grade, densities, shape, and physical characteristics are estimated with sufficient confidence to allow the application of mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors to support detailed mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing from, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve
mill	Equipment used to grind crushed rocks to the desired size for mineral extraction
mineralisation	The process of formation and concentration of elements and their chemical compounds within a mass or body of rock
Mineral Resource	The concentration or occurrence of material of economic interest in or on the earth's crust in such form, grade and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories
mining	The process of obtaining useful minerals from the earth's crust via both underground and surface / open pitmining activities
Mtpa	Million tonnes per annum
NED	A non-executive director of the company
nominations committee	The nominations committee of the board
OHS or OH&S	Occupational health and safety
open pit	Large excavation developed to extract a mineral deposit located at or near the surface
ordinary shares or shares	The company's ordinary shares of £0.01 each
ore	Mineral rock that can be extracted, processed and sold profitably
ore processed	Ore subjected to treatment at one of the group's RIP processing plants
ore body	Solid mass of mineralised rock that can be mined profitably under current or immediately foreseeable economic conditions
Ore Reserve	The economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined and is defined by studies at pre-feasibility or feasibility level, that includes the consideration of mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. These studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into *Probable* and *Proved*
ounce or oz	Troy ounce (31.1035 grams)
overburden	Material (usually soil and rock) that sits above the ore deposit and must be removed to expose the ore
placer deposit	See entry for 'alluvial'
pressure oxidation (POX)	A high temperature and pressure process in which refractory ores (gold bearing sulphides) are oxidised to render gold amenable to cyanide leaching
Probable Ore Reserve	The economically mineable part of an Indicated, and in some circumstances, Measured Mineral Resource. The confidence in the application of mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve. While a Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve, it is of sufficient quality to serve as the basis for a decision on the development of a deposit

Proved Ore Reserve	The economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve represents the highest confidence category of reserve estimate and implies a high degree of confidence in geological and grade continuity, and in the consideration of mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors
recovery rate	Quantity of metal physically extracted from the processing of ore, as a percentage of total metal content after accounting for mining losses
refractory ore	Ore that is ordinarily difficult to treat for recovery of the valuable element using traditional processing techniques. Refractory gold ore requires additional treatment, such as pressure oxidation (POX), roasting or bio-oxidation for efficient processing and gold recovery
remuneration committee	The remuneration committee of the board
remuneration policy	The directors' remuneration policy as approved by the shareholders and in force in the relevant financial year
resin-in-pulp (RIP)	Processing technique by which a resin medium is used to absorb the desired element from solution or pulp
Resolution 19	the resolution, numbered 19 in the order of business of and approved by shareholders at the RGM, instructing the board to commission a forensic investigation to review certain transactions or arrangements entered into by the company or its subsidiaries or affiliates and IRC or its subsidiaries or affiliates with any former or current director or member of senior management in the three years to August 2020
RGM	The requisitioned general meeting of the company held on 10 August 2020
Russian GKZ Standard Classification System	The means by which Russian reserves are assigned to classes based on the degree of reliability of data and which indicates their comparative importance for the national economy
Russian strategic laws	Legislation in force in Russia from time to time in relation to or concerning foreign investments in companies with strategic significance for securing the protection, defence or security of Russia
SID	Senior Independent Director
SSW committee	The safety, sustainability and workforce committee of the board
STI, short term incentive plan *or* annual bonus plan	The company's annual bonus plan
stockpile	Accumulation of unprocessed ore or mineralised material intended to serve as a reserve for current or future processing or as an additional source of material to achieve a uniform feed for the plant by blending with ore received from the mine
stope	An area in an underground mine where ore is mined
strike	Direction of the line formed by the intersection of a fault, bed or other planar feature and a horizontal plane
strike length	Longest horizontal dimension of an ore body or zone of mineralisation
strip ratio	The ratio of the volume of overburden (or waste material) removed relative to the volume of ore mined. For example, a 3:1 stripping ratio means that mining one cubic metre of ore will require mining three cubic metres of waste rock
stripping	Removal of waste rock to uncover an ore body in preparation for mining by open pit methods
sustainability	The group's health, safety, environmental and community relations
sustainability review	The group's sustainability report at pages 28 to 41
t/1koz	Tonnes per thousand of ounces of gold produced
TJ/1koz	Terajoule per thousand of ounces of gold produced
t/oz	Tonnes per ounce of gold produced
trench sampling	Taking samples from a trench on the surface or along a trench excavated underground, generally in the form of a series of continuous channels (channel samples)
total gold production	Measured in troy ounces, total gold production is made up of gold produced from the group's hard-rock mines as well as from the processing of refractory gold concentrate purchased from third party suppliers
tpm	Tonnes per month
UGC	The Uzhuralzoloto Group of Companies
UK	The United Kingdom of Great Britain and Northern Ireland

COMMUNICATION WITH OUR SHAREHOLDERS

SHAREHOLDER ENQUIRIES

Enquiries relating to shareholders, such as queries concerning notification of change of address and lost share certificates, should be made to the company's Registrars, Link Group (www.linkgroup.eu/). Link can be contacted directly as below.

By post:
Link Group
The Registry
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

By phone:
0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Link is open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

By email:
enquiries@linkgroup.co.uk

MANAGING SHARES ONLINE

Shareholders can manage their holdings online by registering with Link's share portal. This is an online service provided by Link which enables shareholders to view and manage all aspects of their shareholding securely.

The service is free and available 24 hours a day. Shareholders whose shares are registered in their own name can:

- View holdings plus indicated price and valuation;
- View movements on their shareholdings;
- change their address;
- Register or change their e-mail address;
- Sign up to receive communications by e-mail instead of post; and
- Access the online voting service.

WEBSITE

Financial information about the company, including annual reports, public announcements and share price data, is available from the company's website at: www.petropavlovskplc.com.

ADDITIONAL DOCUMENTS:

Shareholders are encouraged to sign up to receive news alerts by e-mail. This includes financial news releases throughout the year. Directors are responsible for the maintenance and integrity of the financial information on the company's website. This information has been prepared under the relevant accounting standards and legislation.

COMPANY CONTACT DETAILS

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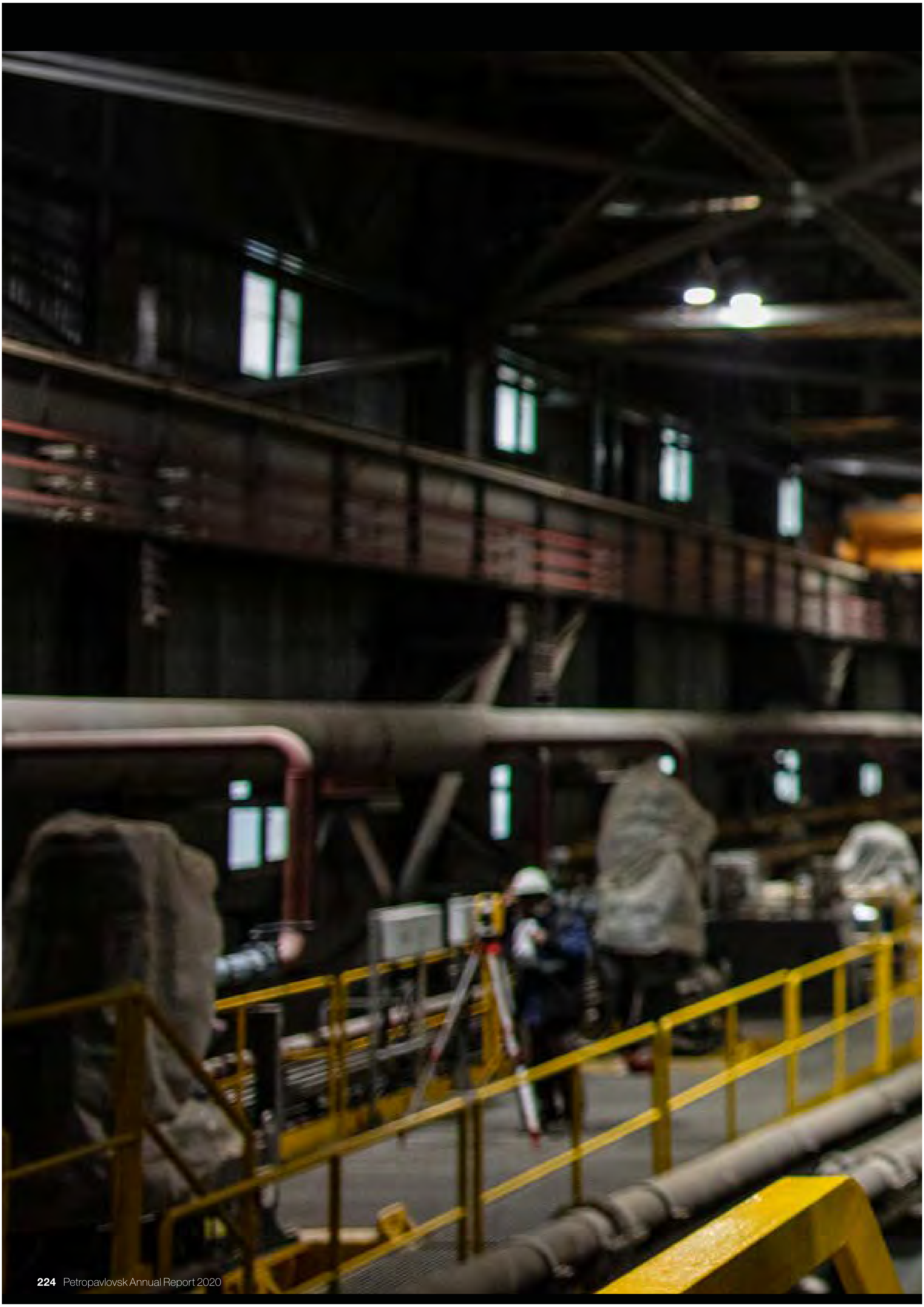
Company Secretarial
Dorcas Murray
Company Secretary
E-mail: dm@petropavlovskplc.com

Annual General Meeting 2021
This year's annual general meeting (AGM) will be held on 30 June 2021 commencing at 3.00pm. Shareholders who wish to attend the AGM are kindly asked to read the accompanying notes to the notice for information on attending the meeting. The AGM notice accompanies this annual report. In light of the uncertainties arising from the ongoing COVID-19 pandemic, the company reserves the right to make changes to the arrangements for the AGM, including its attendance. Any such changes, published after the date of the notice, will be announced to the markets and posted to the company's website at www.petropavlovskplc.com/news-and-events/agm-and-other-events/.




ПЕТРОПАВЛОВСК
ГРУППА КОМПАНИЙ

PETROPAVLOVSK

Petropavlovsk PLC

Executive Committee Terms of Reference (ToR)

Adopted by the Board of Directors on 25 January 2021

1 Purpose and Authority

1.1 The Board of Directors (**Board**) of Petropavlovsk PLC (**Company**) has delegated to the Executive Committee (**Committee**) executive management of the Company and its subsidiaries from time to time (together and so as to include each entity individual, **Group**).

1.2 The Executive Committee is responsible for:

- general management of the Group within the terms of these ToR
- recommending strategy and direction to the Board
- implementing the strategy set by the Board (the **Strategy**)
- reporting to the Board on a timely basis and with such information as it may require from time to time, including on progress with the implementation of the Strategy.

1.3 The Committee shall have no authority to perform any act or thing or exercise any power or discretion reserved to the Board, whether by law, the Company's constitution, the matters reserved to the Board, any delegation of authority in place or otherwise.

2 Membership

The membership of the Committee from time to time shall be determined by the Board and as at the date of these ToR comprises:

- the Chief Executive Officer (**CEO**)
- the Chief Financial Officer
- the Head of Corporate Affairs (**HCA**)
- Deputy CEO for Corporate Development and Legal Affairs
- the Head of Group Transformation/Operational Efficiency
- Head of Communications
- the Group Company Secretary and Corporate Counsel.

The CEO, or in his absence the HCA, shall chair the Committee. The chair may invite others to attend all or part of any of its meetings. In the absence of an express commitment to the contrary, no person shall be entitled to be appointed to the Committee and election to and/or removal from the Committee shall not give rise to any employment or other right.

3 Quorum and proceedings

3.1 Meetings of the Committee shall be held monthly or otherwise as required. Any member of the Committee may convene a meeting of the Committee by email to the other members. Subject to 3.6 below, notice of the meeting and copies of papers to be considered must be given to all members of the Committee.

3.2 The agenda for any meeting of the Committee shall be set by the chair. Any member of the Committee may propose matters to be included on the agenda.

3.3 The attendance of at least three members of the Committee shall be required for a meeting of the Committee to be quorate. A duly convened meeting of the Committee at which a quorum is present shall be competent to discharge all or any of the responsibilities and/or exercise all or any of the authorities, powers and/or discretions vested in or exercisable by the Committee.

3.4 Decisions shall be made by the Committee by simple majority. The chair shall not have a casting vote.

3.5 The Committee shall maintain a record of the decisions and actions arising at each of its meetings which record shall be made available to the Board.

3.6 No member of the Committee who is subject to a conflict or potential conflict of interest in relation to any matter for consideration by the Committee shall be entitled to receive notice of, be counted in the quorum for, receive papers in relation to or attend or vote at any meeting of the Committee to consider such matter, save where such conflict or potential conflict and the participation of the relevant member of the Committee in any meeting to consider the same has been expressly approved by the Board.

3.7 Decisions may be made by the Committee in writing (including by email). Any request for approval in writing must be sent to all members of the Committee. Any decision made in writing requires the approval of all members of the Committee.

4 Responsibilities

The Committee is responsible for:

4.1 Values and culture

4.1.1 Supporting the Board in the definition of the Group's culture and values;

4.1.2 Embedding the Group's culture and values as defined by the Board and ensuring that these are widely understood and consistently implemented.

4.2 Strategy

4.2.1 Assisting the Board in the development of the Strategy;

Implementing the Strategy, including developing and implementing the financial and operational plans, policies, procedures and budgets to execute the Strategy.

4.3 Performance, finances and operations

4.3.1 Keeping under review the operational structure of the Group, recommending to the Board such changes as it deems appropriate and as are in accordance with the Strategy and implementing such changes as are approved by the Board;

4.3.2 Managing the activities of the Group and the optimisation of the Group's resources to further the Strategy;

4.3.3 Developing and recommending to the Board the Group's business plans, budgets and forecasts to further the Strategy;

4.3.4 Recommending key performance indicators (**KPIs**) appropriate to the Strategy to the Board and cascading, measuring performance against and reporting to the Board on those KPIs;

4.3.5 Recommending to the Board a framework of financial controls and implementing the Board's approved framework;

4.3.6 Identifying, responding promptly to and managing appropriately any matters which may affect the ability of the Group to achieve its forecasts or business plans or cause it to deviate from budget or may otherwise affect the performance, operations, finances, prospect or reputation of the Group.

4.4 Compliance, risk management and internal controls

4.4.1 Developing and recommending to the Board any policies for adoption by the Group requiring Board approval;

4.4.2 Implementing and embedding those policies as approved by the Board, including the Group's environmental, social and governance and health and safety policies;

4.4.3 Assessing, monitoring, managing and reporting to the Board on the Company's risks, current and prospective;

4.4.4 Developing and recommending to the Board an appropriate risk management framework and system of internal controls and monitoring and managing compliance with those controls;

4.4.5 Monitoring and managing compliance with relevant legislation, regulation and policies and any best practices adopted by the Group;

4.4.6 Supporting the Board in the fulfilment of the Company's duties, responsibilities and obligations arising from or in connection with its listings;

4.4.7 Monitoring, reviewing and safeguarding the integrity and adequacy of the Group's management information and financial reporting systems and intellectual property rights.

4.5 Reporting

4.5.1 Reporting to the Board on the performance, finances and operations of the Group and on the decisions and actions of the Committee on a regular basis and not less than quarterly;

4.5.2 Reporting immediately to the Board on any matter which:

4.5.2.1 is a significant health, safety or environmental incident or risk;

4.5.2.2 is material breach of any Board-approved or other significant policy of the Group; or

4.5.2.3 referred to in 4.3.6 or which is or is reasonably likely to be material to the operations or finances of the Group or to affect adversely the Group or the Company's reputation or standing; or

4.5.2.4 would be reasonably likely were it to become public to change significantly the perception of the shareholders of the Company or have a significant influence on the share price of the Company;

4.5.3 Monitoring and reporting regularly to the Board on the Company's relations with and the reported views of the Company's shareholders and other key stakeholders.

In performing its duties, the Committee may delegate its responsibilities as it sees fit. The Committee shall remain responsible for any matter so delegating.

5 Review

The Committee shall periodically review its performance and, at least annually review its constitution and these ToR to ensure it is operating effectively and shall recommend any changes it considers necessary or appropriate to the Board.

PETROPAVLOVSK

PETROPAVLOVSK PLC

(*company*)

AUDIT COMMITTEE

(*committee*)

TERMS OF REFERENCE

Adopted by the board of directors (**board**) of the company on 21 May 2021

1. Purpose

The primary role of the committee is to oversee, on behalf of the board, the group's financial reporting process, the integrity of its financial statements, its external and internal audit processes, its systems of internal control and for the identification and management of risks and the group's arrangements in relation to certain other areas of compliance. Changes to these terms of reference shall only be effective if approved by the board.

2. Membership

2.1 The committee shall comprise at least three members, all of whom shall be independent non-executive directors. At least one member shall have recent and relevant financial experience and the committee, as a whole, shall have competence relevant to the sector in which the company operates. The chairman of the board shall not be a member of the committee.

2.2 Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chairman of the committee. Appointments shall be for a period of up to three years which may be extended for two additional three-year periods, provided the relevant director continues to be independent.

2.3 Only members of the committee have the right to attend committee meetings. The chairman of the board, Chief Executive Officer, Chief Financial Officer, Group Head of Internal Audit, representatives of the external auditor and other members of the board shall be invited to attend meetings of the committee of a regular basis, with other individuals invited to attend all or part of any meeting as and when appropriate.

2.4 The board shall appoint the committee chairman. In the absence of the committee chairman and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2.5 On at least one occasion in each financial year, the committee shall meet with the external auditor and, separately, with the Group Head of Internal Audit without any executive directors or management being present.

3. Secretary

The company secretary or their nominee shall act as the secretary of the committee.

4. Quorum

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

5. Frequency of meetings

5.1 The committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

5.2 Outside of the formal meeting programme, the chair of the committee shall maintain a dialogue with key individuals involved in the company's governance, including the chairman of the board, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the Group Head of Internal Audit.

6. Notice of meetings

6.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members, or at the request of the external or internal auditor if he/she considers it necessary.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each member of the committee and any other person required to attend before the meeting. The agenda of items to be discussed and any supporting papers shall be sent to committee members and other attendees, as appropriate.

7. Minutes of meetings

7.1 The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.

7.2 Draft minutes of committee meetings shall be circulated to all members of the committee and, once approved, to all other members of the board, save where inappropriate to do so.

8. Engagement with shareholders

The chairman of the committee shall attend the company's annual general meeting to answer any shareholder questions on the committee's activities and shall seek engagement with the company's shareholders on significant matters related to the committee's area of responsibility, where appropriate.

9. Duties

The committee's duties extend to the company and the group as a whole. The 'group' shall mean the company and each and all of its direct and indirect subsidiaries from time to time.

9.1 Financial reporting

The committee shall:

9.1.1 monitor the integrity of the group's financial statements, including its annual, half-year and quarterly reports, preliminary announcements and any other announcements relating to financial performance (together and individually, the 'financial statements') and review and, if thought fit, recommend to the board the approval of the financial statements, reporting to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

9.1.2 In particular, the committee shall review and challenge where necessary:

a) the application, consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the company and the group;

b) the methods used to account for significant or unusual transactions where different approaches are possible;

c) whether the company and the group has adopted appropriate accounting policies and standards, and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;

d) the clarity and completeness of disclosure in the financial statements and the context in which statements are made;

e) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management;

f) compliance with accepted accounting standards and with relevant regulatory requirements; and

g) the assumptions or qualifications in support of the going concern statement, including any material uncertainties as to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements and the longer-term viability statement, including an assessment of the prospects of the company and the group looking forward over an appropriate and justified period.

Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board.

9.2 Narrative reporting

Where requested by the board, the committee shall review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

9.3 On-going viability

Where requested by the board, the committee shall provide advice on how, taking into account the company's position and principal risks, the company's prospects have been assessed, over what period and why the period is regarded as appropriate. The committee shall also advise on whether there is a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions, as necessary.

9.4 External audit

The committee shall:

9.4.1 consider and make recommendations to the board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the external auditor of the company;

9.4.2 develop and oversee the selection procedure for the appointment of the external audit firm, ensuring that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;

9.4.3 ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms;

9.4.4 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;

9.4.5 oversee the relationship with the external auditor, including:

a) approving their remuneration, including both fees for audit and non-audit services, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;

b) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

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c) assessing annually the external auditor's independence and objectivity taking into account relevant regulatory and professional requirements and standards, the group's relationship with the auditor as a whole and any threats to the auditor's independence, such as the provision of any non-audit services;

d) monitoring the auditor's process for maintaining independence, its compliance with relevant regulatory and professional requirements and standards, including any regulation or guidance on the rotation of audit partners and staff;

e) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company or the group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

f) agreeing with the board a policy on the employment of former employees of the company's auditor and monitor the application of this policy;

g) monitoring the level of fees paid by the company and the group to the external auditor compared to the overall fee income of the firm, office and partner and taking account of any relevant regulatory or professional requirements or standards;

h) assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;

i) seeking to ensure co-ordination of the external audit with the activities of the internal audit function;

j) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee and considering whether this should include an assessment of the risk of the company's external audit firm withdrawing the provision of their audit services from the market;

k) developing, recommending to the board and keeping under review a policy on the provision of non-audit services by the auditor, requiring prior approval of non-audit services by the committee, specifying the types of non-audit service to be pre-approved, and giving consideration to:

- threats to the independence and objectivity of the external auditor and any safeguards in place;
- the nature of the non-audit services;
- whether the external audit firm is the most suitable supplier of the non-audit service;
- the fees for the non-audit services, both individually and in aggregate, relative to

the audit fee; and

- the criteria governing compensation.

9.4.6 discuss with the external auditor before the external audit commences the nature and scope of the external audit and the factors that could affect audit quality and review and, if thought fit, approve the annual audit plan, ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

9.4.7 review the reports and presentations of the external auditor and management's response to major findings of the audit, including (but not limited to):

a) any major issues which arose during the audit;

b) the auditor's explanation of how the risks to audit quality were addressed;

c) key accounting and audit judgements;

d) the auditor's view of their interactions with senior management; and

e) levels of errors identified during the audit; and

9.4.8 review any representation letter(s) requested by the external auditor before it is (or they are) signed by management; and

9.4.9 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

9.5 Internal audit

The committee shall:

9.5.1 approve the appointment and removal of the Group Head of Internal Audit;

9.5.2 review and approve the role and mandate of the group's internal audit function, monitoring and reviewing the effectiveness of its work and that its size and composition is appropriate for the needs of the group;

9.5.3 review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on work carried out, ensuring co-ordination between the internal audit function and the external auditor and approving any material changes to the plan;

9.5.4 ensure internal audit has unrestricted scope and the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function has appropriate standing in the company and is equipped to perform in accordance with appropriate professional standards for internal auditors;

9.5.5 ensure that the Group Head of Internal Audit is given direct access to the chairman of the board and to the committee chairman, providing independence from the executive, and is accountable to the committee, and ensure the function has adequate standing and is free from management or other restrictions;

9.5.6 carry out a regular assessment of the effectiveness of the internal audit function and as part of this assessment:

a) meet with the Group Head of Internal Audit without management present to discuss the effectiveness of the function;

b) receive a report on the results of the internal auditor's work;

c) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and

d) review the actions taken by management to implement the recommendations of internal audit and to support effective working of the internal audit function.

9.5.7 consider whether an independent, third party review of internal audit is appropriate.

9.6 Internal controls and risk management

The committee shall:

9.6.1 review annually the key risks inherent and emerging in the business and the robustness and effectiveness of the group's systems of internal control and risk management to identify, assess, classify, monitor, manage and mitigate such risks;

9.6.2 monitor the effectiveness of the group's systems of risk management and internal controls, receiving regular reports from management and seeking assurance that:

a) the group maintains an effective system to identify, assess, manage, prioritise and report risks material to the achievement of the group's purpose strategy and plans;

b) emerging or heightened risks and any material changes to existing risks are escalated in a timely manner;

c) the group maintains adequate insurances in respect of its risks;

d) key risks are appropriately managed and mitigated; and

e) the internal audit plan takes into account key areas of risk for the group.

9.6.3 review and, if thought fit, recommend to the board for approval the statements to be included in the company's annual report concerning internal control and risk management, including the assessment of principal and emerging risks;

9.6.4 review financial and tax risks and receive inputs from the board's safety, sustainability and workforce committee on risks relevant to its area of responsibility to be taken into account by the committee in discharging its responsibilities; and

9.6.5 provide such other advice or assistance in relation to the identification, assessment, management or monitoring of risk as the board may request from time to time.

9.7 Compliance, speaking-up and fraud

The committee shall

9.7.1 review the adequacy and security of the group's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

9.7.2 review the company's procedures for detecting fraud.

9.7.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

9.7.4 review the adequacy and effectiveness of the company's compliance function and anti-money laundering systems and controls.

10. Reporting responsibilities

10.1 The committee chairman shall report to the board on its proceedings after each meeting on all matters within its scope, including how it has discharged its responsibilities.

10.2 The committee shall make such recommendations to the board it deems appropriate.

10.3 The committee shall compile a report on its activities to be included in the company's annual report. The report should describe the work of the audit committee, including:

10.3.1 the significant issues that the committee considered in relation to the financial statements and how these were addressed;

10.3.2 an explanation on how the committee has addressed the independence of the external auditor, the approach taken to appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans and the effectiveness of the external audit process; and

10.3.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services; and

10.4 In the compiling of the reports referred to in 10.1 and 10.3, the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether the company is a going concern and the inputs to the board's viability statement.

11. Other matters

The committee shall:

11.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required;

11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

11.3 give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code 2018 and published guidance, the requirements of the UK Listing Authority's Listing, Prospectus Rules and the Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;

11.4 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort to the extent applicable;

11.5 work and liaise as necessary with all other board committees and the board;

11.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval; and

11.7 ensure that these terms of reference shall be supplied to the external auditor.

12. Authority

12.1 The committee is authorised:

12.1.1 to seek any information it requires from any employee in order to perform its duties;

12.1.2 to obtain, at the company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so, within its terms of reference;

12.1.3 to call any employee to be questioned at a meeting of the committee as and when required; and

12.1.4 to have the right to publish in the company’s annual report details of any issues that cannot be resolved between the committee and the board. If the board has not accepted the committee’s recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee’s recommendation and the reasons why the board has taken a different position.

12.2 In the event that any director of the company or any of its subsidiaries shall indicate to the committee that he requires independent legal or other professional advice in relation to his duties as such director, the committee may authorise the obtaining at the company's expense of such advice by such director on such terms as the committee may think fit.

12.3 The committee shall inform the chairman of the board or the Chief Financial Officer of any expenses of the kind referred to in 12.2 above which it has incurred or approved as soon as it is appropriate in the particular circumstances for the committee to do so.

Reviewed by the audit committee on 21 May 2021

Approved and adopted by the board on 21 May 2021

Petropavlovsk PLC

SCHEDULE OF MATTERS RESERVED FOR THE BOARD OF DIRECTORS OF THE COMPANY

Version 1.0
Commencement date: 31 August 2021
Owner: Company Secretarial
Oversight: Board of Directors
Scope: directorate of Petropavlovsk PLC

Approved**:**
Petropavlovsk PLC Board: 30 August 2021
Reviewed: [ ]

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SCHEDULE OF MATTERS RESERVED FOR THE BOARD OF DIRECTORS OF THE COMPANY

The Board's role is:

- To provide effective and entrepreneurial leadership of the Company.
- To promote the long-term sustainable success of the Company generating value for shareholders and contributing to wider society.
- To establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned.
- To ensure that necessary resources are in place for the Company to meet its objectives and measure performance against them.
- To establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
- To ensure effective engagement with, and encourage participation from, shareholders and stakeholders.
- To ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success.

While the Board has delegated day to day management of the business of the Group to Management to manage in accordance with the directions and policies of the Board from time to time, certain matters are expressly reserved to the Board. Those matters are detailed in this document and require express approval of the Board.

In addition, the Board has delegated certain of its responsibilities to its committees, including the oversight of certain risks, as set out in its terms of reference for each such committee. The Board may choose to delegate additional responsibilities from time to time. In considering the responsibilities of the Board, the duties and powers delegated to those committees should be taken into account. The committees report to the Board periodically, making recommendations on matters within their remit on which Board approval is required.

The following matters are reserved for the Board:

1. Leadership and culture

1.1 Responsibility for the overall leadership of the Group and establishing the Group's purpose, values and culture.

1.2 Assessing and monitoring the culture of the Group, including whether it is consistent with its purpose, strategy and values.

1.3 The making of any decision likely to have a material impact on the Company or Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.

2. Strategy and management

2.1 Setting the strategy of the Group (including on sustainability) and approving its strategic aims and objectives.

2.2 Approval of the annual operating and capital expenditure budgets and any material changes to them.

2.3 Oversight of the Group's operations ensuring:

- competent and prudent management;
- sound planning;
- maintenance of sound management and internal control systems;
- adequate accounting and other records; and
- compliance with statutory and regulatory obligations.

2.4 Regular review of performance in the light of the Group's strategic aims, objectives, business plans and budgets.

2.5 Any extension of the Group's activities into new business or geographic areas.

2.6 Any decision to cease to operate all or any material part of the Group's business.

3. Transactions, contracts and litigation

3.1 Approval of any investment, capital expenditure or financial commitment save where authority to approve a transaction or commitment of that type and value has been expressly delegated to Management or where that transaction or commitment is expressly contemplated within the Group's annual budget for the relevant year as approved by the Board.

3.2 Approval of any matter requiring approval of the shareholders.

3.3 Approval of all related party transactions in accordance with the Group's related party transactions policy.

3.4 Approval of the commencement, defence or settlement of any litigation or other judicial proceedings or arbitration or other dispute resolution mechanism or process to which the Company or the Group is party save where authority to do so has been expressly delegated to Management.

4. Structure and capital

4.1 Changes relating to the Company's capital structure including any reduction of capital, share issues or allotments (except under employee share schemes) and share buy-backs including the issue of treasury shares.

4.2 Major changes to the Group's corporate structure, including, but not limited to acquisitions and disposals of shares which are material relative to the size of the Group.

4.3 Any changes or additions to the Company's listings, domicile, tax status or its status as a public company.

5. Financial reporting and controls

5.1 Approval of quarterly or half-yearly reports on performance, interim management statements and any preliminary announcements of the final results for any year.

5.2 Approval of the annual report and accounts (including the corporate governance statement and directors' remuneration report).

5.3 Approval of any dividend policy and any returns to shareholders, including any interim dividend and recommendation to the Company in general meeting of any final dividend.

5.4 Approval of any significant changes in accounting policies or practices.

5.5 Approval of treasury policies including foreign currency exposure and the use of financial derivatives.

5.6 Approval of the appointment or removal of the Group's external auditor to be put to the Company in general meeting, on recommendation of the Audit Committee.

6. Risk management and internal controls

6.1 Assessing and monitoring the principal and emerging risks of the Group.

6.2 Establishing and maintaining of a sound system of internal controls to enable risks to be assessed and managed, including:

- Approving the Group's risk management framework and Group risk thresholds and setting risk appetite;
- Reviewing the effectiveness of the Group's risk and control processes to support its strategy and objectives;
- Approving and monitoring procedures for the detection of fraud, for the prevention of bribery and for legal and regulatory compliance;
- Overseeing the establishment and maintenance of internal controls over the reliability of financial reporting;
- Approving an appropriate statement for inclusion in the annual report.

6.3 Approval of the overall levels of and any material changes to the Group's insurances, including

Directors' and Officers' liability insurance.

7. Board membership and committees

7.1 Determining the size, structure and composition of the Board, to ensure it and its Committees have the appropriate balance of skills, knowledge and experience, including appointing or terminating the appointment of the following on recommendation of the Nominations Committee:

- Any person as a director or secretary;
- A director to hold employment or executive office within the Group or to be chairman of the Board or senior independent director;
- Any person as a member, chair or secretary of any board committee.

7.2 Ensuring adequate succession planning for the Board and senior executives so as to maintain an appropriate combination of skills, experience and knowledge and to promote diversity within the Company and on the board.

7.3 Approving the terms of appointment of the non-executive directors

7.4 Approving appointments to the boards of Group subsidiaries.

7.5 Approval of the terms of reference of the Board's committees

8. Remuneration

8.1 On recommendation of the Remuneration Committee, approving a remuneration policy for the directors, company secretary and other senior executives, to be put to shareholders, which supports the Company's strategy and long-term sustainable success, is aligned to Company purpose and values and linked to the delivery of the long-term strategy.

8.2 Determining the remuneration of the fees of non-executive directors, in accordance with the remuneration policy in force.

8.3 Approving any new share incentive plans or major changes to existing plans, to be put to shareholders for approval, on recommendation of the Remuneration Committee.

9. Corporate governance

9.1 Approval of the Group's policies on or setting out its code of business conduct and ethics, the rules around dealing in the Company's shares, anti-bribery and corruption, sustainability and whistleblowing and any policies which the Group may adopt from time to time relating to diversity, the control and release of price sensitive information, charitable or political donations or the prevention or detection of fraud.

9.2 Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors.

9.3 Determining the independence of non-executive directors.

9.4 Monitoring the Company's overall corporate governance arrangements.

9.5 Considering the balance of interests between shareholders, employees and other stakeholders, including customers, suppliers, the community, taking account of the impact of the Company's operations on the community and the environment.

9.6 Ensuring a satisfactory dialogue with shareholders and receiving reports on their views and those of other stakeholders.

9.7 Approval of the division and definition of responsibilities of the chairman, senior independent director and CEO.

9.8 Approval of all circulars, prospectuses and listing particulars and any resolution to be put to the shareholders in general meeting.

9.9 Approval of material press releases concerning matters decided by the Board.

9.10 Authorising conflicts of interest where permitted by the Company's articles of association.

9.11 Approval of the Company's and the Group's delegations of authority.

9.12 Any changes to this schedule of matters reserved to the Board.

10. Miscellaneous

10.1 The making of political donations by the Group.

10.2 Approval of the appointment of the Group's principal professional advisers.

10.3 Major changes to the rules of the Group's pension scheme, or changes of trustees or, when this is subject to the approval of the Company, changes in the fund management arrangement.

10.4 Any other matter required to be considered or approved by the board as a matter of law or regulation or which is likely to have a material impact on the Company or the Group's reputation.

Definitions

In these matters reserved, the following words have the meanings set out below:

Board:	The board of directors of the Company at any time
CEO:	The chief executive officer of the Company from time to time
Company:	Petropavlovsk PLC
Group:	The Company and all and each of its direct or indirect subsidiaries from time to time (as defined in s1159 of the Companies Act 2006)
Including:	Including without limitation
Management:	The senior leadership of the Company below board level at any time, including the CEO and senior executives.
Senior executives:	Executive Committee members, executives with direct reporting line to CEO (not in admin role) and Company Secretary.
Sustainability	Sustainable development including health & safety, environmental (including climate change), social responsibility and community relations matters.

PETROPAVLOVSK

PRESS RELEASE

01 September 2021

Petropavlovsk PLC

<u>Interim Results for the Period Ended 30 June 2021</u>

Petropavlovsk PLC ("Petropavlovsk", or the "Company" and, together with its subsidiaries, the "Group") today issues its Interim Results for the period from 1 January 2021 to 30 June 2021 ("H1 2021" or the "Period").

Denis Alexandrov, Chief Executive Officer, said:

"Petropavlovsk's financial performance in the first-half reflects the transitional period we are navigating as we shift to processing more refractory ore to supply our state-of-the-art POX plant with more of our own-mined reserves. In the first half of the year, own-mine production continued the downward trend that started in 2020, however we are now observing that trend reversing and expect higher production in the second half, supported by the recent launch of the Pioneer flotation plant. We therefore maintain our production guidance for the full year.

First-half revenue and EBITDA tracked the reduction in output and while costs did rise due, in part, to lower volumes, I am pleased to report that total cash costs for own-mined ore for the period were in the lower half of our guidance range. Furthermore, we generated cash flow from operations before changes in working capital of US$113.7 million in H1 2021, along with a net profit of US$ 48.9 million compared to a loss in the same period last year.

Looking ahead, with the Pioneer flotation plant set to unlock the potential of the mine's refractory reserves in the second half of the year, we will see the POX hub operating at closer to full capacity as the year progresses. We also continue to progress the Malomir expansion, which will further increase our capacity to produce refractory ore concentrate for the POX plant when completed in Q3 2022.

At Albyn, we continue to see the harder, more challenging ore from Elginskoye that now feeds the plant limits the throughput and recoveries we can achieve. Furthermore, based on our experience mining the deposit, we expect exploration drilling being conducted at Elginskoye this year to confirm the deposit contains more refractory ore than previously estimated. In light of this, we are currently studying options for adding flotation capacity to the Albyn hub, which would provide an additional source of concentrate for the POX hub.

We are currently in the final stage of the operational review my team and I began earlier in the year – the drafting of a new strategy and development plan for the Company that will help us realise the value of assets like Albyn and Elginskoye, support future production, and deliver improved returns to shareholders. I look forward to presenting this plan to stakeholders at our upcoming Capital Markets Day this autumn.

Financial Highlights

		H1 2021	H1 2020	% Change
Total gold produced	koz	**195.0**	320.6	(39%)
Own gold production	koz	**158.3**	213.7	(26%)
3rd-party concentrate production	koz	**36.7**	106.9	(66%)
Total gold sold	koz	**187.1**	312.4	(40%)
Average realised gold price♦	US$/oz	**1,795**	1,640	9%
Total cash costs (own gold)	US$/oz	**906**	800	13%
All-in sustaining costs♦	US$/oz	**1,404**	1,220	15%
Group revenue	US$m	**351.9**	522.7	(33%)
Underlying EBITDA♦	US$m	**114.3**	192.6	(41%)
Operating profit [(a)]	US$m	**48.3**	144.3	(67%)
Profit/(loss) for the period	US$m	**48.9**	(22.0)	-
Capital expenditure♦	US$m	**47.3**	59.6	(21%)
Cash generated from operations before working capital changes	US$m	**113.7**	183.3	(38%)
Cash generated from operations	US$m	**57.1**	172.8	(67%)
Net debt♦	US$m	**(535.6)**	(538.0)	-

(a) Since the 2020 annual report operating profit is presented from the perspective of group operations excluding the results of the associate, IRC. This is more representative of how the business is viewed following the classification of IRC as held for sale and this change in classification also been applied to the comparative period.

- **Gold sales** were 187.1 koz in H1 2021, down 40% from 312.4 koz sold in H1 2020, which is consistent with the decrease in total gold production during the Period
- **Average realised gold price♦** increased 9% to US$1,795/oz, with zero impact from the Company's hedging programme
- **Group revenue** was US$351.9m, or 33% lower year-on-year, as the impact of lower sales was partially offset by higher gold prices and increased revenue from service divisions
- **Underlying EBITDA*** was US$114.3m, or 41% lower, in line with the reduction in sale volumes, as higher gold prices were offset by an increase in total cash costs during the period
- **Profit for the period** was US$48.9m or US$0.01 per share, compared to a loss of US$22m in the prior year, including some non-cash items
- **Total cash costs (TCC)** for gold produced from own ore in H1 2021 were US$906/oz (13% higher year-on-year), well within the Company's 2021 cost guidance range, with the increase influenced mainly by lower grades and recoveries at the mines as well as some Rouble-denominated cost inflation and higher mining taxes where certain tax incentives expired
- **All-in sustaining costs (AISC)♦** were 15% higher year-on-year at US$1,404/oz, reflecting the increase in TCC, higher administrative costs, and the decrease in physical ounces sold in H1 2021, partially offset by a decrease in capitalized stripping at Malomir and Pioneer
- **Capital expenditure* for the period** was US$47.3m (21% lower vs US$59.6 in H1 2020) reflecting the deferral of some expenses to the second half of the year

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♦See "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs

Balance Sheet and Liquidity

- Cash (unaudited) as of 30 June 2021 was US$36.5m (31 March 2021: US$7.5m, 31 December 2020: US$35.4m) including US$2.1m in transit (see note 15 to the Financial Statements)
- Debt principal outstanding as of 30 June 2021 was US$573m (31 March 2021: US$538m, 31 December 2020: US$538m) with the increase due to use of the Gazprombank ("GPB") revolving credit facility for day-to-day working capital requirements
- Interest-bearing gold prepays stood at US$37.1m as at 30 June 2021 (US$53.3m as at 31 March 2021, US$63.8m as at 31 December 2020), a net decrease of US$16.2m over the course of Q2 2021 and US$26.7m since the beginning of the year. The Company plans to fully settle the gold prepays by year-end
- To replace the gold prepays and support day-to-day liquidity needs, the Group secured a c.US$54m (RUB 4 billion) increase in the limit of its revolving credit facilities ("RCF") with GPB, from c.US$68m (RUB 5 billion) to a total of c.US$122m (RUB 9 billion), along with a maturity extension from May 2022 to June 2026. At interest rates of 2.8 - 4.5%, the RCF is significantly lower cost than existing borrowings. The Company intends to further increase the credit limit under the RCF going forward to support liquidity
- 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), which was used for the buy-back of US$135,731,000 of the US$500m Notes in accordance with the tender offer. The term loan interest rate is significantly lower than the 8.125% coupon on the US$500 Notes

Operational Highlights

- H1 2021 gold production totalled 195.0koz, a decrease of 39% versus 320.6koz in H1 2020
- **Own mined gold production** amounted to 158.3koz in H1 2021 (H1 2020: 213.7koz), with the 26% year-on-year decrease being primarily due to the switch to processing ore from the Elginskoye deposit at Albyn and preparations for the launch of the Pioneer flotation plant, which entailed a shift to mining refractory ore for stockpiling and a planned temporary shutdown of the processing plant in April
- **3rd-party concentrate gold production** decreased by 66% to 36.7koz in H1 2021 (H1 2020: 106.9koz) due to expected lower volumes of concentrate available for purchase and lower grades in the concentrates supplied

Gold production (koz)

Asset	H1 2021	H1 2020
Pioneer	**46.0**	60.3
Malomir	**70.1**	81.6
Albyn	**42.3**	71.8
3rd-party concentrate (POX Hub)	**36.7**	106.9
Total Group	**195.0**	320.6

Note: Numbers may not add up due to rounding effect

Pokrovskiy Pressure Oxidation (POX) Hub

- A total of 123kt of refractory gold concentrate was processed through the POX Hub in H1 2021, including 76kt from Malomir with an average grade of 28.5g/t and 38kt of 3rd-party concentrate with an average grade of 30.7g/t

- The new flotation plant at Pioneer supplied 8kt of concentrate at an average grade of 21.9g/t to the POX Hub in May and June, with 5.5koz of gold recovered for the Period (95% recovery rate)

2021 Guidance

- The Company affirms its 2021 full-year **production guidance** of 430 - 470koz of gold, 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
- **Capital expenditure** for the year is expected to be up to US$140m, consisting of sustaining and development capex of US$120m and exploration spend of c.US$20m

Responsible Business

- Zero fatal accidents have occurred at Petropavlovsk's operations this year to date, neither among the Group's employees nor its contractors
- An increase in the number of reported incidents and, consequently, LTIFR during the period is partially attributable to an improved reporting methodology implemented this year. The severity of reported injuries has decreased during the period, and we have seen a positive trend in the monthly reduction of injuries since the beginning of the year. The availability and in-depth analysis of robust data are the first steps towards improving health and safety reporting, in alignment with international best practices
- A strengthened health and safety leadership team, led since April by Head of Health & Safety Roman Dertinov, has resulted in the drafting of a new and improved set of Fundamental Safety Rules, which have been approved by the Board of Directors and are now being rolled out across the Group to promote safer working practices
- The Group is also implementing several new long-term injury prevention projects, including initiatives specifically aimed at addressing falls from height and electrical safety
- Zero environmental incidents were reported in H1 2021

Metric	*Units*	**H1 2021**	H1 2020
LTIFR	*Per 1m hrs worked*	**1.75**	1.23
Environmental incidents	*Number*	**0**	0

Note: Environmental incidents defined as moderate or serious

- Due to recent severe flooding in the Amur region, the Company is carrying out daily environmental monitoring of local rivers and streams. No material environmental pollution has been identified
- Attention is drawn to the update on principal risks and uncertainties presented later in this release

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 Q2 2021, the Company launched an on-site vaccination programme at each of its mines, accompanied by a supporting informational campaign via corporate and social media and other communications channels
- As of 23 August 2021, 47.3% of employees at the Group's operating subsidiaries have been fully vaccinated (2 doses) and an additional 32.4% have exhibited Covid antibodies
- At the time of reporting, the Group's supply chains remain fully functional

Development and Exploration Update

Progress on Development Projects

- 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 Pioneer flotation plant is expected to produce up to 60kt of flotation concentrate this year, and up to 100kt in 2022, reducing the Company's reliance on 3rd-party concentrate to feed the Pokrovskiy POX plant
- The construction of a third line at the Malomir flotation plant progressed throughout H1 2021 and will add an additional 1.8Mtpa of flotation capacity upon completion in Q3 2022, bringing the total combined Group capacity to 9.0Mtpa

Exploration

- **Pioneer** – A review of reserves is underway using updated parameters that better reflect prevailing gold prices. As a result, notable increases are expected in reserves of gold contained in refractory and non-refractory ore for both open pit and underground mining (excluding mining activities)
- **Malomir** – Work in H1 2021 focused on the evaluation of high-grade ores in underground workings along the eastern flank of the Quartzitovoye deposit. Scattered older wells drilled in the area have exhibited grades of up to 20.2-28.4 g/t per 2.1-3.8 m
- **Osipkan** – Exploration work on the northern, un-delineated section of the deposit, suitable for heap leaching, is being accelerated. Alongside poorer ores with grades of 0.7-1.3 g/t, drilling on the targeted area has revealed ore sections with visible gold and grades of up to 67.05 g/t per 1.7 m
- **Tokur** – Exploration work at the site has been temporarily suspended
- **Albyn** – Geologists are currently reviewing the potential for underground mining of an estimated 30 tonnes of un-delineated ore resources at depth below the depleted Albyn open pit
- **Elginskoye** – Exploration drilling on the deposit planned for this year is nearing completion. The programme was designed to better delineate the deposit and new technological mapping of the drilled-out area has been completed. Metallurgical studies have found the ore responds well to processing by gravity-flotation
- **Unglichikanskoye** – Technological studies of samples for processing via gravity-flotation are nearing completion

Corporate Events

- On 12 July 2021, the Board of Directors appointed Mr. Evgeny Potapov as a non-executive director. Mr. Potapov was nominated by Uzhuralzoloto Group of Companies ("UGC"), the Company's largest shareholder, pursuant to the relationship agreement in place between the Company and UGC. Mr Potapov replaced Mr. Maxim Kharin, who resigned from the Board

IRC Update

- Petropavlovsk is a major shareholder in IRC (31.1%), a Hong-Kong-listed producer and developer of industrial commodities. On 27 August 2021, IRC released its interim results for the six months ended 30 June 2021. The results are available to view on the IRC website at http://www.ircgroup.com.hk
- Petropavlovsk continues to act as guarantor in relation to the obligations of IRC Limited's subsidiary K&S under two loan facility agreements with Gazprombank. IRC continues to pay down the debt in line with the repayment schedule. In addition, K&S made an early repayment of US$20m to GPB in July and US$30m in August. Therefore, the outstanding loan principal amount as of the end of August 2021 amounted to c.US$143.5m.

Webcast and Conference Call

The Company's CEO Denis Alexandrov and CFO Danila Kotlyarov will host a webcast followed by a Q&A session to present the Company's financial results today at 09:00 BST / 11.00 MSK. The webcast can be accessed via the following link:

https://webcasting.brrmedia.co.uk/broadcast/6115521dc97de6636c2d913d

Alternatively, phone users can listen to the webcast and participate in the Q&A session via the following dial-in numbers:

United Kingdom	+44 (0)330 336 9105
Russia	+7 495 213 1767

When prompted, please use the following confirmation code: 8000181

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.8.5Moz 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

Please visit www.petropavlovskplc.com or contact:

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Financial Review

Note: Figures may not add up due to rounding

Financial Highlights

		H1 2021	H1 2020
Gold sold	'000oz	**187.1**	312.4
Group revenue	US$ million	**351.9**	522.7
Average realised gold price	US$/oz	**1,795**	1,640
Average LBMA gold price afternoon fixing	US$/oz	**1,806**	1,645
Total Cash Costs♦ (a)	US$/oz	**1,020**	983
Total Cash Costs from own materials (a)	US$/oz	**906**	800
Total Cash Costs from third parties concentrate (a)	US$/oz	**1,639**	1,380
All-in Sustaining Costs♦ (b)	US$/oz	**1,404**	1,220
All-in Costs♦ (b)	US$/oz	**1,514**	1,325
Underlying EBITDA♦	US$ million	**114.3**	192.6
Operating profit (c)	US$ million	**48.3**	144.3
Profit before tax	US$ million	**69.1**	16.5
Profit/(loss) for the period	US$ million	**48.9**	(22.0)
Profit/(loss) for the period attributable to equity shareholders of Petropavlovsk PLC	US$ million	**44.5**	(23.9)
Basic profit/(loss) per share	US$	**0.01**	(0.01)
Cash generated from operations before working capital changes	US$ million	**113.7**	183.3
Net cash from operating activities	US$ million	**25.2**	112.1

(a) Calculation of Total Cash Costs♦ ("TCC") is set out in the section Hard rock mines below.
(b) All-in Sustaining Costs♦ ("AISC") and All-in Costs♦ ("AIC") are calculated in accordance with guidelines for reporting All-in Sustaining Costs♦ and All-in Costs♦ published by the World Gold Council. Calculation is set out in the section All-in Sustaining Costs♦ and All-in Costs♦ below.
(c) Since the 2020 annual report operating profit is presented from the perspective of group operations excluding the results of the associate, IRC. This is more representative of how the business is viewed following the classification of IRC as held for sale and this change in classification also been applied to the comparative period.

	30 June 2021 US$ million	31 December 2020 US$ million
Cash and cash equivalents	**36.5**	35.4
Notes (d)	**(502.6)**	(502.0)
Convertible bonds (e)	**(34.5)**	(34.0)
Bank loans (f)	**(35.0)**	-
Net Debt♦	**(535.6)**	(500.6)

(d) *US$500 million Guaranteed Notes due on 14 November 2022 at amortised cost.*
(e) US$125 million convertible bonds due on 03 July 2024 at amortised cost.
(f) Outstanding principal amount of revolving credit facility with Gazprombank.

Revenue

	H1 2021 US$ million	H1 2020 US$ million
Revenue from hard rock mines	**335.8**	512.3
Revenue from other operations	**16.2**	10.4
	351.9	522.7

♦ *Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APMs), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.*

Group revenue during the period was US$351.9 million, 33% lower than the US$522.7 million achieved in H1 2020.

Revenue from hard rock mines during the period was US$335.8 million, 34% lower than the US$512.3 million achieved in H1 2020. Gold remains the key commodity produced and sold by the Group, comprising 95% of total revenue generated in H1 2021. The physical volume of gold sold from hard rock mines decreased by 40% from 312,354 oz in H1 2020 to 187,064 oz in H1 2021, incl. 26% decrease of own gold production primarily due to the switch to processing ore from the Elginskoye deposit at Albyn and preparations for the launch of the Pioneer flotation plant, which entailed a shift to mining refractory ore for stockpiling and a planned temporary shutdown of the processing plant in April and 66% decrease in 3rd-party gold production to 36.7koz in H1 2021 (H1 2020: 106.9koz) due to expected lower volumes of concentrate available for purchase and lower grades in the concentrates supplied. The average realised gold price♦ increased by 9% from US$1,640/oz in H1 2020 to US$1,795/oz in H1 2021. The average realised gold price♦ was not affected by hedge arrangements in H1 2021 and H1 2020. There were no sales of silver in H1 2021 and H1 2020.

Revenue generated as a result of third-party work by the Group's in-house service companies was US$16.2 million in H1 2021, a US$5.8 million increase compared to US$10.4 million in H1 2020. This revenue is substantially attributable to sales generated by the Group's engineering and research institute, Irgiredmet, primarily through engineering services and the procurement of materials, consumables and equipment for third parties, which comprised US$14.9 million in H1 2021 compared to US$9.0 million in H1 2020.

Cash flow hedge arrangements

In March 2020 the Group has entered into a number of gold option and currency option contracts, in both cases structured as zero cost collars where the company purchased a put option and sold a call option, in order to increase certainty in respect of a proportion of its operating cash flows.

Zero cost collars for the underlying aggregate of US$42 million (US$7 million per month) with a RUB:USD exercise price of RUB75.00 for put options and a RUB:USD exercise price in the range of between RUB90.65 and RUB100.00 for call options matured during H1 2021 and resulted in US$0.6 million net cash settlement received by the Group. Zero cost collars for the underlying aggregate of US$42 million (US$7 million per month until December 2021) with a RUB:USD exercise price of RUB75.00 for put options and a RUB:USD exercise price in the range between RUB90.65 and RUB100.00 for call options were outstanding as at 30 June 2021.

Zero cost collars for the underlying aggregate of 21,000 oz of gold (3,500 oz of gold per month) with an exercise price of US$1,600/oz for put options and US$1,832/oz for call options matured during H1 2021 and resulted in US$(0.3) million net cash settlement paid by the Group. Zero cost collars for the underlying aggregate of 21,000 oz of gold (3,500 oz of gold per month until December 2021) with an exercise price of US$1,600/oz for put options and US$1,832/oz for call options were outstanding as at 30 June 2021.

The aforementioned contracts did not qualify for hedge accounting under IFRS 9. Accordingly, there was no adjustment to the average realized gold price in H1 2021 and H1 2020 for the effect of net settlement under these arrangements.

Corresponding fair values for gold and currency option contracts are disclosed in note 16 to the Group's consolidated interim financial statements for the six months ended 30 June 2021.

♦ *Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APMs), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.*

	Underlying aggregate amount	Put option exercise price	Call option exercise price
Option contract matured in H1 2021:			
Gold option contracts	21,000 oz (3,500 oz of gold per month)	US$1,600/oz	US$1,832/oz
Currency option contacts	US$42 million (US$7 million per month)	RUB75.00	RUB90.65 - RUB100.00
Option contracts outstanding as at 30 June 2021:			
Gold option contracts	21,000 oz (3,500 oz of gold per month until December 2021)	US$1,600/oz	US$1,832/oz
Currency option contracts	US$42 million (US$7 million per month until December 2021)	RUB75.00	RUB90.65 - RUB100.00

Underlying EBITDA

	H1 2021 US$ million	H1 2020 US$ million
Profit/(loss) for the period	**48.9**	(22.0)
Add/(less):		
Net (impairment reversals)/impairment losses on financial instruments	**(1.1)**	1.3
Investment and other finance income	**(3.3)**	(4.0)
Interest expense	**24.3**	33.4
Net other finance (gains)/losses [(a)]	**(4.7)**	98.9
Foreign exchange losses/(gains)	**0.7**	(26.7)
Taxation	**20.3**	38.5
Depreciation	**63.0**	64.7
Write-down of inventory to net realisable value	**0.1**	-
Impairment of gold in circuit	**0.7**	-
Reversal of write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell	**(34.9)**	-
Share of results of associates [(b)]	**0.3**	8.6
Underlying EBITDA♦	**114.3**	192.6

(a) Including US$32.0 million fair value gain from re-measurement of the conversion option of the convertible bonds (H1 2020:US$(122.2) million fair value loss from re-measurement of the conversion option of the convertible bond) and US$ (31.6) million fair value loss on the agreement for the sale of stake in IRC.

(b) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains/losses, taxation, depreciation and impairment/reversal of impairment recognised by an associate and impairment/reversal of impairment recognised against investment in the associate.

Underlying EBITDA♦ as contributed by business segments is set out below.

	H1 2021 US$ million	H1 2020 US$ million
Pioneer	**34.4**	59.3
Malomir	**67.9**	70.9
Albyn	**42.7**	75.0
Total Hard rock mines	**145.0**	205.1
Corporate and other	**(32.2)**	(23.0)
Underlying EBITDA by segment	**112.8**	182.2

♦ Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APMs), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.

IRC	**1.5**	10.5
Underlying EBITDA♦	**114.3**	192.6

Hard rock mines

During this period, hard rock mines generated Underlying EBITDA♦ of US$145.0 million compared to US$205.1 million Underlying EBITDA♦ in H1 2020.

Total Cash Costs♦ for hard rock mines increased from US$983/oz in H1 2020 to US$1,020/oz in H1 2021.

The increase in Total Cash Costs from own material from US$800/oz in H1 2020 to US$906/oz in H1 2021 primarily reflects the effect of lower grades and recoveries of non-refractory ore processed at Albyn plant as the result of switching to processing of ore from the Elginskoye deposit as the main source of non-refractory ore starting from 2021 which replaced the depleted Albyn pit, as well as the impact of the Pioneer flotation plant launching to produce refractory concentrate for further processing at the POX Hub, lower grades of refractory ore processed at Malomir, lower recoveries of non-refractory ore processed at Pioneer, the impact of inflation of certain Rouble denominated costs, and the effect of mining tax rates as set out below. This effect was partially mitigated by the effect of higher grades of non-refractory ore processed at Pioneer and Malomir, and the effect of higher recoveries of refractory ore processed at Malomir, as well as by the effect of Rouble depreciation.

Total Cash Costs from 3rd parties concentrate increased from US$1,380/oz in H1 2020 to US$1,639/oz in H1 2021. Total Cash Costs from 3rd parties concentrate are directly dependent on gold price which has increased in H1 2021.

The decrease in physical ounces sold from 312,354 oz in H1 2020 to 187,064 oz in H1 2021 resulted in US$(82.3) million decrease in the Underlying EBITDA♦.The increase in TCC♦ contributed to a further US$(6.8) million decrease in the Underlying EBITDA♦. This effect was partly offset by the increase in the average realised gold price♦ from US$1,640/oz in H1 2020 to US$1,795/oz in H1 2021 with US$29.0 million effect on Underlying EBITDA♦.

The key components of the operating cash expenses are wages, electricity, diesel, chemical reagents and consumables, as set out in the table below. The key cost drivers affecting the operating cash expenses are production volumes of ore mined and processed, grades of ore processed, recovery rates, cost inflation and fluctuations in the Rouble to US Dollar exchange rate.

The Rouble depreciated against the US Dollar by 7% in H1 2021 compared to H1 2020, with the average exchange rate for the period of 74.31 Roubles per US Dollar in H1 2021 compared to 69.42 Roubles per US Dollar in H1 2020, somewhat mitigating the effect of Rouble denominated costs inflation.

Refinery and transportation costs are variable costs dependent on production volume. Mining tax is also a variable cost dependent on production volume and the gold price realised. The Russian statutory mining tax rate is 6%. Under the Russian Federal Law 144-FZ dated 23 May 2016 that introduced certain amendments to the Russian Tax Code, taxpayers who are participants in Regional Investment Projects ("RIP") have the right to apply the reduced mining tax rate provided certain conditions are met. JSC Pokrovskiy Rudnik and LLC Malomirskiy Rudnik applied full mining tax rate in H1 2021 and H1 2020, LLC Albynskiy Rudnik applied 1.2% mining tax rate in H1 2020 and full mining tax rate in H1 2021, resulting in US$18.4 million mining tax expense in H1 2021 compared to US$15.2 million mining tax expense in H1 2020.

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	H1 2021		H1 2020	
	US$ million	**%**	US$ million	%
Staff costs [(a)]	**46.7**	**22**	40.8	15
Materials	**44.4**	**21**	40.8	15
Flotation concentrate purchased	**49.2**	**23**	130.2	47
Fuel	**16.2**	**8**	17.5	6
Electricity	**15.9**	**7**	17.7	6
Other external services	**25.7**	**12**	18.1	6
Other operating expenses	**14.2**	**7**	12.9	5
	212.4	**100**	278.1	100
Movement in ore stockpiles, gold in circuit, bullion in process, limestone and flotation concentrate attributable to gold production	**(44.2)**		9.3	
Total operating cash expenses	**168.2**		287.4	

(a) Including staff redundancies costs US$0.3 million in H1 2021 due to enhancing operational governance and improving management structure.

	Hard rock mines			H1 2021	H1 2020
	Pioneer US$ million	**Malomir US$ million**	**Albyn US$ million**	**Total US$ million**	Total US$ million
Revenue					
Gold	**134.7**	**125.4**	**75.7**	**335.8**	512.3
Including:					
Gold from own material	**82.5**	**125.4**	**75.7**	**283.5**	353.6
Gold from 3rd parties concentrate	**52.3**	**-**	**-**	**52.3**	158.8
Silver	**-**	**-**	**-**	**-**	-
	134.7	**125.4**	**75.7**	**335.8**	512.3
Expenses					
Operating cash expenses	**93.7**	**47.1**	**27.4**	**168.2**	287.4
Refinery and transportation	**0.1**	**0.1**	**0.0**	**0.3**	0.5
Other taxes	**1.0**	**1.9**	**0.9**	**3.9**	4.1
Mining tax	**5.4**	**8.3**	**4.6**	**18.4**	15.2
Depreciation	**22.7**	**27.3**	**11.5**	**61.5**	63.5
Write-down of inventory to net realisable value	**-**	**-**	**0.0**	**0.0**	-
Impairment/(reversal of impairment) of ore stockpiles and gold in circuit	**-**	**0.7**	**-**	**0.7**	(0.1)
Operating expenses	**123.0**	**85.4**	**44.5**	**253.0**	370.7
Result of precious metals operations	**11.7**	**39.9**	**31.2**	**82.8**	141.7
Add/(less):					
Depreciation	**22.7**	**27.3**	**11.5**	**61.5**	63.5
Write-down of inventory to net realisable value	**-**	**-**	**0.0**	**0.0**	-
Impairment/(reversal of impairment) of ore stockpiles and gold in circuit	**-**	**0.7**	**-**	**0.7**	(0.1)
Segment EBITDA	**34.4**	**67.9**	**42.7**	**145.0**	205.1
Physical volume of gold sold, oz	**74,932**	**69,895**	**42,238**	**187,064**	312,354
Including:					
Gold sold from own material, *oz*	**45,859**	**69,895**	**42,238**	**157,992**	213,436
Gold sold from 3rd parties concentrate, *oz*	**29,073**	**-**	**-**	**29,073**	98,919
Cash costs					
Operating cash expenses	**93.7**	**47.1**	**27.4**	**168.2**	287.4
Refinery and transportation	**0.1**	**0.1**	**0.0**	**0.3**	0.5
Other taxes	**1.0**	**1.9**	**0.9**	**3.9**	4.1
Mining tax	**5.4**	**8.3**	**4.6**	**18.4**	15.2

Operating cash costs	**100.3**	**57.5**	**33.0**	**190.8**	307.2
Deduct: co-product revenue	**-**	**-**	**-**	**-**	-
Total Cash Costs♦	**100.3**	**57.5**	**33.0**	**190.8**	307.2
Including:					
Total Cash Costs from own material	**52.6**	**57.5**	**33.0**	**143.1**	170.7
Total Cash Costs from 3rd parties concentrate	**47.7**	**-**	**-**	**47.7**	136.5
TCC♦**,** US$/oz	**1,339**	**822**	**781**	**1,020**	983
TCC **from own material**, US$/oz	**1,148**	**822**	**781**	**906**	800
TCC **from 3rd parties** concentrate, US$/oz	**1,639**	**-**	**-**	**1,639**	1,380

All-in Sustaining Costs and All-in Costs

AISC♦ increased from US$1,220/oz in H1 2020 to US$1,404/oz in H1 2021. The increase in AISC♦ reflects increase in TCC♦ explained above as well as higher central administration expenses and the decrease in physical ounces sold in H1 2021 with an aggregate of sustaining capital and exploration expenditures and sustaining lease remaining at approximately the same level as in H1 2020. This effect was partly offset by the decrease in capitalized stripping expenditure during the period at Malomir and Pioneer.

AIC♦ increased from US$1,325/oz in H1 2020 to US$1,514/oz in H1 2021, primarily reflecting the increase in AISC♦ explained above. The start of operations at the Elginskoye deposit resulted in the decrease of capital expenditure with Elginskoye project being considered as sustaining in 2021. This effect was mainly offset by the decrease in physical ounces sold in H1 2021 with an aggregate of non-sustaining capital expenditures related to Pioneer flotation plant, 3rd flotation line at Malomir, capitalized stripping expenditure in respect of refractory ore at Pioneer and non-sustaining exploration expenditures remaining at approximately the same level as in H1 2020.
c

	Hard rock mines			**H1 2021**	H1 2020
	Pioneer US$ million	**Malomir US$ million**	**Albyn US$ million**	**Total US$ million**	Total US$ million
Physical volume of gold sold, oz	**74,932**	**69,895**	**42,238**	**187,064**	312,354
Total Cash Costs♦	**100.3**	**57.5**	**33.0**	**190.8**	307.2
TCC♦, US$/oz	**1,339**	**822**	**781**	**1,020**	983
Impairment/(reversal of impairment) of ore stockpiles and gold in circuit	**-**	**0.7**	**-**	**0.7**	(0.1)

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Write-down of inventory to net realisable value	**-**	**-**	**0.0**	**0.0**	-
Adjusted operating costs	**100.3**	**58.2**	**33.0**	**191.5**	307.1
Central administration expenses [(a)]	**11.8**	**11.1**	**6.7**	**29.6**	20.7
Capitalised stripping	**5.4**	**5.1**	**-**	**10.5**	23.7
Close-down and site restoration	**0.8**	**0.6**	**0.3**	**1.6**	0.7
Sustaining exploration expenditure	**0.1**	**-**	**2.9**	**3.0**	0.5
Sustaining capital expenditure	**6.9**	**7.2**	**11.7**	**25.8**	26.2
Sustaining lease	**0.3**	**0.2**	**0.2**	**0.7**	2.1
All-in Sustaining Costs♦	**125.7**	**82.4**	**54.7**	**262.7**	381.0
All-in Sustaining Costs♦, US$/oz	**1,677**	**1,179**	**1,294**	**1,404**	1,220
Exploration expenditure	**-**	**1.5**	**-**	**1.5**	4.6
Capital expenditure	**11.4**	**5.7**	**-**	**17.1**	28.2
Capitalised stripping	**2.1**	**-**	**-**	**2.1**	-
All-in Costs♦	**139.1**	**89.5**	**54.7**	**283.3**	413.8
All-in Costs♦, US$/oz	**1,856**	**1,281**	**1,294**	**1,514**	1,325

(a) Including staff redundancies costs US$0.8 million in H1 2021 due to enhancing operational governance and improving management structure.

Corporate and other

Corporate and other operations contributed US$(32.2) million to Underlying EBITDA♦ in H1 2021 compared to US$(23.0) million in H1 2020. Corporate and other operations primarily include central administration function, result of in-house service companies and the Group's share of results of its associate IRC.

The Group has corporate offices in London, Moscow and Blagoveschensk, which together represent the central administration function. Central administration expenses increased by US$8.9 million from US$20.7 million in H1 2020 to US$29.6 million in H1 2021, including staff redundancies costs US$0.8 million in H1 2021 due to enhancing operational governance and improving management structure.

Results of associate

The Group's share of profit generated by IRC is US$1.2 million in H1 2021 (H1 2020: US$1.8 million). Following re-classification of 29.9% interest in IRC as assets held for sale, the Group recognised a US$34.9 million reversal of write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell in H1 2021. IRC contributed US$1.5 million to the Group's Underlying EBITDA♦ in H1 2021 (H1 2020: US$10.5 million).

Impairment review

Impairment of mining assets

As at 30 June 2021 and 30 June 2020, the Group undertook a review of impairment indicators of the tangible assets attributable to its gold mining projects and supporting in-house service companies. Detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded no impairment was required as at 30 June 2021 and 30 June 2020.

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Impairment of exploration and evaluation assets

As at 30 June 2021 and 30 June 2020, the Group performed a review of its exploration and evaluation assets and concluded no impairment was required.

Exploration and evaluation assets in the statement of financial position primarily relate to the areas adjacent to the existing mines.

Financial income and expenses

Investment and other finance income

	H1 2021 US$ million	H1 2020 US$ million
Interest income [(a)]	**0.2**	0.6
Guarantee fee income [(b)]	**3.1**	3.4
	3.3	4.0

(a) Interest income on bank deposits.
(b) Guarantee fee income under Gazprombank Guarantee arrangements, as set out in section "Corporate activities" below.

Interest expense

	H1 2021 US$ million	H1 2020 US$ million
Interest expense	**25.4**	34.0
Interest capitalised	**(1.6)**	(1.0)
Other	**0.4**	0.4
	24.3	33.4

Interest expense for the period comprised of US$20.9 million of effective interest on the Notes, US$2.0 million of effective interest on the Convertible Bonds, US$2.1 million of interest on prepayments on gold sale agreements, US$0.3 million of interest on finance lease and US$0.1 million of interest on bank loans (H1 2020: US$21.0 million of effective interest on the Notes, US$6.5 million of effective interest on the Convertible Bonds, US$6.3 million of interest on prepayments on gold sale agreements and US$0.3 million interest on finance lease).

As the Group continued with construction of Pioneer flotation plant, 3rd flotation line at Malomir, these projects met eligibility criteria for borrowing costs capitalization under IAS 23 "Borrowing Costs" with US$1.6 million of interest expense capitalized within property, plant and equipment (H1 2020: US$1.0 million of interest expense was capitalized within property, plant and equipment in relation to flotation line at Pioneer).

Net other finance gains/(losses)

Net other finance gains for the period totalled US$4.7 million compared to US$(98.9) million of net other finance losses in H1 2020. Key elements of other finance gains and losses this period include:

- US$32.0 million fair value non-cash gain from re-measurement of the conversion option of the convertible bonds, reflecting the increase in the underlying share price of the Company;
- US$3.9 million net fair value gain on gold and currency option contracts;
- US$0.4 million gains on other items;
- US$(31.6) million fair value non-cash loss on the agreement for the sale of stake in IRC.

Net impairment reversals/ (impairment losses) on financial instruments

In H1 2021, the Group recognised a US$0.6 million decrease in the provision for expected credit losses under Gazprombank guarantee arrangements (H1 2020: US$1.3 million of provision for expected credit losses).

Taxation

	H1 2021 US$ million	H1 2020 US$ million
Tax charge	**20.3**	38.5

The Group is subject to corporation tax under the UK, Russia and Cyprus tax legislation. The statutory tax rate for H1 2021 was 19% in the UK and 20% in Russia.

The tax charge for the period primarily related to the Group's gold mining operations and is represented by a current tax charge of US$17.3 million (H1 2020: US$25.1 million) and a deferred tax charge, which is a non-cash item, of US$3.0 million (H1 2020: US$13.4 million). Included in the deferred tax charge in H1 2021 is a US$3.2 million credit (H1 2020: US$23.7 million charge) from the effect of foreign exchange which primarily arises because the tax base for a significant portion of the future taxable deductions in relation to the Group's property, plant and equipment are denominated in Russian Roubles, whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value.

The effective tax rate was also affected by expenses that are not taxable/deductible for tax purposes which primarily relate to fair value gains/losses on re-measurement of the conversion option of the Convertible Bonds and reversal of write-down/write-down of investment in IRC to fair value less costs to sell, effect of tax losses for which no deferred income tax asset was recognized which primarily related to interest expense incurred in the UK and Russian withholding tax on intercompany dividends.

During the period, the Group made corporation tax payments in aggregate of US$21.2 million in Russia (H1 2020: corporation tax payments in aggregate of US$28.5 million in Russia).

Earnings per share

	H1 2021	H1 2020
Profit/(loss) for the period attributable to equity holders of Petropavlovsk PLC	**US$44.5 million**	US$(23.9) million
Weighted average number of Ordinary Shares	**3,957,270,254**	3,310,369,237
Basic profit/(loss) per ordinary share	**US$0.01**	US$(0.01)

Basic profit per share for H1 2021 was US$0.01 compared to US$(0.01) basic loss per share for H1 2020.

The total number of Ordinary Shares in issue as at 30 June 2021 was 3,957,270,254 (30 June 2020: 3,312,825,822).

Financial position and cash flows

	30 June 2021 US$ million	31 December 2020 US$ million
Cash and cash equivalents	**36.5**	35.4
Notes [(a)]	**(502.6)**	(502.0)
Convertible bonds [(b)]	**(34.5)**	(34.0)
Bank loans [(c)]	**(35.0)**	-
Net Debt♦	**(535.6)**	(500.6)

(a) US$500 million Guaranteed Notes due on 14 November 2022 at amortised cost.
(b) US$125 million convertible bonds due on 03 July 2024 at amortised cost.
(c) Outstanding principal amount of revolving credit facility with Gazprombank.

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	H1 2021 US$ million	H1 2020 US$ million
Net cash from operating activities	**25.2**	112.1
Net cash used in investing activities [d]	**(59.3)**	(82.7)
Net cash from/(used in) financing activities	**34.9**	(2.0)

(d) Including US$47.3 million Capital Expenditure◆ (H1 2020: US$59.6 million).

Key movements in cash and Net Debt◆

	Cash US$ million	Debt US$ million	Net Debt◆ US$ million
As at 1 January 2021	**35.4**	**(536.0)**	**(500.6)**
Net cash generated by operating activities before working capital changes	**113.7**		
Changes in working capital	**(56.6)**		
Corporation tax paid	**(21.2)**		
Capital Expenditure◆	**(47.3)**		
Capitalized stripping	**(12.6)**		
Proceeds from borrowings	**35.0**	**(35.0)**	
Interest accrued		**(23.1)**	
Interest paid	**(24.5)** [e]	**22.0**	
Guarantee fee received	**13.8**		
Interest received	**0.2**		
Other	**0.6**		
As at 30 June 2021	**36.5**	**(572.1)**	**(535.6)**

(e) Including US$2.1 million interest paid in relation to advance payments from Gazprombank.

Capital Expenditure ◆

The Group invested an aggregate of US$47.3 million in H1 2021 compared to US$59.6 million in H1 2020. The key areas of focus in this period were on Pioneer and Malomir flotation and development to support the mining at Elginskoye. The Group capitalised US$1.6 million of interest expense incurred in relation to the Group's debt into the cost of the Pioneer flotation and Malomir 3rd line flotation (H1 2020: US$1.0 million of interest expense incurred in relation to the Group's debt into the cost of the Pioneer flotation).

	Exploration expenditure US$ million	Development and other capital expenditure US$ million	Total Capital Expenditure ◆ US$ million
POX	**-**	**1.5**	**1.5**
Pioneer [(a), (b)]	**0.1**	**16.7**	**16.8**
Malomir [(c), (d), (e)]	**0.8**	**11.3**	**12.0**
Albyn [(f)]	**2.9**	**10.8**	**13.7**
Other	**0.7**	**-**	**0.7**
Corporate and in-house services	**-**	**2.6**	**2.6**
	4.4	**42.9**	**47.3**

(a) Including US$2.0 million of development expenditure in relation to Pioneer Underground project to be sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.

(b) Including US$11.4 million development expenditure in relation to the Pioneer Flotation project (US$10.7 million of expenditure in relation to flotation and US$0.7 million of expenditure in relation to hydrotechnical storage facilities) to be non-sustaining capital expenditure for the purposes of calculating the AISC◆ and AIC◆.

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(c) Including US$0.6 million of development expenditure in relation to Malomir Underground project to be sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.

(d) *Including US$2.3 million of development expenditure in relation to Malomir 1st and 2nd lines Flotation (US$2.3 million of expenditure in relation to hydrotechnical storage facilities) to be sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.*

(e) *Including US$5.7 million of development expenditure in relation to Malomir 3rd line Flotation to be non-sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.*

(f) Including US$2.6 million of exploration expenditure in relation to Elginskoye project, US$0.6 million of development expenditure in relation to road between Elginskoye and Albyn processing facilities and US$6.0 million of development expenditure in relation to hydrotechnical storage facilities for Elginskoye project to be sustaining capital expenditure for the purposes of calculating AISC◆ and AIC◆.

Foreign currency exchange differences

The Group's principal subsidiaries have a US Dollar functional currency. Foreign exchange differences arise on the translation of monetary assets and liabilities denominated in foreign currencies, which for the principal subsidiaries of the Group are the Russian Rouble and GB Pounds Sterling.

The following exchange rates to the US Dollar have been applied to translate monetary assets and liabilities denominated in foreign currencies.

	30 June 2021	31 December 2020
GB Pounds Sterling (GBP: US$)	**0.72**	0.73
Russian Rouble (RUB: US$)	**72.37**	73.88

The Rouble recovered by 2% against the US Dollar during H1 2021, from RUB73.88: US$1 as at 31 December 2020 to RUB72.37: US$1 as at 30 June 2021. The average period-on-period depreciation of Rouble against the US Dollar was approximately 7%, with the average exchange rate for H1 2021 being RUB74.31: US$1 compared to RUB69.42 : US$1 for H1 2020.The Group recognised foreign exchange losses of US$0.7 million in H1 2021 (H1 2020: US$26.7 million gains) arising primarily on Rouble denominated net monetary liabilities (including advance payments received from Gazprombank and Sberbank under gold sales agreements).

Corporate activities

Guarantee over IRC's external borrowings

The Group historically entered into an arrangement to provide a guarantee over its associate's, IRC, external borrowings, the ICBC Facility ('ICBC Guarantee'). Under the terms of the arrangement the Group was entitled to receive an annual fee equal to 1.75% of the outstanding amount.

In March 2019, IRC refinanced the ICBC Facility through entering into a US$240 million new facility with Gazprombank ('Gazprombank Facility'). The facility was fully drawn down during the year ended 31 December 2019. The outstanding loan principal was US$194 million as at 30 June 2021. A new guarantee was issued by the Group over part of the Gazprombank Facility ('Gazprombank Guarantee'), the guarantee mechanism is implemented through a series of five guarantees that fluctuate in value through the eight-year life of the loan, with the possibility of the initial US$160 million principal amounts guaranteed reducing to US$40 million within two to three years, subject to certain conditions being met. For the final two years of the Gazprombank Facility, the guaranteed amounts will increase to US$120 million to cover the final principal and interest repayments. If certain springing recourse events transpire, including default on a scheduled payment, then full outstanding loan balance is accelerated and subject to the guarantee. Under the Gazprombank Guarantee arrangements, the guarantee fee receivable is determined at each reporting date on an independently determined fair value basis, which for the six months ended 30 June 2021, 30 June 2020 and year ended 31 December 2020 was calculated at the annual rate of 3.07% by reference to the average outstanding principal balance under Gazprombank Facility. The guarantee fee charged for the six months ended 30 June 2021 was US$3.1 million, with corresponding value of US$3.4 million after reversal of provision for expected credit losses (30 June 2020: US$3.4 million, with corresponding value of US$3.2 million after provision for expected credit losses; 31 December 2020: US$6.7 million, with corresponding value of US$6.3 million after provision for expected credit losses).

The following assets and liabilities have been recognised in relation to the ICBC Guarantee and Gazprombank Guarantee as at 30 June 2021 and 31 December 2020:

	30 June 2021	31 December 2020
	US$ million	US$ million
Other receivables – ICBC Guarantee	**-**	0.0
Other receivables – Gazpombank Guarantee	**1.5**	11.9
Financial guarantee contract – Gazpombank Guarantee [(a)]	**(7.7)**	(8.2)

(a) Classified as «held for sale» and presented separately in the statement of financial position as at 30 June 2021 and 31 December 2020.

Potential disposal of interest in IRC

During the period, the Group has continued to explore disposal options for the interest in IRC and further engaged with several parties to dispose of the equity holding and release the Group's obligation to guarantee IRC's external debt under the Gazprombank Facility (note 21). Following negotiations with several interested parties the directors resolved to approve the potential disposal of 29.9% investment in IRC. In the opinion of the directors it is highly probable this disposal to be completed within 12 months after the reporting date and accordingly, 29.9% investment in IRC together with the financial guarantee contract were considered to be a disposal group held-for sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 30 June 2021.

Tender offer to purchase up to US$200 million maximum tender amount of outstanding US$500 million 8.125 per cent Guaranteed Notes

On 13th July 2021 the Company announced that its wholly-owned subsidiary, Petropavlovsk 2016 Limited announced the launch of its offer to purchase for cash up to US$200 million aggregate principal amount of its 8.125 per cent Guaranteed Notes due 2022.

Tender offer is financed via Gazprombank loan facility with a total limit of US$200 million, that was consequently entered in July 2021 with an interest rate significantly lower than the Notes. Gazprombank loan repayment schedule is US$66 million in December 2022, US$66 million in March 2023 and remaining balance in June 2023.

On 10 August 2021, Petropavlovsk 2016 Limited announced the final tender results– US$135,731,000 aggregate principal amount of the Notes were validly tendered.

Going concern

Please refer to the note 2 to the Group's consolidated financial statements for the six months ended 30 June 2021.

2021 Outlook

Production outlook is on track to meet the full year target of 430 – 470koz of gold in 2021. The Group expects own metal TCC in 2021 to be in the range of US$870 – US$970/oz, excluding third-party concentrate as the pricing of concentrate depends on highly volatile gold price.

Principal Risks and Uncertainties

The Group is exposed to a variety of risks and uncertainties which could significantly affect its business and financial results. A detailed review of the key risks facing the Group is set out in the Principal Risks section on pages 68 to 75 of the 2020 Annual Report, which is available on the Group's website, http://www.petropavlovskplc.com. This also includes a description of the potential impact of such risks on the Group together with measures in place to manage or mitigate against each specific risk where this is within the Group's control.

The nature of the principal risks and uncertainties facing the Group for the remainder of the current financial year remains substantially unchanged. An update on these risks and events in H1 2021 relevant to them, including any new or emerging factors within the context of existing risks, is set out below.

There may be additional risks unknown to the Group and other risks, currently believed to be immaterial, which could turn out to be material. These risks, whether they materialize, individually or simultaneously, could significantly affect the Group's business and financial results. The Group will continue to monitor internal and external areas of uncertainty and threat closely as well as remain vigilant on internal controls and incorporate any further developments as part of the full-year assessment of principal risks and uncertainties. Without limiting the generality of the foregoing, an extensive independent environmental review to be conducted in H2 2021 could potentially uncover additional risks that the Group will need to address.

Below is indication of events relevant to our principal risks that have occurred during the first six months of 2021:

Operational risks

- 3rd-party concentrate gold production decreased in H1 2021 due to lower volumes and grades of concentrate available for purchase;
- The Pioneer flotation plant was commissioned in May 2021, with an expected capacity of 60kt of concentrate in 2021 and 100kt in 2022.
- Anomalous torrential rains led to flooding in some parts of Amur region causing some logistical issues and interruption to production, all of which were minor in effect.
- Inflation in Russia in June 2021 reached 6.5% per annum, affecting some of the Company's supplies, none of which was critical.

The Company has also identified the risk of lowering production performance due to processing new types of ore as an emerging operational risk for the business. In H1 2021, the Company began processing ore from Elginskoye. The ore mined at Elginskoye is of a lower grade than that previously mined from the Albyn deposit, and, as a result recovery rates and mill grinding capacity may be reduced, resulting in operational under-performance and higher cost. As announced in April 2021, exploration and metallurgical surveys are underway at Elginskoye to complete full-scale mapping of the deposit and may result in updates to the Company's production plans. The Company continues to expect to meet its production forecasts for 2021.

Financial risks

- The Company completed the partial buy-back of its U.S.$500m 8.125% guaranteed notes due in 2022, purchasing c.US$136m of the outstanding U.S.$500m Notes using the proceeds of a term loan facility with Gazprombank which matures some six months later than and bears interest at a lower rate than that payable in respect of the U.S.$500m Notes.
- The property insurance previously maintained by the Company in respect of its facilities expired in the first half of 2021 and was not automatically renewed due to concerns that the insurance had not been procured at market rates. The Company is in the course of tendering for the provision of property and other insurances and expects this process to be completed and the real assets insured in September 2021. In the interim, there remains a risk that, in the event that an event occurs at one of the facilities the costs of which might have been expected to be recoverable from its insurers, such costs will be borne by the Company without recourse to insurance. All insurances mandated by law in Russia are in place.

Country and regional risks

- In June 2021, KPMG LLP published its interim report pursuant to 'Resolution 19' identifying several potential issues with transactions involving the Company with an estimated value of US$157 million. These issues include transactions with potentially undisclosed related parties and likely conflicts of interest.

Sustainability risks

- The Company published its 2020 sustainability report in July 2021, highlighting key sustainability initiatives across the business.
- No fatal accidents and zero environmental incidents were reported in H1 2021. The Group has strengthened its health and safety and environmental teams through the employment of new field specialists aiming to bring best practice and expertise.
- No material COVID-19 outbreaks took place at the Company's operations in H1 2021. As of 30 June 2021, 28% of employees at the Group's operating subsidiaries have been fully vaccinated (47.3% at 23 August 2021). Nonetheless, the risk posed by the Covid-19 pandemic remains high.

The Company continues to monitor its principal risks.

Director's Responsibilities Statement

We confirm that to the best of our knowledge:

- The condensed set of consolidated interim financial statements has been prepared in accordance with UK-adopted IAS34 "Interim Financial Reporting" as required by DTR4.2.4R
- The interim management report includes a fair review of the information required by DTR4.2.7R (indication of important events during the first six months and their impact on the condensed set of financial statements and a description of principal risks and uncertainties for the remaining six months of the financial year); and
- The interim management report includes a fair review of the information required on related party transactions as required by DTR4.2.8R

By order of the Board,

Denis Alexandrov
Chief Executive Officer

Danila Kotlyarov
Chief Financial Officer

31 August 2021

Independent Review Report to Petropavlovsk PLC

Report on the condensed consolidated interim financial statements
Our conclusion

We have reviewed Petropavlovsk plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim financial report of Petropavlovsk plc for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed
The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 June 2021;
- the condensed consolidated statement of profit and loss and condensed consolidated
- statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim financial report of Petropavlovsk plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Responsibilities for the interim financial statements and the review
Our responsibilities and those of the directors
The Interim financial report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

MHA MacIntyre Hudson
Chartered Accountants
London
31 August 2021

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Profit or Loss
Six months ended 30 June 2021

	note	**Six months ended 30 June 2021 (unaudited) US$'000**	Six months ended 30 June 2020 (unaudited) US$'000	Year ended 31 December 2020 US$'000
Group revenue	5	**351,945**	522,731	988,534
Operating expenses	6	**(303,652)**	(378,440)	(840,494)
Operating profit		**48,293**	144,291	148,040
Share of results of associate	12	**1,216**	1,845	52,681
Reversal of write-down/(write-down) to adjust the carrying value of net assets of disposal group to fair value less costs to sell	12	**34,874**	-	(55,798)
Net impairment reversals/(impairment losses) on financial instruments	7	**1,056**	(1,274)	1,000
Investment and other finance income	7	**3,266**	3,962	7,754
Interest expense	7	**(24,252)**	(33,383)	(58,533)
Net other finance gains/(losses)	7	**4,683**	(98,893)	(67,957)
Profit before taxation		**69,136**	16,548	27,187
Taxation	8	**(20,257)**	(38,542)	(76,069)
Profit/(loss) for the period		**48,879**	(21,994)	(48,882)
Attributable to:				
Equity shareholders of Petropavlovsk PLC		**44,543**	(23,934)	(45,633)
Non-controlling interests		**4,336**	1,940	(3,249)
Earnings per share				
Basic profit/(loss) per share	9	**US$0.01**	US$(0.01)	US$(0.01)
Diluted profit/(loss) per share	9	**US$0.01**	US$(0.01)	US$(0.01)

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2021

	Six months ended 30 June 2021 (unaudited) US$'000	Six months ended 30 June 2020 (unaudited) US$'000	Year ended 31 December 2020 US$'000
Profit/(loss) for the period	**48,879**	(21,994)	(48,882)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences:			
Exchange differences on translating foreign operations	**400**	(2,261)	(3,029)
Share of other comprehensive (loss)/profit of associate	**(75)**	425	902
	325	(1,836)	(2,127)
Total comprehensive profit/(loss) for the period	**49,204**	(23,830)	(51,009)
Attributable to:			
Equity shareholders of Petropavlovsk PLC	**44,868**	(25,770)	(47,760)
Non-controlling interests	**4,336**	1,940	(3,249)
	49,204	(23,830)	(51,009)

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Financial Position
At 30 June 2021

	note	30 June 2021 (unaudited) US$'000	30 June 2020 (unaudited) US$'000	31 December 2020 US$'000
Assets				
Non-current assets				
Exploration and evaluation assets	10	**14,320**	57,751	45,182
Property, plant and equipment	11	**1,231,671**	1,219,716	1,204,550
Investments in associate	12	**5,077**	50,950	3,936
Inventories	13	**89,663**	64,556	86,186
Trade and other receivables	14	**354**	578	481
Derivative financial instruments	16	**-**	2,730	-
Other non-current assets		**892**	763	893
		1,341,977	1,397,044	1,341,228
Current assets				
Inventories	13	**230,895**	221,554	196,668
Trade and other receivables	14	**69,485**	86,827	98,551
Current tax assets		**18,150**	10,535	13,312
Derivative financial instruments	16	**1,397**	37,647	3,320
Cash and cash equivalents	15	**36,536**	73,458	35,404
		356,463	430,021	347,255
Assets of disposal group classified as held for sale	12	**77,403**	-	42,529
		433,866	430,021	389,784
Total assets		**1,775,843**	1,827,065	1,731,012
Liabilities				
Current liabilities				
Trade and other payables	17	**(156,127)**	(229,648)	(191,139)
Current tax liabilities		**(433)**	(2,138)	(144)
Borrowings	18	**(35,000)**	-	-
Derivative financial instruments	16	**(32,200)**	(3,168)	(6,072)
Provision for close down and restoration costs		**(34)**	-	(34)
Lease liabilities		**(1,428)**	(2,473)	(1,895)
		(225,222)	(237,427)	(199,284)
Liabilities of disposal group associated with assets classified as held for sale	12	**(7,663)**	-	(8,232)
		(232,885)	(237,427)	(207,516)
Net current assets		**200,981**	192,594	182,268
Non-current liabilities				
Borrowings	18	**(537,094)**	(611,436)	(536,020)
Derivative financial instruments	16	**(57,095)**	(171,939)	(89,088)
Deferred tax liabilities		**(143,034)**	(126,045)	(140,034)
Provision for close down and restoration costs		**(70,948)**	(36,616)	(70,515)
Financial guarantee contract	21	**-**	(10,199)	-
Trade and other payables	17	**(10,583)**	(19,473)	(13,950)
Lease liabilities		**(3,044)**	(2,144)	(2,248)
		(821,798)	(977,852)	(851,855)
Total liabilities		**(1,054,683)**	(1,215,279)	(1,059,371)
Net assets		**721,160**	611,786	671,641
Equity				
Share capital	19	**57,464**	49,035	57,464
Share premium		**596,713**	518,142	596,713
Share based payments reserve		**349**	-	34
Translation reserves		**(18,507)**	(18,139)	(18,907)
Retained earnings		**73,598**	50,352	29,130
Equity attributable to the shareholders of Petropavlovsk PLC		**709,617**	599,390	664,434
Non-controlling interests		**11,543**	12,396	7,207
Total equity		**721,160**	611,786	671,641

These condensed consolidated financial statements for Petropavlovsk PLC, registered number 4343841, were approved by the Directors on 30 August 2021 and signed on their behalf by

Denis Alexandrov
Chief Executive Officer

Danila Kotlyarov
Chief Financial Officer

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2021

	Total attributable to equity holders of Petropavlovsk PLC								
	Share capital US$'000	Share premium US$'000	Share based payments reserve US$'000	Hedging reserve US$'000	Translation reserve US$'000	Retained earnings/ (losses) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2020	49,003	518,142	199	-	(15,878)	73,605	625,071	10,456	635,527
Total comprehensive (loss)/profit	-	-	-	-	(2,261)	(23,509)	(25,770)	1,940	(23,830)
Profit/(loss) for the period	-	-	-	-	-	(23,934)	(23,934)	1,940	(21,994)
Other comprehensive (loss)/profit	-	-	-	-	(2,261)	425	(1,836)	-	(1,836)
Deferred share awards	32	-	(199)	-	-	256	89	-	89
Balance at 30 June 2020 (unaudited)	49,035	518,142	-	-	(18,139)	50,352	599,390	12,396	611,786
Total comprehensive loss	-	-	-	-	(768)	(21,222)	(21,990)	(5,189)	(27,179)
Loss for the period	-	-	-	-	-	(21,699)	(21,699)	(5,189)	(26,888)
Other comprehensive (loss)/profit	-	-	-	-	(768)	477	(291)	-	(291)
Conversion of convertible bonds	8,429	78,571	-	-	-	-	87,000	-	87,000
Deferred share awards	-	-	34	-	-	-	34	-	34
Balance at 31 December 2020	**57,464**	**596,713**	**34**	**-**	**(18,907)**	**29,130**	**664,434**	**7,207**	**671,641**
Total comprehensive profit	**-**	**-**	**-**	**-**	**400**	**44,468**	**44,868**	**4,336**	**49,204**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**44,543**	**44,543**	**4,336**	**48,879**
Other comprehensive profit/(loss)	**-**	**-**	**-**	**-**	**400**	**(75)**	**325**	**-**	**325**
Deferred share awards	**-**	**-**	**315**	**-**	**-**	**-**	**315**	**-**	**315**
Balance at 30 June 2021 (unaudited)	**57,464**	**596,713**	**349**	**-**	**(18,507)**	**73,598**	**709,617**	**11,543**	**721,160**

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Cash Flows
Six months ended 30 June 2021

	note	**Six months ended 30 June 2021 (unaudited) US$'000**	Six months ended 30 June 2020 (unaudited) US$'000	Year ended 31 December 2020 US$'000
Cash flows from operating activities				
Cash generated from operations	20	**57,134**	172,758	265,860
Interest paid		**(24,453)**	(32,149)	(58,086)
Guarantee fee received	21	**13,810**	-	5,000
Income tax paid		**(21,247)**	(28,513)	(56,472)
Net cash from operating activities		**25,244**	112,096	156,302
Cash flows from investing activities				
Purchase of property, plant and equipment	20	**(58,413)**	(78,618)	(151,503)
Expenditure on exploration and evaluation assets	10	**(1,490)**	(4,648)	(8,829)
Proceeds from disposal of property, plant and equipment		**373**	57	194
Interest received		**215**	558	1,065
Net cash used in investing activities		**(59,315)**	(82,651)	(159,073)
Cash flows from financing activities				
Exercise of gold options	16	**(284)**	-	(1,525)
Exercise of currency options	16	**648**	677	1,389
Exercise of other options	16	**-**	(999)	(999)
Proceeds from borrowings	18	**35,000**	-	-
Principal elements of lease payments		**(447)**	(1,655)	(3,493)
Bond solicitation expenses		**-**	-	(1,705)
Net cash from/(used in) financing activities		**34,917**	(1,977)	(6,333)
Net increase/(decrease) in cash and cash equivalents in the period		**846**	27,468	(9,104)
Effect of exchange rates on cash and cash equivalents		**286**	(2,163)	(3,645)
Cash and cash equivalents at beginning of period	15	**35,404**	48,153	48,153
Cash and cash equivalents at end of period	15	**36,536**	73,458	35,404

1. General information

Petropavlovsk PLC (the 'Company') is a company incorporated and registered in England and Wales. The address of the registered office is 11 Grosvenor Place, London SW1X 7HH.

These condensed consolidated interim financial statements are for the six months ended 30 June 2021. The interim financial statements are unaudited.

These condensed interim financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the board of directors on 16 May 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

2. Basis of preparation and presentation

The interim condensed consolidated financial statements of the Company and its subsidiaries (the "group") for the six-month reporting period ended 30 June 2021 have been prepared in accordance with the UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

The condensed consolidated set of financial statements has been prepared using accounting policies consistent with those set out in the annual financial statements for the year ended 31 December 2020, which had been prepared in accordance with both "International Accounting Standards in conformity with the requirements of the Companies Act 2006" and "International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union".

Going concern

The group monitors and manages its liquidity risk on an ongoing basis to ensure that it has access to sufficient funds to meet its obligations. Cash forecasts are prepared regularly based on a number of inputs including, but not limited to, forecast commodity prices and the impact of hedging arrangements, the group's mining plan, forecast expenditure and debt repayment schedules. Sensitivities are run for different scenarios including, but not limited to, changes in commodity prices, cost inflation, different production rates from the group's producing assets and the timing of expenditure on development projects. This is done to identify risks to liquidity and enable management to develop appropriate and timely mitigation strategies. The group meets its capital requirements through a combination of sources including cash generated from operations, advances received from customers under prepayment arrangements and external debt.

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 2021 Half-Year Report and Accounts. As at 30 June 2021, the group had sufficient liquidity. The group is also satisfied that it has sufficient headroom under a base case scenario for the period till end of 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 the Malomir third flotation line beyond 2022; and

— Russian Rouble : US Dollar exchange rate that is approximately 10% stronger than the average of the market consensus forecasts.

In selecting these scenarios, the directors have also considered the potential impacts of COVID-19. On the basis of the limited impact of Covid-19 on the Company's and IRC's operations in 2020 and comprehensive measures for 2021, management currently doesn't anticipate Covid-19 to be a material risk and hence doesn't stress the Going Concern model for its impact.

This layered stressed case indicates that mitigating actions will be required to be taken in order to ensure sufficient liquidity for the relevant period till end of 2022.

The mitigated downside case includes the following mitigating actions:

- Reduction of group central administrative expenses by US$6 million in 2022. This estimated reduction has been applied in 2021 budget in the second half of 2021. We assume that a similar saving can be achieved in 2022;
- Postponing capital expenditures from September 2021 beyond the going concern period. This includes exploration, maintenance and third flotation lines at both Malomir and Pioneer. Since the launch of the third Malomir flotation line in the RWC scenario is moved beyond the going concern period, reduction of the relevant capital expenditures does not affect production capacity within the going concern period;
- Postponing mining works planned as deferred stripping in 2022. These do not affect gold production in the going concern period;
- Borrowings of up to US$25 million using a revolving credit line with a limit of c.US$116 million.

Having taken into account the aforementioned factors, and after making enquiries and considering the uncertainties described above, 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 the next 12 months from the date of approval of the 2021 Half-year Report and Accounts. Accordingly, they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Adoption of new and revised standards and interpretations

During the period the group adopted all standards, amendments and interpretations that were effective for annual periods beginning on or after 1 January 2021 (such standards, amendments and interpretations were disclosed in note 2 to the group's consolidated financial statements for the year ended 31 December 2020). These standards, amendments, and interpretations have not had a significant impact on the presentation or disclosure in group's condensed consolidated financial statements for the interim period ended 30 June 2021. No other changes have been made to the group's accounting policies in the period ended 30 June 2021. Additional disclosures with respect to the annual period requirements will be included in the Group's consolidated financial statements for the year ending 31 December 2021.

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

When preparing the consolidated financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. Areas of judgement in applying accounting policies and key sources of estimation uncertainty are consistent with those set out in the annual financial statements for the year ended 31 December 2020.

3. Foreign currency translation

The following exchange rates to the US dollar have been applied to translate balances and transactions in foreign currencies:

	As at 30 June 2021	**Average six months ended 30 June 2021**	As at 30 June 2020	Average six months ended 30 June 2020	As at 31 December 2020	Average year ended 31 December 2020
GB Pounds Sterling (GBP: US$)	**0.72**	**0.72**	0.81	0.79	0.73	0.78
Russian Rouble (RUB: US$)	**72.37**	**74.31**	69.95	69.42	73.88	72.18

4. Segment information

The group's reportable segments under IFRS 8, which are aligned with its operating locations, were determined to be Pioneer, Malomir and Albyn hard rock gold mines which are engaged in gold and silver production as well as field exploration and mine development. POX Hub facilities are allocated between Pioneer, Malomir and Albyn reportable segments based on the expected use by each segment.

Corporate and Other segment amalgamates corporate administration, in-house geological exploration and construction and engineering expertise, engineering and scientific operations and other supporting in-house functions as well as various gold projects and other activities that do not meet the reportable segment criteria.

Reportable segments are based on the internal reports provided to the Chief Operating Decision Maker ('CODM') to evaluate segment performance, decide how to allocate resources and make other operating decisions and reflect the way the group's businesses are managed and reported.

The financial performance of the segments is principally evaluated with reference to operating profit less foreign exchange impacts.

Six months ended 30 June 2021	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Consolidated US$'000
Revenue					
Gold	**134,742**	**125,360**	**75,681**	**-**	**335,783**
Silver	**-**	**-**	**-**	**-**	**-**
Other external revenue	**-**	**-**	**-**	**16,162**	**16,162**
Inter segment revenue	**18,185**	**199**	**20**	**60,464**	**78,868**
Intra group eliminations	**(18,185)**	**(199)**	**(20)**	**(60,464)**	**(78,868)**
Total group revenue from external customers	**134,742**	**125,360**	**75,681**	**16,162**	**351,945**
Operating expenses and income					
Operating cash costs	**(100,303)**	**(57,458)**	**(33,002)**	**(18,778)**	**(209,541)**
Depreciation	**(22,694)**	**(27,279)**	**(11,495)**	**(1,513)**	**(62,981)**
Central administration expenses	**-**	**-**	**-**	**(29,579)**	**(29,579)**
Write-down of inventory to net realisable value	**-**	**-**	**(31)**	**(114)**	**(145)**
Impairment of gold in circuit	**-**	**(700)**	**-**	**-**	**(700)**
Total operating expenses [(a)]	**(122,997)**	**(85,437)**	**(44,528)**	**(49,984)**	**(302,946)**
Segment result	**11,745**	**39,923**	**31,153**	**(33,822)**	**48,999**
Foreign exchange losses					**(706)**
Operating profit					**48,293**
Share of results of associate					**1,216**
Reversal of write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell					**34,874**
Net impairment reversals on financial instruments					**1,056**
Investment and other finance income					**3,266**
Interest expense					**(24,252)**
Net other finance gains					**4,683**
Taxation					**(20,257)**
Profit for the period					**48,879**
Segment assets	**614,805**	**602,269**	**327,199**	**151,820**	**1,696,093**
Unallocated cash					**2,347**
Consolidated total assets					**1,698,440**

(a) *Operating expenses excluding foreign exchange losses (note 6).*

Six months ended 30 June 2020	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Consolidated US$'000
Revenue					
Gold	258,378	136,404	117,553	-	512,335
Silver	-	-	-	-	-
Other external revenue	-	-	-	10,396	10,396
Inter segment revenue	17,169	179	6,633	71,166	95,147
Intra group eliminations	(17,169)	(179)	(6,633)	(71,166)	(95,147)
Total group revenue from external customers	258,378	136,404	117,553	10,396	522,731
Operating expenses and income					
Operating cash costs	(199,104)	(65,529)	(42,560)	(12,679)	(319,872)
Depreciation	(22,987)	(23,941)	(16,607)	(1,125)	(64,660)
Central administration expenses	-	-	-	(20,671)	(20,671)
Reversal of impairment of ore stockpiles	-	15	-	-	15
Reversal of impairment of gold in circuit	-	38	-	-	38
Total operating expenses [(b)]	(222,091)	(89,417)	(59,167)	(34,475)	(405,150)
Segment result	36,287	46,987	58,386	(24,079)	117,581
Foreign exchange gains					26,710
Operating profit					144,291
Share of results of associate					1,845
Net impairment losses on financial instruments					(1,274)
Investment and other finance income					3,962
Interest expense					(33,383)
Net other finance losses					(98,893)
Taxation					(38,542)
Loss for the period					(21,994)
Segment assets	622,174	665,757	313,567	219,735	1,821,233
Unallocated cash					5,832
Consolidated total assets					1,827,065

(b) *Operating expenses excluding foreign exchange gains (note 6).*

2020	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Consolidated US$'000
Revenue					
Gold	486,207	247,921	221,244	-	955,372
Silver	338	100	196	-	634
Other external revenue	-	-	-	32,528	32,528
Inter segment revenue	32,694	380	23,104	143,425	199,603
Intra group eliminations	(32,694)	(380)	(23,104)	(143,425)	(199,603)
Total group revenue from external customers	486,545	248,021	221,440	32,528	988,534
Operating expenses and income					
Operating cash costs	(366,677)	(106,959)	(92,307)	(35,497)	(601,440)
Depreciation	(49,824)	(53,771)	(27,969)	(2,515)	(134,079)
Central administration expenses	-	-	-	(61,371)	(61,371)
Iimpairment of mining assets	-	-	(58,806)	-	(58,806)
Impairment of exploration and evaluation assets	-	-	(16,112)	-	(16,112)
Impairment of gold in circuit	(77)	-	-	-	(77)
Impairment of bullion in process	(41)	-	-	-	(41)
Write-down of inventory to net realisable value	-	-	-	(1,215)	(1,215)
Total operating expenses [(c)]	(416,619)	(160,730)	(195,194)	(100,598)	(873,141)
Segment result	69,926	87,291	26,246	(68,070)	115,393
Foreign exchange gains					32,647
Operating profit					148,040
Share of results of associate					52,681
Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell					(55,798)
Net impairment reversals on financial instruments					1,000
Investment and other finance income					7,754
Interest expense					(58,533)
Net other finance losses					(67,957)
Taxation					(76,069)
Loss for the year					(48,882)
Segment assets	619,004	603,684	312,678	149,698	1,685,064
Unallocated cash					3,419
Consolidated total assets					1,688,483

(c) *Operating expenses excluding foreign exchange gains (note 6).*

5. Group revenue

	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000
Sales of goods:			
Gold	**335,783**	512,335	955,372
Silver	**-**	-	634
Other goods	**9,837**	3,976	19,664
Rendering of services:			
Engineering and construction contracts	**5,087**	5,036	10,390
Other services	**880**	1,042	1,897
Rental income	**358**	342	577
	351,945	522,731	988,534
Timing of revenue recognition:			
At a point in time	**345,620**	516,311	975,670
Over time	**6,325**	6,420	12,864
	351,945	522,731	988,534

6. Operating expenses and income

	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000
Net operating expenses [(a)]	**272,522**	384,532	735,519
Impairment of mining assets and in-house service [(a)]	**-**	-	58,806
Impairment of exploration and evaluation assets[(a)]	**-**	-	16,112
Write-down of inventory to net realisable value	**145**	-	1,215
Reversal of impairment of ore stockpiles [(a)]	**-**	(15)	-
Impairment/(reversal of impairment) of gold in circuit	**700**	(38)	77
Impairment of bullion in process	**-**	-	41
Central administration expenses [(a)]	**29,579**	20,671	61,371
Foreign exchange losses/(gains)	**706**	(26,710)	(32,647)
	303,652	378,440	840,494

(a) As set out below.

Net operating expenses

	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000
Depreciation	**62,981**	64,660	134,079
Staff costs	**51,179**	45,178	88,492
Materials	**45,428**	42,277	88,623
Flotation concentrate purchased	**49,175**	130,175	201,647
Fuel	**16,360**	17,652	29,565
External services	**26,698**	18,941	43,095
Mining tax charge	**18,351**	15,238	33,796
Electricity	**15,927**	17,779	33,880
Smelting and transportation costs	**276**	466	777
Movement in ore stockpiles, work in progress, bullion in process, limestone and flotation concentrate attributable to gold production	**(44,211)**	9,297	29,962
Taxes other than income	**3,975**	4,238	7,962
Insurance	**684**	2,225	3,641
Rental fee	**1,187**	1,609	2,861
(Reversal of provision)/provision for impairment of trade and other receivables	**(230)**	(27)	650
Bank charges	**853**	553	1,088
Repair and maintenance	**1,801**	2,860	5,061
Security services	**1,979**	2,265	4,424
Travel expenses	**731**	606	1,284
Goods for resale	**7,856**	2,673	11,068
Other operating expenses	**11,522**	5,867	13,564
	272,522	384,532	735,519

Central administration expenses

	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000
Staff costs	**15,217**	13,217	29,926
Professional fees	**10,211**	3,662	20,615
Insurance	**649**	415	739
Rental fee	**240**	193	416
Business travel expenses	**415**	369	541
Office costs	**402**	383	830
Other	**2,445**	2,432	8,304
	29,579	20,671	61,371

Impairment charges

Impairment of mining assets

The group undertook a review of impairment indicators of the tangible assets attributable to its gold mining projects and supporting in-house service companies. Detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded no impairment was required as at 30 June 2021 and 30 June 2020.

As at 31 December 2020, the group recognised a pre-tax impairment of an aggregate of US$74.9 million (being a post-tax impairment of an aggregate of US$59.9 million) to the extent that recoverable amounts no longer supported the relevant carrying values of assets that were part of Albyn CGU on the statement of financial position as at 31 December 2020. A pre-tax impairment of US$58.8 million (US$47.0 million post-tax) has been recorded against the associated assets within property, plant and equipment and a pre-tax impairment of US$16.1 million (US$12.9 million post-tax) has been recorded against the associated exploration and evaluation assets.

Impairment of exploration and evaluation assets

The group performed a review of its exploration and evaluation assets and concluded no impairment was required as at 30 June 2021 and 30 June 2020. As at 31 December 2020, no impairment except for in relation to exploration and evaluation assets that were part of Albyn CGU was required.

As at 30 June 2021, 30 June 2020 and 31 December 2020, exploration and evaluation assets in the statement of financial position primarily related to the areas adjacent to the existing mines (note 10).

The key assumptions which formed the basis of forecasting future cash flows and the value in use calculation are set out below:

	Year ended 30 June 2021	Year ended 31 December 2020
Long-term real gold price [a]	**US$1,464/oz**	US$1,575/oz
Discount rate [b]	**7.1%**	6.4%
RUB : US$ exchange rate [c]	**RUB74.6 : US$1**	RUB73.6 : US$1

(a) Being upper 75% range of the analyst forecasts based on Consensus Economics, published in June 2021 and January 2021. Based on experience of analyst forecasts being on a conservative side, it is management's view that the upper 75% range is a more accurate basis on which to base the forecasting of forecasting future cash flows for value-in-use calculations.

(b) Being the post-tax real weighted average cost of capital, an equivalent to a nominal pre-tax discount rate of 9.4% (2020: 8.7%), applied to cash flows prepared on a consistent post-tax real basis.

(c) Based on Consensus Economics, published in June 2021 (2020: in January 2021).

Impairment of ore stockpiles

The group assessed the recoverability of the carrying value of ore stockpiles and recorded reversals of impairment/ impairment charges as set out below:

	Six months ended 30 June 2021			Six months ended 30 June 2020			Year ended 31 December 2020		
	Pre-tax Impairment charge /(reversal of impairment)	**Taxation**	**Post-tax impairment charge/(reversal of impairment)**	Pre-tax Impairment charge /(reversal of impairment)	Taxation	Post-tax impairment charge/(reversal of impairment)	Pre-tax Impairment charge /(reversal of impairment)	Taxation	Post-tax impairment charge/(reversal of impairment)
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Pioneer	**-**	**-**	**-**	-	-	-	-	-	-
Malomir	**-**	**-**	**-**	(15)	3	(12)	-	-	-
Albyn	**-**	**-**	**-**	-	-	-	-	-	-
	-	**-**	**-**	(15)	3	(12)	-	-	-

7. Financial income and expenses and impairment of financial instruments

	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000
Net impairment reversals/(impairment losses) on financial instruments			
Reversal of impairment of financial assets	**487**	2	309
Financial guarantee contract	**569**	(1,276)	691
	1,056	(1,274)	1,000
Investment and other finance income			
Interest income	**211**	574	1,100
Guarantee fee income [(a)]	**3,055**	3,388	6,654
	3,266	3,962	7,754
Interest expense			
Notes	**(20,935)**	(20,986)	(42,238)
Convertible bonds	**(2,019)**	(6,455)	(9,231)
Bank loans	**(124)**	-	-
Prepayment on gold sale agreements	**(2,063)**	(6,295)	(9,938)
Lease liabilities	**(283)**	(281)	(485)
	(25,424)	(34,017)	(61,892)
Interest capitalised	**1,605**	1,019	4,134
Unwinding of discount on environmental obligation	**(433)**	(385)	(775)
	(24,252)	(33,383)	(58,533)
Net other finance gains/(losses)			
Fair value gain/(loss) on the conversion option [(b)]	**31,993**	(122,248)	(45,775)
Loss on Bonds conversion [(c)]	**-**	-	(9,536)
Fair value gain on the guarantee receivable [(d)]	**-**	226	571
Fair value gain/(loss) on the call option over non-controlling interests [(e)]	**-**	20,558	(11,022)
Fair value loss on other derivative financial instruments	**-**	(733)	(733)
Fair value gain/(loss) on listed equity investments	**127**	(59)	(92)
Gain on lease modification	**249**	224	224
Fair value gain/(loss) on gold option contracts[(f)]	**4,799**	(4,544)	(7,021)
Fair value (loss)/gain on currency option contracts[(f)]	**(902)**	7,683	4,132
Fair value loss on the agreement for the sale of stake in IRC[(g)]	**(31,583)**	-	-
Bond solicitation expenses	**-**	-	(1,705)
	4,683	(98,893)	(67,957)

(a) Guarantee fee income under Gazprombank Guarantee arrangements (note 21).
(b) Result of re-measurement of the conversion option to fair value (notes 16 and 18).
(c) Result of Bonds being converted and settled in shares at their nominal value and the carrying value of Convertible Bonds.
(d) Result of re-measurement of receivable from IRC under ICBC Guarantee arrangements to fair value (note 21).
(e) Result of re-measurement of the TEMI option to fair value (notes 16 and 21).
(f) Result of measurement of gold and currency option contracts (note 16).
(g) Results of measurement of value the derivative associated with a transaction undertaken by the Company on 16 March 2020 with Stocken Board AG in connection with the sale of a stake in IRC.

8. Taxation

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	US$'000	US$'000	US$'000
Current tax			
Russian current tax	**17,261**	25,100	48,652
	17,261	25,100	48,652
Deferred tax			
Origination of temporary differences [(a)]	**2,996**	13,442	27,417
Total tax charge [(b)]	**20,257**	38,542	76,069

(a) *Including effect of foreign exchange movements in respect of deductible temporary differences of US$(3.2) million (six months ended 30 June 2020: US$23.7 million, year ended 31 December 2020: US$33.1 million) which primarily arises as the tax base for a significant portion of the future taxable deductions in relation to the group's property, plant and equipment are denominated in Russian Rouble whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value and reflects the movements in the Russian Rouble to the US Dollar exchange rate.*

(b) *Including effect of expenses that are not taxable/deductible for tax purposes which primarily relate to fair value gain/loss on re-measurement of the conversion option of the Convertible Bonds (note 7), effect of tax losses for which no deferred income tax asset was recognised which primarily relate to interest expense incurred in the UK (note 7) and Russian withholding tax on intercompany dividends.*

Tax laws, regulations and court practice applicable to the group are complex and subject to frequent change, varying interpretations and inconsistent and selective enforcement. There are a number of practical uncertainties associated with the application of relevant tax legislation and there is a risk of tax authorities making arbitrary judgements of business activities. If a particular treatment, based on management's judgement of the group's business activities, was to be challenged by the tax authorities, the group may be subject to tax claims and exposures. Management has calculated a total exposure (including taxes and respective interest and penalties) estimated to be US$7.5 million (six months ended 30 June 2020: US$6.7 million and 2020: US$7.5 million) of contingent liabilities, including US$0.2 million (30 June 2020: US$1.1 million and 31 December 2020: US$0.2 million) in respect of income tax and US$7.4 million (30 June 2020: US$5.6 million and 31 December 2020: US$7.3 million) in respect of other taxes.

9. Earnings per share

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	US$'000	US$'000	US$'000
Profit/(loss) for the period attributable to equity holders of Petropavlovsk PLC	**44,543**	(23,934)	(45,633)
Interest expense on convertible bonds	**2,019**	-[(a)]	-[(a)]
Profit/(loss) used to determine diluted earnings per share	**46,562**	(23,934)	(45,633)
	No of shares	No of shares	No of shares
Weighted average number of Ordinary Shares	**3,957,270,254**	3,310,369,237	3,564,250,949
Adjustments for dilutive potential Ordinary Shares	**281,481,494**	-[(a)]	-[(a)]
Weighted average number of Ordinary Shares for diluted earnings per share	**4,238,751,748**	3,310,369,237	3,564,250,949
	US$	US$	US$
Basic profit/(loss) per share	**0.01**	(0.01)	(0.01)
Diluted profit/(loss) per share	**0.01**	(0.01)	(0.01)

(a) *Convertible bonds which could potentially dilute basic profit/(loss) per ordinary share in the future are not included in the calculation of diluted profit/(loss) per share because they were anti-dilutive* ***for the six months ended 30 June 2020 and the year ended 31 December 2020.***

10. Exploration and evaluation assets

	Flanks of Pioneer US$'000	Flanks of Albyn US$'000	Other US$'000	Total US$'000
At 1 January 2021	**7,544**	**32,347**	**5,291**	**45,182**
Additions			**1,485**	**1,485**
Transfer to mining assets [(a)]	**-**	**(32,347)**	**-**	**(32,347)**
At 30 June 2021	**7,544**	**-**	**6,776**	**14,320**

(a) *Amount capitalised in respect of Elginskoye.*

11. Property, plant and equipment

	Mining assets [d]	Non-mining assets [d]	Capital construction in progress	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
At 1 January 2021	**2,613,218**	**183,475**	**98,577**	**2,895,270**
Additions [a]	**27,585**	**9,246**	**28,963**	**65,794**
Interest capitalised	**-**	**-**	**1,605**	**1,605**
Transfers from exploration and evaluation assets (note 10)	**48,459**	**-**	**-**	**48,459**
Transfers from capital construction in progress [b]	**91,446**	**320**	**(91,766)**	**-**
Disposals [c]	**(31,906)**	**(16,622)**	**-**	**(48,528)**
Reallocation and other transfers	**114**	**(114)**	**-**	**-**
Foreign exchange differences	**-**	**487**	**7**	**494**
At 30 June 2021 [f]	**2,748,916**	**176,792**	**37,386**	**2,963,094**
Accumulated depreciation and impairment				
At 1 January 2021	**1,560,511**	**130,209**	**-**	**1,690,720**
Charge for the year [e]	**61,521**	**2,268**	**-**	**63,789**
Disposals	**(30,633)**	**(8,962)**	**-**	**(39,595)**
Transfers from exploration and evaluation assets (note 10)	**16,112**	**-**	**-**	**16,112**
Reallocation and other transfers	**(1,302)**	**1,302**	**-**	**-**
Foreign exchange differences	**-**	**397**	**-**	**397**
At 30 June 2021 [f]	**1,606,209**	**125,214**	**-**	**1,731,423**
Net book value				
At 1 January 2021 [g]	**1,052,707**	**53,266**	**98,577**	**1,204,550**
At 30 June 2021 [g]	**1,142,707**	**51,578**	**37,386**	**1,231,671**

(a) Including US$13.4 million additions of stripping cost.
(b) Being costs primarily associated with the Flotation Pioneer and Elginskoye projects.
(c) Including US$29.0 million of fully depreciated fleet that is not suitable for future use due to wear and tear, US$7.0 million disposals of lease modification, US$6.0 million disposals of mining fleet due to derecognition of the replaced part.
(d) Mining and Non-mining assets include right-of-use assets.
(e) Including US$17.7 million depreciation charge of capitalized stripping cost.
(f) Including US$479.5 million of fully depreciated property, plant and equipment (31 December 2020: US$498.0 million).
(g) Including US$52.1 million net book value of capitalized stripping cost (31 December 2020: US$56.4 million).

12. Investment in associate and disposal group held for sale

	30 June 2021	30 June 2020	31 December 2020
	US$'000	US$'000	US$'000
IRC Limited ('IRC') [a]	**5,077**	50,950	3,936
	5,077	50,950	3,936

(a) 1.2% interest in IRC, with 29.9% interest in IRC re-classified as assets held for sale as set out below (30 June 2020: 31.1%, 31 December 2020: 1.2% with 29.9% interest in IRC re-classified as assets held for sale).

Summarised financial information for IRC and its subsidiaries is set out below.

	IRC 30 June 2021	IRC 30 June 2020	IRC 31 December 2020
	US$'000	US$'000	US$'000
Non-current assets			
Exploration and evaluation assets	**20,303**	20,035	20,165
Property, plant and equipment	**566,866**	512,652	573,041
Other non-current assets	**13,836**	14,840	14,481
	601,005	547,527	607,687
Current assets			
Cash and cash equivalents	**67,019**	4,980	20,371
Other current assets	**93,810**	52,065	53,063
	160,829	57,045	73,434
Current liabilities			
Borrowings [a]	**(19,476)**	(19,869)	(20,082)
Other current liabilities	**(77,884)**	(82,781)	(77,898)

	(97,360)	(102,650)	(97,980)
Non-current liabilities			
Borrowings [(a)]	**(172,843)**	(191,981)	(181,998)
Other non-current liabilities	**(17,416)**	(24,181)	(18,857)
	(190,259)	(216,162)	(200,855)
Net assets	**474,215**	285,760	382,286

(a) *On 18 December 2018, IRC entered into two facility agreements for a loan in aggregate of US$240 million (the "Gazprombank Facility"). The Gazprombank Facility will mature in 2026 and consists of two tranches. The principal under the first tranche amounts to US$160 million with interest being charged at the London Inter-bank Offer Rate ("LIBOR") + 5.7% per annum and is repayable in equal quarterly payments during the term of the Gazprombank Facility, the final payment in December 2026. The principal under the second tranche amounts to US$80 million with interest being charged at LIBOR + 7.7% per annum and is repayable in full at the end of the term, in December 2026. Interest charged on the drawn down amounts under the two tranches is payable in equal quarterly payments during the term of the Gazprombank Facility. As at 30 June 2021, 30 June 2020 and 31 December 2020, the entire facility amount of US$240 million has been fully drawn down.*

The Gazprombank Facility is secured by (i) IRC's property, plant and equipment with net book value of US$52 million, (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK and (iii) a guarantee from the Company. Please refer to the note 21 for the details on the guarantee arrangements. The Gazprombank Facility is also subject to certain financial covenants and requirements.

	IRC Six months ended 30 June 2021 US$'000	IRC Six months ended 30 June 2020 US$'000	IRC Year ended 31 December 2020 US$'000
Revenue	**217,170**	106,173	224,591
Net operating expenses	**(108,374)**	(86,489)	(97,366)
including			
Depreciation	**(11,904)**	(13,465)	(28,818)
Impairment losses under expected credit loss model	**(2,054)**	(5,176)	(7,115)
Reversal of impairment of mining assets	**-**	-	75,832
Foreign exchange (losses)/gains	**(585)**	4,690	6,934
Investment income	**15**	26	44
Interest expense	**(10,847)**	(13,338)	(25,157)
Taxation	**266**	(440)	(1,602)
Profit for the period	**98,230**	5,932	100,510
Other comprehensive (loss)/profit	**(6,352)**	1,368	2,902
Total comprehensive profit	**91,878**	7,300	103,412
Group's share %	**1.2%**	31.1%	31.1%
Group's share in profit for the period	**1,216**	1,845	31,257
Reversal of impairment of investment in associate	**-**	-	21,424
Share of results of associate	**1,216**	1,845	52,681

Impairment of investment in associate
As at 30 June 2021, the group identified no impairment indicators or indicators of impairment reversal in relation to its investment in IRC (30 June 2020: no impairment indicators and 31 December 2020: detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded a US$21.4 million reversal impairment was required and recorded accordingly).

Following negotiations with several interested parties the directors resolved to approve the potential disposal of 29.9% investment in IRC (note 3.1). This disposal is expected to be completed within 12 months after the reporting date and accordingly investment in IRC has been classified as "held for sale" and presented separately in the statement of financial position as at 31 December 2020.

The following assets and liabilities re-classified as held for sale are set out below.

	30 June 2021	31 December 2020	
	Fair value less costs to sell[(a)] US$'000	Carrying amount US$'000	Fair value less costs to sell[(a)] US$'000
Investment in associate [(b)]	**77,403**	98,327	42,529
Total assets of disposal group classified as held for sale	**77,403**	98,327	42,529
Financial guarantee contract	**(7,663)**	(8,232)	(8,232)

Total liabilities of disposal group associated with assets classified as held for sale	**(7,663)**	(8,232)	(8,232)
Net assets of disposal group classified as held for sale	**69,740**	90,095	34,297
Reversal of write-down/(write-down) to adjust the carrying value of net assets of disposal group to fair value less costs to sell	**34,874**		(55,798)

(a) *Based on market share price of HK$0.27 per IRC share as at 30 June 2021 (31 December 2020: HK$0.14), less estimated transaction costs, and fair value of Gazprombank Guarantee of US$nil (31 December 2020: US$nil).*

A decrease/ increase of 10% in IRC's share price would result in US$7.3 million additional write-down/ reversal of write-down adjustment (31 December 2020: US$3.8 million).

(b) *29.9% interest in IRC Limited (31 December 2020: 29.9%)*

13. Inventories

	30 June 2021 US$'000	30 June 2020 US$'000	31 December 2020 US$'000
Current			
Construction materials	**8,300**	9,652	9,060
Stores and spares	**89,012**	81,956	84,309
Ore in stockpiles	**56,288**	59,945	29,901
Gold in circuit [(a)]	**28,160**	10,055	26,567
Bullion in process [(a)]	**21,179**	17,936	9,284
Flotation concentrate	**13,782**	33,068	32,801
Other	**14,174**	8,942	4,746
	230,895	221,554	196,668
Non-current			
Ore in stockpiles [(b)]	**77,621**	64,556	75,605
Other [(c)]	**12,042**	-	10,581
	89,663	64,556	86,186

(a) *As at 30 June 2021, there were no bullion in process (30 June 2020: US$nil, 31 December 2020: US$0.2 million) carried at net realisable value and there were US$0.6 million of gold in circuit (30 June 2020: US$nil, 31 December 2020: US$3.4 million) carried at net realisable value (note 6).*

(b) *Ore in stockpiles that is not planned to be processed within twelve months after the reporting period.*

(c) *As at 30 June 2021 there were US$12 million goods for resale at Irgiredmet planned to be realised more than one year after the reporting period (30 June 2020: US$nil, 31 December 2020: US$10.6 million).*

14. Trade and other receivables

	30 June 2021 US$'000	30 June 2020 US$'000	31 December 2020 US$'000
Current			
VAT recoverable	**31,051**	33,756	37,959
Advances to suppliers	**13,617**	13,329	17,800
Prepayments for property, plant and equipment	**3,168**	5,411	5,753
Trade receivables	**7,085**	5,467	8,547
Contract assets	**1,472**	1,211	827
Guarantee fee receivable [(a)]	**1,482**	13,041	11,926
Other debtors	**11,610**	14,612	15,739
	69,485	86,827	98,551
Non-current			
Other	**354**	578	481
	354	578	481

(a) *Please refer to 12 and 21 for the details of ICBC and Gazprombank guarantee arrangements.*

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

15. Cash and cash equivalents

	30 June 2021	30 June 2020	31 December 2020
	US$'000	US$'000	US$'000
Cash at bank and in hand	**15,947**	20,540	7,862
Short-term bank deposits	**18,489**	52,918	27,542
Cash in transit	**2,100**	-	-
	36,536	73,458	35,404

16. Derivative financial instruments

	30 June 2021		30 June 2020		31 December 2020	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000	US$'000	US$'000
Current						
Gold option contracts [(a), (c)]	**192**	**(604)**	1,119	(2,936)	172	(5,668)
Currency option contracts [(b), (c)]	**1,205**	**(13)**	4,948	(232)	3,148	(404)
Call option over non-controlling interests	**-**	**-**	31,580	-	-	-
Financial liability on agreement for the sale of stake in IRC [(d)]	**-**	**(31,583)**	-	-	-	-
	1,397	**(32,200)**	37,647	(3,168)	3,320	(6,072)
Non-current						
Gold option contracts [(a), (c)]	**-**	**-**	72	(2,799)	-	-
Currency option contracts [(b), (c)]	**-**	**-**	2,658	(579)	-	-
Conversion option [(e), (f)]	**-**	**(57,095)**		(168,561)	-	(89,088)
	-	**(57,095)**	2,730	(171,939)	-	(89,088)

(a) Gold option contracts with an exercise price of US$1,600/oz for purchased put options and US$1,832/oz for issued call options for an aggregate of 21,000 ounces of gold maturing over a period until December 2021.

(b) Currency option contracts with an exercise price of RUB75.00 for purchased put options and in the range between RUB90.65 and RUB100.00 for issued call options for an aggregate of US$42 million maturing over a period until December 2021.

(c) Measured at fair value and considered as Level 2 of the fair value hierarchy which valuation incorporates the following inputs:
- Historic gold price / RUB: USD exchange rates volatility;
- Exercise price;
- Time to maturity; and
- Risk free rate.

(d) The derivative associated with a transaction undertaken by the Company on 16 March 2020 with Stocken Board AG in connection with the sale of a stake in IRC measured at fair value and considered as level 3 of the fair value hierarchy and includes the following inputs:

- IRC share price;

- Historic volatility of IRC share price;

- Time to maturity;

- Implied sale price;

- Occurrence of certain events specified in the contract; and

- Discount for lack of marketability of the contract.

(e) Note 18.

(f) Measured at fair value and considered as Level 3 of the fair value hierarchy which valuation incorporates the following inputs:
- The group's credit risk and implied credit spreads (Level 3);
- Historic share price volatility;
- The conversion price;
- Time to maturity; and
- Risk free rate.

17. Trade and other payables

	30 June 2021	30 June 2020	31 December 2020
	US$'000	US$'000	US$'000
Current			
Trade payables [(a)]	**33,904**	64,217	48,604
Payables for property, plant and equipment	**5,441**	3,865	9,244
Contract liabilities - advances from customers under gold sales agreements [(b)]	**37,134**	101,547	63,787
Other contract liabilities [(c)]	**17,213**	14,743	7,371
Accruals and other payables	**62,435**	45,276	62,133
	156,127	229,648	191,139
Non-current			
Contract liabilities - advances from customers under gold sales agreements [(b)]	**-**	19,473	-
Other contract liabilities [(c)]	**10,363**	-	13,288
Accruals and other payables	**220**	-	662
	10,583	19,473	13,950

(a) The trade payables as at 30 June 2021 include US$9.2 million payable for flotation concentrate purchased (30 June 2020: US$28.5 million, 31 December 2020: US$23.1 million).

(b) Include US$37.1 million (30 June 2020: US$121.0 million, 31 December 2020: US$63.8 million) Russian Rouble denominated advance payments received from Gazprombank under gold sales agreements. Advance payments are to be settled against physical delivery of gold produced by the group in regular intervals over the period of up to twelve months from the reporting date based on the sales price prevailing at delivery that is determined with reference to LBMA fixing. Contractual interest charged on the advances received as at 30 June 2021 is in the range 8.0 - 8.32% and is payable monthly (30 June 2020: in the range of 8.0 – 8.9% for Russian Rouble denominated advances payable monthly, 31 December 2020: in the range of 8.0 - 8.32% for Russian Rouble denominated advances payable monthly). The table below sets out reconciliation of opening and closing balances, including revenue recognised in the period (note 5) that was included in the contract liability balance at the beginning of the period.

	Six months ended 30 June 2021	*Six months ended 30 June 2020*	*Year ended 31 December 2020*
	US$'000	*US$'000*	*US$'000*
At the beginning of the period	***63,787***	*187,433*	*187,433*
New contract liabilities	***-***	*45,414*	*71,222*
Revenue recognised in the period that was included in the contract liability balance at the beginning of the period	***(27,334)***	*(93,161)*	*(163,043)*
Revenue recognised in the period against new contract liabilities	***-***	*-*	*(7,107)*
Interest accrued (note 7)	***2,063***	*6,295*	*9,938*
Interest paid (note 7)	***(2,063)***	*(6,295)*	*(9,938)*
Foreign exchange difference	***681***	*(18,666)*	*(24,718)*
At the end of the period	***37,134***	*121,020*	*63,787*

(c) Being primarily advances received under re-sale contracts in connection with services performed by the group's subsidiary, Irgiredmet, in its activity to procure materials such as reagents, consumables and equipment for third parties.

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

18. Borrowings

	30 June 2021 US$'000	30 June 2020 US$'000	31 December 2020 US$'000
Borrowings at amortised cost			
Notes [(a)]	**502,613**	501,051	501,990
Convertible Bonds [(b)]	**34,481**	110,385	34,030
Bank loans [(c)]	**35,000**	-	-
	572,094	611,436	536,020
Amount due for settlement within 12 months	**35,000**	-	-
Amount due for settlement after 12 months	**537,094**	611,436	536,020
	572,094	611,436	536,020

(a) *US$500 million Guaranteed Notes due for repayment on 14 November 2022 (the "Notes"), measured at amortised cost. The Notes were issued by the group's wholly owned subsidiary Petropavlovsk 2016 Limited and are guaranteed by the Company and its subsidiaries JSC Pokrovskiy Rudnik, LLC Albynskiy Rudnik and LLC Malomirskiy Rudnik. The Notes have been admitted to the official list of the Irish Stock Exchange and to trading on the Global Exchange Market of the Irish Stock Exchange on 14 November 2017. The Notes carry a coupon of 8.125% payable semi-annually in arrears. The interest charged was calculated by applying an effective interest rate of 8.35%.*

(b) *Debt component of the US$125 million Convertible Bonds due on 03 July 2024 measured at amortised cost and not revalued. As at 30 June 2021, the outstanding principal amount of the Convertible Bonds was US$38 million (30 June 2020: US$125 million, 31 December 2020: US$38 million). The bonds were issued by the Group's wholly owned subsidiary Petropavlovsk 2010 Limited (the "Issuer") on 03 July 2019 and are guaranteed by the Company. 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%.*

During the year ended 31 December 2020, the Company has received Conversion Notices in respect of the exercise of conversion rights under the US$125 million Convertible Bonds. The principal amount of the Convertible Bonds in respect of which the Conversion Notices have been served amounted to an aggregate of US$87 million, which, at a fixed exchange price of US$0.1350 per ordinary share, resulted in the issue and allotment of an aggregate of 644,444,432 new ordinary shares.

The conversion option of the convertible bonds represents the fair value of the embedded option for the bondholders to convert into the equity of the Company (the "Conversion Right"). As the Company 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 (note 16) which the fair value loss is included in the net other finance (losses)/ gains (note 7).

As at 30 June 2021, the fair value of debt component of the convertible bonds, considered as Level 3 of the fair value hierarchy, amounted to US$ 39.0 million (30 June 2020: US$124.7 million, 31 December 2020: US$36.8 million), with the carrying value of US$34.5 million (30 June 2020: US$110.4 million, 31 December 2020: US$34.0 million). Valuation incorporates the following inputs: the group's credit risk and implied credit spreads, time to maturity and risk free rate.

As at 30 June 2021, the fair value of the convertible bonds, considered as Level 1 of the fair value hierarchy and calculated by applying the market traded price to the convertible bonds outstanding, amounted to US$96.1 million (30 June 2020: US$293.3 million, 31 December 2020: US$125.9 million).

(c) *In April 2021, the group signed RUB5 billion (an equivalent of approximately US$67 million) revolving credit facility with Gazprombank valid until May 2022. As at 30 June 2021, the outstanding principal amount were US$35 million, US$10 million, bearing 3.7% interest and repayable until April 2022, US$7 million, bearing 2.9% interest and repayable until October 2021 and US$18 million, bearing 2.8% interest and repayable until December 2021.*

19. Share capital

	30 June 2021		30 June 2020		31 December 2020	
	No of shares	**US$'000**	No of shares	US$'000	No of shares	US$'000
Allotted, called up and fully paid						
At the beginning of the period	**3,957,270,254**	**57,464**	3,310,210,281	49,003	3,310,210,281	49,003
Issued during the period	**-**	**-**	2,615,541	32	647,059,973	8,461
At the end of the period	**3,957,270,254**	**57,464**	3,312,825,822	49,035	3,957,270,254	57,464

20. Notes to the cash flow statement

Reconciliation of profit before tax to operating cash flow

	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000
Profit before tax	**69,136**	16,548	27,187
Adjustments for:			
Share of results of associate	**(1,216)**	(1,845)	(52,681)
Net (impairment reversals)/ impairment losses on financial instruments	**(1,056)**	1,274	(1,000)
Investment and other finance income	**(3,266)**	(3,962)	(7,754)
Interest expense	**24,252**	33,383	58,533
Net other finance (gains)/losses	**(4,683)**	98,893	67,957
Share based payments	**315**	89	123
Depreciation	**62,981**	64,660	134,079
Impairment/(reversal of impairment) of mining assets and in-house service	**-**	-	58,806
Impairment of exploration and evaluation assets	**-**	-	16,112
Write-down of inventory to net realisable value	**145**	-	1,215
Reversal of impairment of ore stockpiles	**-**	(15)	-
Effect of processing previously impaired stockpiles	**-**	(502)	(517)
Impairment/(reversal of impairment) of gold in circuit	**700**	(38)	77
Effect of processing previously impaired gold in circuit	**(77)**	(206)	(244)
Impairment of bullion in process	**-**	-	41
(Reversal of provision)/provision for impairment of trade and other receivables	**(896)**	(21)	1,339
Loss on disposals of property, plant and equipment	**1,272**	663	1,451
(Reversal of write-down)/write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell	**(34,874)**	-	55,798
Foreign exchange losses/(gains)	**706**	(26,710)	(32,647)
Other non-cash items	**263**	999	645
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**17,515**	13,045	(5,149)
(Increase)/decrease in inventories	**(37,554)**	82,129	85,512
Decrease in trade and other payables	**(36,529)**	(105,626)	(143,023)
Net cash generated from operations	**57,134**	172,758	265,860

Reconciliation of cash flows used to purchase property, plant and equipment

	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000
Additions to property, plant and equipment	**65,794**	83,121	163,368
Non-cash additions to property, plant and equipment:			
Transfer from materials	**370**	50	2,120
Capitalised depreciation	**(808)**	(430)	(3,818)
Right-of-use assets additions	**(7,953)**	(1,735)	(3,410)
	57,403	81,006	158,260
Associated cash flows:			
Purchase of property, plant and equipment	**58,413**	78,618	151,503
Decrease in prepayments for property, plant and equipment	**2,585**	3,804	3,480
(Decrease)/increase in payables for property, plant and equipment	**(3,803)**	(1,945)	3,434
Cash movements presented in other cash flow lines:			
Changes in working capital	**208**	529	(157)
	57,403	81,006	158,260

Non-cash transactions

There were no significant non-cash transactions during the six months ended 30 June 2021 and 30 June 2020. An equivalent of US$0.1 million of VAT recoverable was offset against profit tax during the year ended 31 December 2020 and US$1 million of provision of profit tax relating to Albyn, was accrued as at 31 December 2020.

21. Related parties

Related parties the group entered into transactions with during the reporting period

The Petropavlovsk Foundation for Social Investment (the 'Petropavlovsk Foundation') is considered to be a related party due to the participation of the key management of the group in the board of directors of the Petropavlovsk Foundation.

IRC Limited and its subsidiaries are associates to the group and hence are related parties since 7 August 2015.

The Uzhuralzoloto Group of Companies that holds over 20% of the Company's shares is substantial shareholder and hence is related party.

Transactions with related parties the group entered into during the six months ended 30 June 2021, 30 June 2020 and the year ended 31 December 2020 are set out below.

Trading Transactions

Related party transactions the group entered into that relate to the day-to-day operation of the business are set out below.

	Sales to related parties			Purchases from related parties		
	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000	**Six months ended 30 June 2021 US$'000**	Six months ended 30 June 2020 US$'000	Year ended 31 December 2020 US$'000
Close family members of key management personnel	**-**	-	-	**-**	195	256
IRC Limited and its subsidiaries	**-**	58	85	**56**	58	111
	-	58	85	**56**	253	367

During the six months ended 30 June 2021, the group made US$nil million charitable donations to the Petropavlovsk Foundation (six months ended 30 June 2020: US$0.2 million; year ended 31 December 2020: US$0.3 million).

The outstanding balances with related parties at 30 June 2021, 30 June 2020 and 31 December 2020 are set out below.

	Amounts owed by related parties			Amounts owed to related parties		
	30 June 2021 US$'000	30 June 2020 US$'000	31 December 2020 US$'000	**30 June 2021 US$'000**	30 June 2020 US$'000	31 December 2020 US$'000
Substantial shareholders	**-**	-	-	**27**	-	-
IRC Limited and its subsidiaries	**2,034**	3,622	3,604	**1,122**	1,166	1,100
	2,034	3,622	3,604	**1,149**	1,166	1,100

Financing transactions

Guarantee over IRC's external borrowings

The group historically entered into an arrangement to provide a guarantee over its associate's, IRC, external borrowings, the ICBC Facility ('ICBC Guarantee'). As at 30 June 2021, there was no outstanding contractual guarantee fee (30 June 2020: outstanding contractual guarantee fee of US$5.0 million with corresponding fair value after provision for credit losses of US$4.7 million; 31 December 2020: outstanding contractual guarantee fee of US$0.01 million with corresponding fair value after provision for credit losses of US$0.01 million).

In March 2019, IRC has refinanced the ICBC Facility through entering into a US$240 million new facility with Gazprombank ('Gazprombank Facility'). The facility was fully drawn down during the year ended 31 December 2019.

A new guarantee was issued by the group over part of the Gazprombank Facility ('Gazprombank Guarantee'), the guarantee mechanism is implemented through a series of five guarantees that fluctuate in value through the eight-year life of the loan, with the possibility of the initial US$160 million principal amounts guaranteed reducing to US$40 million within two to three years, subject to certain conditions being met. For the final two years of the Gazprombank Facility, the guaranteed amounts will increase to US$120 million to cover the final principal and interest repayments. If certain springing recourse events transpire, including default on a scheduled payment, then full outstanding loan balance is accelerated and subject to the guarantee. The outstanding loan principal was US$194 million as at 30 June 2021 (30 June 2020: US$214 million; 31 December 2020: US$204 million). Under the Gazprombank Guarantee arrangements, the guarantee fee receivable is determined at each reporting date on an independently determined fair value basis, which for the six months ended 30 June 2021 was at the annual rate of 3.07% by reference to the average outstanding principal balance under Gazprombank Facility (six months ended 30 June 2020: 3.07%;

year ended 31 December 2020: 3.07%). The guarantee fee charged for the six months ended 30 June 2021 was US$3.1 million, with corresponding value of US$3.4 million after reversal of provision for expected credit losses (30 June 2020: US$3.4 million, with corresponding value of US$3.2 million after provision for expected credit losses; 31 December 2020: US$6.7 million, with corresponding value of US$6.3 million after provision for expected credit losses). As at 30 June 2021 the remaining outstanding contractual guarantee fee was US$1.5 million, with corresponding value of US$1.5 million after provision for expected credit losses (30 June 2020: US$9.0 million, with corresponding value of US$8.4 million after provision for expected credit losses; 31 December 2020: US$12.3 million, with corresponding value of US$11.9 million after provision for expected credit losses).

The following assets and liabilities have been recognised in relation to the ICBC Guarantee and Gazprombank Guarantee as at 30 June 2021, 30 June 2020 and 31 December 2020:

	30 June 2021	30 June 2020	31 December 2020
	US$'000	US$'000	US$'000
Other receivables – ICBC Guarantee [(a)]	**-**	4,662	7
Other receivables – Gazpombank Guarantee [(b)]	**1,482**	8,380	11,919
Financial guarantee contract – Gazpombank Guarantee [(c), (d)]	**7,663**	10,199	8,232

a) *The fair value of the receivable, comprising billed fee receivable, less provision for credit losses. Considered Level 3 of the fair value hierarchy which valuation incorporates the following inputs:*
- Assessment of the credit standing of IRC and implied credit spread;
- Share price and share price volatility of IRC as at 30 June 2021, 30 June 2020 and 31 December 2020.

b) *Amounts of guarantee fee that are expected to be received from IRC and calculated by applying annual rate of 3.07% for six month ended 30 June 2021 and 2020 and year ended 31 December 2020 by reference to the average outstanding principal balance under Gazprombank Facility for the relevant period, less provision for ECL.*

c) *Measured in accordance with ECL model: the amount of the loss allowance equals to 12-month ECL as it has been concluded that the credit risk on the financial guarantee contract has not increased significantly since initial recognition.*

d) *Classified as "held for sale" and presented separately in the statement of financial position as at 30 June 2021 and 31 December 2020.*

The results from relevant re-measurements of the aforementioned assets and liabilities were recognised within Other finance gains and losses and impairments of financial instruments (note 7).

Other financing transactions

In March 2018, the group entered into a loan agreement with Dr. Pavel Maslovskiy. The loan principal outstanding amounted to an equivalent of US$0.2 million, with corresponding value of US$0.2 million after provision for expected credit losses, as at 30 June 2020 and US$0.1 million, with corresponding value of US$nil after provision for expected credit losses, as at 31 December 2020. The loan together with accrued interest was fully repaid as at 30 June 2021. Interest charged during the six months ended 30 June 2021 comprised an equivalent of US$0.01 million (six month ended 30 June 2020: US$0.01 million, year ended 31 December 2020: US$0.01 million). At 10 August 2020, Dr. Pavel Maslovskiy ceased to be a related party.

In April 2019, the group entered into a loan agreement with Dr. Alya Samokhvalova. The loan principal outstanding amounted to an equivalent of US$0.4 million, with corresponding value of US$0.4 million after provision for expected credit losses, as at 30 June 2020 and US$0.3 million, with corresponding value of US$nil after provision for expected credit losses, as at 31 December 2020. The loan together with accrued interest was fully repaid as at 30 June 2021. Interest charged during the six month ended 30 June 2021 comprised an equivalent of US$0.01 million (six month ended 30 June 2020: US$0.01 million, year ended 31 December 2020: US$0.03 million). At 12 October 2020, Dr. Alya Samokhvalova ceased to be a related party.

Key management compensation

Key management personnel, comprising a group of 10 individuals during the period (six months ended 30 June 2020: 17 and year ended 31 December 2020: 11), including Executive and Non-Executive Directors of the Company and members of senior management, are those having authority and responsibility for planning, directing and controlling the activities of the group.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	US$'000	US$'000	US$'000
Wages and salaries	**4,049**	2,255	4,228
Pension costs	**30**	38	47
Share-based compensation	**315**	91	33
	4,394	2,384	4,308

22. Analysis of Net Debt

	At 1 January 2021 US$'000	Net cash movement US$'000	Exchange movement US$'000	Non-cash changes US$'000	At 30 June 2021 US$'000
Cash and cash equivalents	**35,404**	**846**	**286**	**-**	**36,536**
Borrowings	**(536,020)**	**(12,996)** (a)	**-**	**(23,078)** (b)	**(572,094)**
Net Debt◆	**(500,616)**	**(12,150)**	**286**	**(23,078)**	**(535,558)**
Lease liabilities	**(4,143)**	**713**	**(370)**	**(672)**	**(4,472)**
Conversion option (c)	**(89,088)**	**-**	**-**	**31,993**	**(57,095)**
	(593,847)	**(11,437)**	**(84)**	**8,243**	**(597,125)**

(a) Being US$22.0 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows and US$35.0 million proceeds from borrowings.
(b) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7).
(c) Notes 16, 18.

	At 1 January 2020 US$'000	Net cash movement US$'000	Exchange movement US$'000	Non-cash changes US$'000	At 30 June 2020 US$'000
Cash and cash equivalents	48,153	27,468	(2,163)	-	73,458
Borrowings	(609,463)	25,468 (d)	-	(27,441) (e)	(611,436)
Net Debt◆	(561,310)	52,936	(2,163)	(27,441)	(537,978)
Lease liabilities	(13,178)	2,053	769	5,739	(4,617)
Conversion option (f)	(46,313)	-	-	(122,248)	(168,561)
	(620,801)	54,989	(1,394)	(143,950)	(711,156)

(d) Being US$25.5 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows.
(e) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7).
(f) Notes 16, 18.

	At 1 January 2020 US$'000	Net cash movement US$'000	Exchange movement US$'000	Non-cash changes US$'000	At 31 December 2020 US$'000
Cash and cash equivalents	48,153	(9,104)	(3,645)	-	35,404
Borrowings	(609,463)	47,447(g)	-	25,996(h)	(536,020)
Net Debt◆	(561,310)	38,343	(3,645)	25,996	(500,616)
Lease liabilities	(13,178)	4,153	1,022	3,860	(4,143)
Conversion option (i)	(46,313)	-	-	(42,775)	(89,088)
	(620,801)	42,496	(2,623)	(12,919)	(593,847)

(g) Being US$47.4 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows.
(h) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7) and US$77.5 million of Bonds conversion into share.
(i) Notes 16, 18.

◆ Net debt is an Alternative Performance Measure (APM), which is not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative performance Measures (APMs)" section for further information about our APMs.

23. Commitments and contingencies

Capital commitments

At 30 June 2021, the group had entered into contractual commitments in relation to the acquisition of property, plant and equipment amounting to US$21.4 million (30 June 2020: US$9.7million, 31 December 2020: US$3.5 million) including US$15.6 million in relation to Malomir Flotation project (30 June 2020: US$1.2 million, 31 December 2020: US$0.9 million) and US$4.5 million in relation to Pioneer Flotation project (30 June 2020: US$5.8 million, 31 December 2020: US$2.0 million).

Contingencies

On 24 June 2021, the Company announced that KPMG LLP had published an Interim Reporting regarding its forensic investigation into certain transactions undertaken by the Company and its subsidiaries, and IRC Ltd and its subsidiaries, in the three years to August 2020.

The Interim Report has identified a number of potential issues with transactions involving the Company with an estimated value of US$157 million. These issues include potentially undisclosed related parties and likely conflicts of interest. KPMG intends to focus on these transactions, amongst a number of other potential issues, during its ongoing investigation. As KPMG's work is ongoing, KPMG and the Company are not able to draw or disclose firm conclusions at this stage.

The group may be exposed to the risk of civil, criminal or regulatory actions and liabilities (including fines and penalties) may accrue to the group if it becomes apparent that transactions have been entered into with related parties of the Group without proper processes having been followed, including proper approvals obtained and/or disclosures made.

At the current time the existence, timing and quantum of potential future liability (if any) including fines, penalties, damages or other consequences arising from any such transactions or failures to obtain all proper approvals or make proper disclosures cannot be determined or measured. As a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as at 30 June 2021 and 31 December 2020.

24. Subsequent events

On 13th July 2021 the Company announced that its wholly-owned subsidiary, Petropavlovsk 2016 Limited announced the launch of its offer to purchase for cash up to US$200 million aggregate principal amount of its 8.125 per cent Guaranteed Notes due 2022. Tender offer is financed via Gazprombank loan facility with a total limit of US$200 million, that was consequently entered in July 2021 with an interest rate significantly lower than the Notes. Gazprombank loan repayment schedule is US$66 million in December 2022, US$66 million in March 2023 and remaining balance in June 2023.

On 10 August 2021 Petropavlovsk 2016 Limited announced the final tender results, US$135,731,000 aggregate principal amount of the Notes were validly tendered.

The Use and Application of Alternative Performance Measures (APMs)

Throughout this Half Year Report, when discussing the group's financial performance, reference is made to APMs.

Each of the APMs is defined and calculated by the group and as such they are non-IFRS measures because they may include or exclude certain items that an IFRS measure ordinarily would or would not take into account. APMs should not be regarded as an alternative or substitute for the equivalent measures calculated and presented in accordance with IFRS but instead should be seen as additional information provided to investors to enable the comparison of information between different reporting periods of the group.

Although the APMs used by the group may be calculated in a different manner and defined differently by other peers in the precious metals mining sector (despite being similar in title), they are nonetheless relevant and commonly used measures for the industry in which Petropavlovsk operates. These and similar measures are used widely by certain investors, analysts and other interested parties as supplemental measures of financial performance.

Some of the APMs form part of the group's Key Performance Indicators (KPIs), which are used to monitor progress and performance against strategic objectives and to benchmark the performance of the business each year.

A discussion of the relevance of each APM as well as a description of how they are calculated is set out below, with reconciliation to IFRS equivalents from the consolidated IFRS financial statements (Consolidated Statement of Profit or Loss (SPL), Consolidated Statement of Financial Position (SFP), Consolidated Statement of Cash Flows (SCF) and the notes to the consolidated IFRS financial statements).

Total Cash Costs (TCC)

Definition

The total cash cost per ounce is the cost of producing and selling an ounce of gold from the group’s three hard-rock operations and processing and selling an ounce of gold by treatment of third party sourced refractory concentrate at the POX Hub.

Calculation

TCC are calculated by the group as operating cash costs less co-product revenue. TCC per oz are calculated as total cash costs divided by the ounces of gold sold. TCC per oz are presented on a segment basis.

Operating cash costs are defined by the group as operating cash expenses plus refinery and transportation costs, other taxes and mining tax. This also equates to the group’s segment result as reported under IFRS plus each segment’s loss/gain on disposal of subsidiaries, impairment of ore stockpiles, gold in circuit, bullion in process and flotation concentrate, impairment of exploration and evaluation assets, impairment of mining assets, write-down of inventory to net realizable value, central administration expenses, depreciation minus each segment’s revenue from external customers, bullion in process and flotation concentrate, reversal of impairment of mining assets and in-house service. Operating cash costs are presented on a segment basis.

Operating cash expenses are defined by the group as the total of staff costs, materials, fuel, electricity, other external services, other operating expenses, and the movement in ore stockpiles, work in progress, bullion in process and flotation concentrate attributable to gold production. The main cost drivers affecting operating cash expenses are stripping ratios, production volumes of ore mined / processed, recovery rates, cost inflation and fluctuations in the ruble to US dollar exchange rate.

Other companies may calculate this measure differently.

Relevance

The group closely monitors its current and projected costs to track and benchmark the ongoing efficiency and effectiveness of its operations. This monitoring includes analysing fluctuations in the components that operating cash costs and cost per tonne mined and processed to identify where and how efficiencies may be made.

Reconciliation

The tables below provide a reconciliation between operating expenses and total cash costs to calculate the cash cost per ounce sold for relevant periods.

H1 2021	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Total US$'000
Operating expenses	SPL					**303,652**
Deduct:						
Foreign exchange losses	note 6					**(706)**
Depreciation	note 6					**(62,981)**
Write-down of inventory to net realisable value	note 6					**(145)**
Impairment of gold in circuit	note 6					**(700)**
Central administration expenses	note 6					**(29,579)**
Operating cash costs	note 4	**100,303**	**57,458**	**33,002**	**18,778**	**209,541**
Deduct:						
Corporate and other segment	note 4				**(18,778)**	**(18,778)**
Deduct: silver revenue	note 4	**-**	**-**	**-**	**-**	**-**
Total Cash Costs		**100,303**	**57,458**	**33,002**	**-**	**190,763**
Total ounces sold	oz	**74,932**	**69,895**	**42,238**		**187,064**
Total Cash Cost per ounce sold	US$/oz	**1,339**	**822**	**781**		**1,020**

H1 2020	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Total US$'000
Operating expenses	SPL					378,440
Deduct:						
Foreign exchange gains	note 6					26,710
Depreciation	note 6					(64,660)
Reversal of impairment of ore stockpiles	note 6					15
Reversal of impairment of gold in circuit	note 6					38
Central administration expenses	note 6					(20,671)
Operating cash costs	note 4	199,104	65,529	42,560	12,679	319,872
Deduct:						
Corporate and other segment	note 4				(12,679)	(12,679)
Deduct: silver revenue	note 4	-	-	-	-	-
Total Cash Costs		199,104	65,529	42,560	-	307,193
Total ounces sold	oz	158,844	81,726	71,785		312,354
Total Cash Cost per ounce sold	US$/oz	1,253	802	593		983

FY2020	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Total US$'000
Operating expenses	SPL					840,494
Deduct:						
Foreign exchange gains	note 6					32,647
Depreciation	note 6					(134,079)
Impairment of mining assets	note 6					(58,806)
Impairment of exploration and evaluation assets	note 6					(16,112)
Write-down of inventory to net realisable value	note 6					(1,215)
Impairment of gold in circuit	note 6					(77)
Impairment of bullion in process	note 6					(41)
Central administration expenses	note 6					(61,371)
Operating cash costs	note 4	366,677	106,959	92,307	35,497	601,440
Deduct:						
Corporate and other segment	note 4				(35,497)	(35,497)
Deduct: silver revenue	note 4	(338)	(100)	(196)	-	(634)
Total Cash Costs		366,339	106,859	92,111	-	565,309
Total ounces sold	oz	279,364	140,436	126,658	-	546,458
Total Cash Cost per ounce sold	US$/oz	1,311	761	727	-	1,034

All-in Sustaining Costs (AISC)

Definition

AISC includes both operating and capital costs required to sustain gold production on an ongoing basis, over and above the direct mining and selling costs shown by TCC.

Calculation

AISC are calculated by the group as TCC plus/(minus) impairment/(reversal of impairment) of ore stockpiles, gold in circuit, bullion in process and flotation concentrate, central administration expenses, plus sustaining capitalized stripping, close-down and site restoration, sustaining capital and exploration expenditure and payments under sustaining leases. This is then divided by the ounces of gold sold. AISC are presented on a segment basis.

AISC are calculated in accordance with guidelines for reporting AISC as published by the World Gold Council in June 2013. Other companies may calculate this measure differently.

Relevance

AISC allows for a better understanding of the true cost of producing gold once key components such as central admin costs and the cost of sustaining capital and exploration expenditure are taken into account. Management uses this measure to monitor the performance of our assets and their ability to generate positive cash flows.

Reconciliation

The tables below provide a reconciliation between total cash costs and all-in sustaining costs to calculate all-in sustaining cost per ounce sold for relevant periods.

H1 2021	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Total US$'000
Total Cash Costs		**100,303**	**57,458**	**33,002**	**-**	**190,763**
Impairment of gold in circuit	note 6	**-**	**700**	**-**	**-**	**700**
Write-down of inventory to net realisable value	note 6	**-**	**-**	**31**	**-**	**31**
Central administration expenses	note 6	**11,849**	**11,051**	**6,679**	**-**	**29,579**
Capitalised stripping		**5,375**	**5,138**	**-**	**-**	**10,513**
Close-down and site restoration		**792**	**601**	**250**	**-**	**1,643**
Sustaining exploration expenditure		**71**	**-**	**2,891**	**-**	**2,962**
Sustaining capital expenditure		**6,948**	**7,225**	**11,663**	**-**	**25,836**
Sustaining lease		**318**	**204**	**155**	**-**	**677**
All-in Sustaining Costs		**125,656**	**82,377**	**54,671**	**-**	**262,704**
Total ounces sold	oz	**74,932**	**69,895**	**42,238**		**187,064**
All-in Sustaining Costs per ounce sold	US$/oz	**1,677**	**1,179**	**1,294**	**-**	**1,404**

H1 2020	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Total US$'000
Total Cash Costs		199,104	65,529	42,560	-	307,193
Add:						
Reversal of impairment of ore stockpiles	note 6	-	(15)	-	-	(15)
Reversal of impairment of gold in circuit	note 6	-	(38)	-	-	(38)
Central administration expense	note 6	10,512	5,409	4,750	-	20,671
Capitalised stripping		12,995	10,713	-	-	23,708
Close-down and site restoration		629	-	57	-	686
Sustaining exploration expenditure		362	-	158	-	520
Sustaining capital expenditure		12,393	10,645	3,174	-	26,212
Sustaining lease		149	1,047	857	-	2,053
All-in Sustaining Costs		236,144	93,290	51,556	-	380,990
Total ounces sold	oz	158,844	81,726	71,785	-	312,354
All-in Sustaining Costs per ounce sold	US$/oz	1,487	1,141	718	-	1,220

FY2020	Ref	Pioneer US$'000	Malomir US$'000	Albyn US$'000	Corporate and other US$'000	Total US$'000
Total Cash Costs		366,339	106,859	92,111	-	565,309
Add:						
Impairment of gold in circuit	note 6	77	-	-	-	77
Impairment of bullion in process	note 6	41	-	-	-	41
Central administration expenses	note 6	31,374	15,772	14,225	-	61,371
Capitalised stripping		11,227	22,593	-	-	33,820
Close-down and site restoration		1,264	465	114	-	1,843
Sustaining exploration expenditure		539	-	391		930
Sustaining capital expenditure		25,143	18,094	6,004	-	49,241
Sustaining lease		384	2,116	1,653	-	4,153
All-in Sustaining Costs		436,388	165,899	114,498	-	716,785
Total ounces sold	oz	279,364	140,436	126,658	-	546,458
All-in Sustaining Costs per ounce sold	US$/oz	1,562	1,181	904	-	1,312

All-in Costs (AIC)

Definition

AIC comprises of AISC as well as capital expenditure for major growth projects or enhancement capital for significant improvements at existing operations.

Calculation
AIC are calculated by the group as AISC plus non-sustaining capitalized stripping (when the resulting ore production phase is more than five years), non-sustaining exploration and capital expenditures, (reversal of impairment)/impairment of refractory ore stockpiles and payments under non-sustaining leases. This is then divided by the ounces of gold sold. AIC are presented on a segment basis.

AIC is calculated in accordance with guidelines for reporting AIC as published by the World Gold Council in June 2013. Other companies may calculate this measure differently.

Relevance
AIC reflect the costs of producing gold over the life-cycle of a mine.

Reconciliation
The tables below provide a reconciliation between all-in sustaining costs and all-in costs to calculate all-in cost per ounce sold for relevant periods.

H1 2021	**Ref**	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$'000**	**Total US$'000**
All-in Sustaining Costs		**125,656**	**82,377**	**54,671**	**-**	**262,704**
Add:						
Capitalised stripping		**2,050**	**-**	**-**	**-**	**2,050**
Exploration expenditure		**-**	**1,480**	**-**	**-**	**1,480**
Capital expenditure		**11,374**	**5,688**	**-**	**-**	**17,062**
All-in Costs		**139,080**	**89,545**	**54,671**	**-**	**283,296**
Total ounces sold	oz	**74,932**	**69,895**	**42,238**		**187,064**
All-in Costs per ounce sold	US$/oz	**1,856**	**1,281**	**1,294**	**-**	**1,514**

H1 2020	**Ref**	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$'000**	**Total US$'000**
All-in Sustaining Costs		236,144	93,290	51,556	-	380,990
Add:						
Exploration expenditure		-	1,289	3,359	-	4,648
Capital expenditure		16,075	-	12,103	-	28,178
All-in Costs		252,219	94,579	67,018	-	413,816
Total ounces sold	oz	158,844	81,726	71,785	-	312,354
All-in Costs per ounce sold	US$/oz	1,588	1,157	934	-	1,325

2020	**Ref**	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$'000**	**Total US$'000**
All-in Sustaining Costs		436,388	165,899	114,498	-	716,785
Add:						
Capitalised stripping		8,717	-	-	-	8,717
Exploration expenditure		-	3,109	5,707	-	8,816
Capital expenditure		23,133	3,507	32,168	-	58,808
All-in Costs		468,238	172,515	152,373	-	793,126
Total ounces sold	oz	279,364	140,436	126,658	-	546,458
All-in Costs per ounce sold	US$/oz	1,676	1,228	1,203	-	1,451

Average Realised Gold Sales Price

Definition
The average realized gold sales price is the mean price at which the group sold its gold production output throughout the reporting period, including the realized effect of cash flow hedge contracts during the period.

Calculation
The average realized gold sales price is calculated by dividing total revenue received from gold sales (including the realized effect of any hedging contracts) by the total quantity of gold sold during the period. Other companies may calculate this measure differently.

Relevance
As gold is the key commodity produced and sold by the group, the average realized gold sales price is a key driver behind the group's revenues and profitability.

Reconciliation
The average realized gold price has been calculated as set out in the table below.

	Ref		H1 2021	H1 2020	FY2020
Gold revenue	note 4	US$'000	**335,783**	512,335	955,372
Gold sold		ounces	**187,064**	312,354	546,458
Average realized gold price		US$/oz	**1,795**	1,640	1,748

Capital Expenditure (CAPEX)

Definition
CAPEX is the investment required by the group to explore and develop its gold assets and keep current plants and other equipment at its gold mines in good working order.

Calculation
CAPEX represents cash flows used in investing activities, namely Purchases of property, plant and equipment and Expenditure of exploration and evaluation assets.

Relevance
Capital expenditure is necessary in order not only to maintain but also to develop and grow the business. Capex requirements need to be balanced in line with the group's strategy and provide an optimal allocation of the group's funds.

Reconciliation
The table below provides a reconciliation between capital expenditure and cash flows used in investing activities.

	Ref	H1 2021 US$'000	H1 2020 US$'000	FY2020 US$'000
Purchase of property, plant and equipment	SCF	**58,413**	78,618	151,503
Expenditure on exploration and evaluation assets	SCF	**1,490**	4,648	8,829
Less:				
Capitalised stripping		**(12,563)**	(23,708)	(42,537)
Total Capital Expenditure		**47,340**	59,558	117,795

Net Debt

Definition
Net Debt shows how indebted a company is after total debt and any cash (or its equivalent) are netted off against each other.

Calculation
Net Debt is calculated as the sum of current borrowings and non-current borrowings less cash and cash equivalents. Other companies may calculate this measure differently.

Relevance
Management considers Net Debt a key measure of the Company's leverage and its ability to repay debt as well showing what progress is being made in strengthening the statement of financial position. The measure is also widely used by various stakeholders.

Reconciliation
The table below provides calculation of net debt at relevant reporting dates.

	Ref	30 June 2021 US$'000	31 December 2020 US$'000
Cash and cash equivalents	SFP	**36,536**	35,404
Borrowings	SFP	**(572,094)**	(536,020)
Net debt		**(535,558)**	(500,616)

Underlying EBITDA

Definition
EBITDA is a common measure used to assess profitability without the impact of different financing methods, tax, asset depreciation and amortisation of intangibles and items of an exceptional / non-recurring nature, or those that could make comparison of results from prior periods less meaningful.

Calculation
Underlying EBITDA is calculated as profit/(loss) for the period before financial income, financial expenses, foreign exchange gains and losses, fair value changes, taxation, depreciation, impairment charges/reversal of impairment. Other companies may calculate this measure differently.

Relevance
Underlying EBITDA is an indicator of the group's ability to generate operating cash flows, which are the source of funding for the group's working capital requirements, capital expenditure and debt service obligations. The measure is also widely used by various stakeholders.

Reconciliation
The tables below provide reconciliations between net profit and Underlying EBITDA as well as reconciliation between operating profit and Underlying EBITDA for relevant periods.

	Ref	**H1 2021 US$'000**	H1 2020 US$'000	FY2020 US$'000
Profit/(loss) for the period	SPL	**48,879**	(21,994)	(48,882)
Add/(less):				
Net (impairment reversals)/impairment losses on financial instruments	SPL	**(1,056)**	1,274	(1,000)
Investment and other finance income	SPL	**(3,266)**	(3,962)	(7,754)
Interest expense	SPL	**24,252**	33,383	58,533
Net other finance (gains)/losses	SPL	**(4,683)**	98,893	67,957
Foreign exchange losses/(gains)	note 6	**706**	(26,710)	(32,647)
Taxation	SPL	**20,257**	38,542	76,069
Depreciation	note 6	**62,981**	64,660	134,079
Impairment of mining assets and in-house service	note 6	**-**	-	58,806
Impairment of exploration and evaluation assets	note 6	**-**	-	16,112
Write-down of inventory to net realizable value	note 6	**145**	-	1,215
Reversal of impairment of ore stockpiles	note 6	**-**	(15)	-
Impairment/(reversal of impairment) of gold in circuit	note 6	**700**	(38)	77
Impairment of bullion in process	note 6	**-**	-	41
(Reversal of write-down)/write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell	note 12	**(34,874)**	-	55,798
Share of results of associate [(a)]	note 12	**281**	8,615	(27,680)
Underlying EBITDA		**114,322**	192,648	350,724

H1 2021	Ref	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$'000**	**Consolidated US$'000**
Operating profit	SPL					**48,293**
Foreign exchange losses	note 6					**706**
Segment result	note 4	**11,745**	**39,923**	**31,153**	**(33,822)**	**48,999**
Add/ (less):						
Depreciation	notes 4,6	**22,694**	**27,279**	**11,495**	**1,513**	**62,981**
Write-down of inventory to net realizable value	notes 4,6	**-**	**-**	**31**	**114**	**145**
Impairment of gold in circuit	notes 4,6	**-**	**700**	**-**	**-**	**700**
Underlying EBITDA by segment		**34,439**	**67,902**	**42,679**	**(32,195)**	**112,825**
Share of results of associate	note 12					**1,216**
Share of results of associate [(a)]	note 12					**281**
Underlying EBITDA						**114,322**

(a) *Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognized by an associate and impairment/reversal of impairment recognized against investment in the associate.*

H1 2020	Ref	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$'000**	**Consolidated US$'000**
Operating profit	SPL					144,291
Foreign exchange gains	note 6					(26,710)
Segment result	note 4	36,287	46,987	58,386	(24,079)	117,581
Add/ (less):						

Depreciation	notes 4,6	22,987	23,941	16,607	1,125	64,660
Reversal of impairment of ore stockpiles	notes 4,6	-	(15)	-	-	(15)
Reversal of impairment of gold in circuit	notes 4,6	-	(38)	-	-	(38)
Underlying EBITDA by segment		59,274	70,875	74,993	(22,954)	182,188
Share of results of associate	note 12					1,845
Share of results of associate [(a)]	note 12					8,615
Underlying EBITDA						192,648

(a) *Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognized by an associate and impairment/reversal of impairment recognized against investment in the associate.*

FY2020	Ref	**Pioneer US$'000**	**Malomir US$'000**	**Albyn US$'000**	**Corporate and other US$'000**	**Consolidated US$'000**
Operating profit	SPL					148,040
Foreign exchange gains	note 6					(32,647)
Segment result	note 4	69,926	87,291	26,246	(68,070)	115,393
Add/ (less):						
Depreciation	notes 4,6	49,824	53,771	27,969	2,515	134,079
Impairment of mining assets	notes 4,6	-	-	58,806	-	58,806
Impairment of exploration and evaluation assets	notes 4,6	-	-	16,112	-	16,112
Impairment of bullion in process	notes 4,6	41	-	-	-	41
Impairment of gold in circuit	notes 4,6	77	-	-	-	77
Write-down of inventory to net realizable value	notes 4,6	-	-	-	1,215	1,215
Underlying EBITDA by segment		119,868	141,062	129,133	(64,340)	325,723
Share of results of associate	note 12					52,681
Share of results of associate [(a)]	note 12					(27,680)
Underlying EBITDA						350,724

(a) *Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognized by an associate and impairment/reversal of impairment recognized against investment in the associate.*

ДОГОВОР ПОРУЧИТЕЛЬСТВА
№ 134/21-Р-П

г. Москва

«10» ноября 2021 года

«Газпромбанк» (Акционерное общество), сокращенное наименование – Банк ГПБ (АО), именуемый в дальнейшем **«Кредитор»**, в лице Первого Вице-Президента – начальника Департамента операций на товарных рынках Черного Юрия Витальевича, действующего на основании доверенности от «24» марта 2021г. № Д-12/705, с одной стороны, и

Общество с ограниченной ответственностью «Албынский рудник», именуемое в дальнейшем **«Поручитель»**, в лице Генерального директора Александрова Дениса Владимировича, действующего на основании Устава, с другой стороны, вместе именуемые «Стороны», заключили настоящий договор (**далее – «Договор»**) о нижеследующем:

1. ПРЕДМЕТ ДОГОВОРА

1.1. Поручитель обязывается солидарно с **Обществом с ограниченной ответственностью «Маломырский рудник»**, зарегистрированным за основным государственным регистрационным номером 1092801012281, ИНН 2801147023, именуемым в дальнейшем **«Должник»**, отвечать перед Кредитором за исполнение Должником его обязательств перед Кредитором, возникших из Кредитного соглашения об открытии кредитной линии от «10» ноября 2021 года № 134/21-Р (**далее – Кредитное соглашение**), заключенного между Кредитором и Должником, в тексте которого Кредитор – «Газпромбанк» (Акционерное общество) именуется «Кредитор» или «Банк», а Должник – **Общество с ограниченной ответственностью «Маломырский рудник»** именуется «Заемщик», с текстом которого Поручитель ознакомился до подписания настоящего Договора, копия которого у Поручителя имеется, и имеющего в том числе следующие существенные условия:

Кредитор обязуется открыть Должнику кредитную линию с лимитом задолженности в размере не более: ***4 000 000 000,00 (Четыре миллиарда) рублей со сроком полного окончательного погашения задолженности не позднее «30» июня 2026 года (включительно).***

1.2. Поручитель подтверждает, что он ознакомлен с текстом и со всеми условиями Кредитного соглашения и согласен отвечать за исполнение всех обязательств Должника по Кредитному соглашению.

1.3. При неисполнении или ненадлежащем исполнении Должником обеспеченного поручительством обязательства Поручитель и Должник отвечают перед Кредитором солидарно. Поручитель отвечает перед Кредитором в том же объеме, что и Должник, включая возврат суммы кредита (основного долга), уплату процентов, уплату неустоек (пеней) и иных платежей, установленных Кредитным соглашением, а также возмещение судебных издержек по взысканию долга и других расходов, убытков Кредитора, вызванных неисполнением или ненадлежащим исполнением обязательств Должником.

1.4. Изменение обязательств Должника, в том числе увеличение суммы долга перед Кредитором и/или размера процентов, не прекращает поручительство. В случае изменения размера и/или срока исполнения Должником его обязательств по Кредитному соглашению, при условии, что в результате такого изменения размер требований по данным обязательствам (как одного требования, так и двух и более требований) и/или срок их исполнения увеличится не более чем в два раза по сравнению с их размером и/или сроком исполнения, указанными в Кредитном соглашении с учетом дополнительных соглашений к Кредитному соглашению, данные обязательства считаются обеспеченными поручительством Поручителя по настоящему Договору в измененном виде, в том числе с учетом измененных размеров процентной ставки, комиссий, неустоек и сроков исполнения обязательств.

В случае если Кредитор потребует досрочного исполнения обязательств Должника по Кредитному соглашению в порядке, установленном Кредитным соглашением, данные обязательства также считаются обеспеченными поручительством Поручителя по настоящему Договору.

1.5. Настоящим Поручитель также выражает свое согласие солидарно с Должником отвечать в полном объеме за исполнение обязанностей по Кредитному соглашению новым должником, к которому права и обязанности Должника по Кредитному соглашению перешли в порядке правопреемства, в том числе в порядке правопреемства в результате реорганизации Должника.

1.6. Настоящим Поручитель выражает свое согласие солидарно с Должником отвечать в полном объеме за исполнение обязательств по Кредитному соглашению независимо от наличия либо отсутствия иного обеспечения исполнения обязательств Должника по Кредитному соглашению, в том числе если на момент возникновения поручительства (в период действия поручительства) по настоящему Договору такое обеспечение существовало (возникло), но впоследствии было утрачено, или условия такого обеспечения ухудшились по обстоятельствам, не зависящим от Кредитора. Поручитель в случае утраты или ухудшения условий обеспечения не освобождается от ответственности в той мере, в какой Поручитель мог потребовать возмещения за счет утраченного обеспечения.

2. ПРАВА И ОБЯЗАННОСТИ СТОРОН

2.1. В случае неисполнения или ненадлежащего исполнения Должником своих обязательств по Кредитному соглашению, в том числе в случае предъявления Кредитором требования досрочного возврата кредита (основного долга) и уплаты причитающихся процентов в соответствии с условиями Кредитного соглашения, Кредитор вправе направить Поручителю по адресу, указанному в статье 7 настоящего Договора, курьером или заказным почтовым отправлением (заказным письмом с уведомлением о вручении) или телеграфным сообщением письменное уведомление о неисполнении или ненадлежащем исполнении Должником обязательств по Кредитному соглашению.

2.2. Поручитель обязуется исполнить за Должника все неисполненные или ненадлежащим образом исполненные обязательства в соответствии с пунктом 1.1 настоящего Договора.

2.3. В целях своевременного и надлежащего исполнения обязательства Поручителя по настоящему Договору Поручитель настоящим предоставляет Кредитору безусловное и безотзывное право по истечении 5 (Пяти) рабочих дней с даты получения Поручителем письменного уведомления в соответствии с пунктом 2.2 настоящего Договора производить списание средств инкассовыми поручениями (без дополнительных распоряжений Поручителя) со счетов, открытых Поручителю:

- в «Газпромбанк» (Акционерное общество).

Право производить списание средств инкассовыми поручениями (без дополнительных распоряжений Поручителя) со счетов, открытых Поручителю, предоставляется Поручителем Кредитору на весь срок действия настоящего Договора.

В случае если на счетах, открытых Поручителю в Банке ГПБ (АО), в валюте, в которой предоставлен кредит (кредиты) Должнику, отсутствуют денежные средства в размере, достаточном для надлежащего исполнения обязательств Поручителя по возврату за Должника кредита (кредитов), предоставленного Должнику (Заемщику), и/или уплате начисленных за пользование кредитом (кредитами) процентов (исполнения иных обязательств Должника, обеспеченных поручительством), Поручитель предоставляет Банку ГПБ (АО) право списать по курсу Банка ГПБ (АО) на день проведения такого списания средства, находящиеся на счетах, открытых Поручителю в Банке ГПБ (АО) в валютах, отличных от валюты, в которой предоставлен кредит (кредиты) Должнику, в сумме, необходимой для надлежащего исполнения

Поручителем обязательств по возврату за Должника кредита (кредитов) и/или уплате начисленных за его пользование процентов (исполнения иных обязательств Должника, обеспеченных поручительством).

2.4. В случае если полученная от Поручителя сумма денежных средств недостаточна для исполнения обязательств в полном объеме, погашение (исполнение) обязательств производится в очередности, установленной условиями Кредитного соглашения.

2.5. После выполнения Поручителем его обязательств перед Кредитором к нему переходят права Кредитора в том объеме, в котором Поручитель удовлетворил требование Кредитора, с учетом положений пунктов 4.9, 4.10 настоящего Договора. Документы, удостоверяющие требование к Должнику, Кредитор, с учетом положений пунктов 4.11, 4.12 настоящего Договора, обязан вручить Поручителю в течение 3 (трех) рабочих дней, при условии, что все обязательства Должника исполнены Поручителем в полном объеме (пункты 2.1, 2.2 настоящего Договора).

2.6. Поручитель не вправе выдвигать против требований Кредитора возражения, которые мог бы представить ему Должник, а именно возражения:

- о ничтожности Кредитного соглашения либо о недействительности Кредитного соглашения как оспоримой сделки, признанной таковой судом;
- о неисполнении либо ненадлежащем исполнении Кредитором обязанностей, установленных законом или Кредитным соглашением;
- об истечении исковой давности по требованию Кредитора;
- о прекращении обязательств по Кредитному соглашению по основаниям, установленным законом или Кредитным соглашением (статья 407 Гражданского кодекса Российской Федерации);
- о снижении суммы неустойки, подлежащей уплате Должником, на основании статьи 333 Гражданского кодекса Российской Федерации.

2.7. Поручитель обязан исполнить за Должника все неисполненные или ненадлежащим образом исполненные обязательства независимо от наличия у Кредитора возможности получить удовлетворение своего требования путем его зачета против требования Должника.

2.8. Поручитель несет ответственность по своим обязательствам перед Кредитором всем своим имуществом.

2.9. Кредитор, при условии последующего письменного уведомления Поручителя, вправе предоставлять всю информацию и документацию по настоящему Договору, в том числе информацию (документацию) в отношении Поручителя, любым лицам, которым Кредитор передает (или намерен передать) свои права по настоящему Договору, в том числе цессионарию или иному контрагенту; лицам, с которыми Кредитор заключил (намерен заключить) соглашение кредиторов о порядке удовлетворения их требований к Заемщику; оценщикам, профессиональным консультантам и представителям лиц, указанных в настоящем пункте Договора; иным лицам в случаях, когда такое предоставление информации (документации) необходимо для реализации прав Кредитора, предусмотренных настоящим Договором и/или законодательством Российской Федерации, и/или для защиты законных интересов Кредитора.

2.10. В связи с возложением Заемщиком на Поручителя обязанности по возврату Кредита, уплате начисленных за его пользование процентов, неустоек в сроки, установленные Кредитным соглашением, Кредитор настоящим подтверждает свою обязанность в соответствии со статьей 313 ГК РФ принять от Поручителя исполнение, предложенное им за Заемщика в день наступления обязанности Заемщика по Кредитному соглашению возвратить кредит, уплатить начисленные за его пользование проценты, неустойки.

Поручитель вправе исполнить предусмотренное настоящим пунктом обязательство посредством перечисления денежных средств со счетов, открытых Поручителю в

Банке ГПБ (АО) и /или со счетов Поручителя, открытых в других кредитных организациях на корреспондентский счет Банка, указанный в статье 10 настоящего Договора.

2.11. Настоящим Поручитель безусловно и безотзывно подтверждает свое согласие с тем, что права и полномочия, которыми наделяется Кредитор в соответствии с условиями настоящего Договора, являются совокупными и дополняют друг друга. Неосуществление (полное или частичное) Кредитором, в том числе в момент наступления событий, указанных в статьях 1, 2 настоящего Договора, своих прав, предусмотренных настоящим Договором, или задержка в их осуществлении не являются отказом Кредитора от осуществления таких прав и не препятствуют осуществлению этих прав в последующем. Единичное и/или частичное осуществление Кредитором своих прав, предоставленных ему настоящим Договором, также не является отказом Кредитора от осуществления прав и не является основанием для прекращения иных прав, имеющихся у Кредитора в соответствии с настоящим Договором.

2.12. Поручитель обязывается:

2.12.1. В случае внесения изменений в учредительные документы Поручителя предоставить Кредитору надлежащим образом удостоверенные копии соответствующих документов в течение 10 (десяти) рабочих дней с даты государственной регистрации изменений.

2.12.2. Не разглашать в любой форме любую информацию, касающуюся условий настоящего Договора, а также любую информацию о Кредиторе без письменного согласия Кредитора, за исключением случаев исполнения обязанности по предоставлению информации в соответствии с императивными нормами законодательства Российской Федерации.

2.12.3. Незамедлительно (не позднее дня опубликования соответствующих сведений в едином федеральном реестре сведений о фактах деятельности юридических лиц) уведомлять Кредитора об обращении взыскания на основании исполнительных документов на принадлежащее Поручителю недвижимое имущество, а также на любое имущество, входящее в состав основных средств, с указанием размера требований по соответствующему исполнительному документу и очередности обращения взыскания на имущество, а в случае выдачи (составления) исполнительных документов, в которых прямо указано на обращение взыскания на названное имущество, - незамедлительно уведомить Кредитора о факте выдачи (составления) такого исполнительного документа независимо от факта предъявления/ непредъявления исполнительного документа к исполнению.

2.12.4. Письменно уведомлять Кредитора о перечисленных ниже обстоятельствах в течение 10 (десяти) рабочих дней с даты их возникновения:

2.12.4.1. Изменение более чем на 20 (Двадцать) процентов состава участников Поручителя. Изменение персонального состава органов управления Поручителя. Возникновение обременения правами третьих лиц более чем 25 (Двадцати пяти) процентов долей от зарегистрированного уставного капитала Поручителя.

2.12.4.2. Предъявление Поручителю материальных претензий (в том числе судебных исков, претензий, требований об уплате и/или возврате денежных средств, требований по трудовым спорам и прочих) со стороны третьих лиц на сумму, превышающую 10 (Десять) процентов от балансовой стоимости активов Поручителя по данным бухгалтерской отчетности на последнюю отчетную дату.

2.12.4.3. Начало процесса ликвидации, реорганизации Поручителя, за исключением случаев, когда в результате такой реорганизации к Поручителю перейдут все обязанности по Договору и это не окажет существенного негативного воздействия на возможность Поручителя исполнять свои обязанности по Договору, или принятие решения о признании Поручителя несостоятельным (банкротом).

2.12.4.4. Наступление или возникновение вероятности наступления иных обстоятельств, очевидно свидетельствующих о невозможности Поручителя исполнять свои обязательства по настоящему Договору в силу ухудшения финансового положения.

2.12.5. Уведомлять Кредитора в течение 10 (Десяти) рабочих дней с даты направления соответствующего запроса Поручителю об открытых Поручителем счетах в других кредитных организациях.

2.12.6. Самостоятельно получать информацию о размере долга, изменении условий Кредитного соглашения у Кредитора или Должника (по своему выбору) с разумной периодичностью.

2.12.7. Предоставлять Кредитору:

Ежеквартально, не позднее 15 апреля (применительно к годовой отчетности), 15 мая, 15 августа, 15 ноября (применительно к отчетности за 1, 2, 3 кварталы соответственно) каждого календарного года в течение срока действия настоящего Договора, копии/оригиналы следующих документов:

– баланс и отчет о финансовых результатах (к годовой бухгалтерской отчетности - отчет об изменении капитала, отчет о движении денежных средств и пояснительную записку);

– сведения и расшифровки к статьям бухгалтерской отчетности;

– справку о наличии/отсутствии картотеки № 2 (расчетных документов, не оплаченных в срок) по всем открытым расчётным (текущим) счетам;

– справку о наличии/отсутствии просроченной задолженности перед бюджетами всех уровней и внебюджетными фондами;

– справку о наличии/отсутствии просроченной задолженности перед работниками по заработной плате;

– справку о наличии (с указанием сумм)/отсутствии судебных разбирательств и ограничений операций по счетам;

– справку о наличии/отсутствии «скрытых потерь» (в том числе просроченной дебиторской задолженности), под которые не сформированы резервы;

– иные документы по отдельному письменному запросу Банка ГПБ (АО).

Ежегодно, не позднее 10 (Десяти) рабочих дней после получения аудиторского заключения, итоговую часть аудиторского заключения, подтверждающего достоверность бухгалтерской отчетности Поручителя за последний отчетный год.

Предоставляемые копии документов бухгалтерской (финансовой) отчетности должны быть заверены в установленном порядке (с круглой печатью (при наличии), подписью руководителя или лиц, уполномоченных заверять указанные документы на основании предоставленных доверенностей). Копии документов годовой бухгалтерской (финансовой) отчетности должны иметь отметку об их получении налоговым органом по месту государственной регистрации Поручителя или документ, подтверждающий получение налоговым органом отчетности по электронным каналам связи или по почте.

Дата (день) представления Поручителем документов бухгалтерской отчетности и иных документов, предусмотренных настоящим пунктом, определяется по дате фактического получения вышеуказанных документов Кредитором.

3. ОТВЕТСТВЕННОСТЬ СТОРОН

3.1. В случае неисполнения Поручителем обязательства, указанного в пункте 2.2 настоящего Договора, в срок не позднее 5 (Пяти) рабочих дней с даты направления Кредитором уведомления о неисполнении или ненадлежащем исполнении Должником обязательств в соответствии с пунктом 1.1 настоящего Договора Кредитор вправе потребовать уплату неустойки (пени) в размере 0,05 (Ноль целых пять сотых) процента от суммы неисполненного или ненадлежащим образом исполненного обязательства за каждый день просрочки платежа путем направления Кредитором Поручителю письменного уведомления об уплате неустойки. За неисполнение или ненадлежащее исполнение обязательств, возникших из настоящего Договора, Стороны несут ответственность в соответствии с законодательством Российской Федерации.

4. СРОК ДЕЙСТВИЯ ДОГОВОРА. ОСОБЫЕ УСЛОВИЯ

4.1. Настоящий Договор вступает в силу со дня его подписания и действует **до «30» июня 2029 года.**

4.2. Поручительство прекращается по истечении срока, указанного в пункте 4.1 настоящего Договора.

Прекращение обязательств Должника по Кредитному соглашению влечет за собой прекращение обязательств Поручителя по настоящему Договору, если иное не предусмотрено законодательством Российской Федерации или настоящим Договором.

При прекращении обеспечиваемых поручительством обязательств в связи с ликвидацией Заемщика (его правопреемника) после того, как Кредитор предъявил в суд или в ином установленном законом порядке требование к Поручителю, поручительство не прекращается.

4.3. Все изменения и дополнения к настоящему Договору действительны только в том случае, если составлены в письменной форме и подписаны уполномоченными представителями обеих Сторон.

4.4. Споры по настоящему Договору рассматриваются в Арбитражном суде города Москвы.

4.5. Для целей соблюдения досудебного порядка урегулирования спора, обязательного в соответствии с положениями Арбитражного процессуального кодекса Российской Федерации, Стороны определили:

4.5.1. Срок для рассмотрения Поручителем претензии от Кредитора и для принятия мер по досудебному урегулированию такой претензии (в совокупности) составляет 30 (тридцать) рабочих дней от даты направления претензии Кредитором.

4.5.2. Срок для рассмотрения Кредитором претензии от Поручителя и для принятия мер по досудебному урегулированию такой претензии (в совокупности) составляет 30 (тридцать) рабочих дней от даты направления претензии Поручителем.

4.6. Любое уведомление или иное сообщение, направляемое Сторонами друг другу по настоящему Договору, должно быть совершено в письменной форме, подписано уполномоченным лицом и направлено курьером или заказным почтовым отправлением (заказным письмом с уведомлением о вручении) или телеграфным сообщением по адресу, указанному в статье 7 настоящего Договора.

4.7. Поручитель в соответствии с настоящим Договором обязывается также нести перед Кредитором солидарную ответственность (отвечать) за исполнение Должником обязательств Должника перед Кредитором, возникших из судебных решений о применении последствий недействительности сделки (Кредитного соглашения). При неисполнении или ненадлежащем исполнении Должником указанного в настоящем пункте обязательства из реституции Поручитель и Должник отвечают перед Кредитором солидарно.

Поручитель отвечает перед Кредитором в том же объеме, что и Должник, включая возврат полученного по признанному недействительным/незаключенным Кредитному соглашению кредита (основного долга), уплату процентов (в том числе за пользование чужими денежными средствами), возврат неосновательного обогащения, уплату неустоек (пеней) и иных платежей, установленных законодательством Российской Федерации и соответствующим решением суда, а также возмещение судебных издержек по взысканию долга и других убытков Кредитора, вызванных неисполнением или ненадлежащим исполнением обязательств Должником, указанных в настоящем пункте.

4.8. К Договору применяется законодательство Российской Федерации.

4.9. К Поручителю, исполнившему часть обеспеченных поручительством по настоящему Договору обязательств Заёмщика перед Кредитором, переходят права Кредитора по Кредитному соглашению в том объеме, в котором Поручитель удовлетворил требование Кредитора. При этом права по договорам, заключенным в обеспечение исполнения обязательств Заемщика перед Кредитором по Кредитному соглашению (обеспечительные обязательства), к Поручителю не переходят.

4.10. В случае если законодательством Российской Федерации будут установлены иные правила определения объема прав, переходящих к Поручителю, исполнившему часть обеспеченных поручительством обязательств, нежели правила, установленные в пункте 4.9 настоящего Договора, то к Поручителю, исполнившему часть обеспеченных поручительством по настоящему Договору обязательств Заёмщика перед Кредитором, переходят права Кредитора по Кредитному соглашению в том объеме, в котором Поручитель удовлетворил требование Кредитора. При этом:

а) если в случае частичного исполнения Поручителем обязательств перед Кредитором залог имущества будет обеспечивать исполнение обязательств Заемщика как перед Кредитором, так и перед Поручителем (частично исполнившим обязательства Заемщика перед Кредитором), Поручитель не вправе осуществлять свои вновь приобретенные права залогодержателя во вред Кредитору и/или его правопреемнику, в том числе не имеет права на удовлетворение своих требований к Заемщику (третьим лицам, предоставившим обеспечение исполнения обязательства Заемщика) из стоимости заложенного имущества до полного удовлетворения требований Кредитора и/или его правопреемника,

б) к Поручителю, частично исполнившему обязательство Заемщика, не переходят права по иным обеспечительным сделкам.

4.11. При переходе прав Кредитора к Поручителю в связи с удовлетворением Поручителем требования Кредитора Кредитор обязан вручить Поручителю документы, удостоверяющие требование к Заемщику, и передать права, обеспечивающие это требование, только после полного исполнения (исполнения в полном объеме) Поручителем или Поручителем и Заемщиком обязательств перед Кредитором по обеспеченному поручительством обязательству.

4.12. В случае возникновения у Кредитора обязанности вручить Поручителю документы, удостоверяющие требование к Заемщику, такие документы передаются Кредитором исполнившему это требование Поручителю в течение 3 (трех) рабочих дней с момента получения Кредитором требования Поручителя о передаче таких документов Поручителю. Документы передаются Кредитором по адресу Поручителя, указанному в настоящем Договоре, или иному адресу, согласованному Кредитором и Поручителем.

4.13. Сведения о Поручителе по настоящему Договору передаются в бюро кредитных историй в соответствии с положениями Федерального закона от 30.12.2004 года № 218-ФЗ «О кредитных историях».

5. ЗАЯВЛЕНИЯ И ЗАВЕРЕНИЯ ПОРУЧИТЕЛЯ

5.1. Поручитель заявляет и заверяет, что:

5.1.1. Является юридическим лицом, созданным в установленном порядке и осуществляющим свою деятельность в соответствии с законодательством Российской Федерации, имеет права и полномочия на владение своим имуществом, активами и доходами и для осуществления своей деятельности в ее нынешнем виде.

5.1.2. Имеет право заключить настоящий Договор, а также исполнять обязательства, предусмотренные настоящим Договором.

5.1.3. Поручителем были приняты все необходимые корпоративные решения, были получены или совершены и являются действительными все необходимые разрешения, одобрения, согласования, лицензии, освобождения, регистрации, нотариальные удостоверения, необходимые для заключения настоящего Договора и исполнения обязательств по настоящему Договору.

5.1.4. Настоящий Договор является законным, действительным и обязательным для исполнения Поручителем, а также может быть принудительно исполнен в отношении Поручителя в соответствии с условиями настоящего Договора и положениями законодательства Российской Федерации.

5.1.5. Принятие и исполнение Поручителем обязательств по настоящему Договору не влечет за собой нарушения какого-либо из положений учредительных документов и внутренних актов Поручителя, нарушения обязательств перед третьими лицами по договорам, стороной которых является Поручитель, нарушения какого-либо судебного решения или административного акта, нарушения положений законодательства Российской Федерации.

5.1.6. Не наступил и не имеет места какой-либо факт неисполнения или ненадлежащего исполнения Поручителем обязательств по любому иному договору, стороной которого является Поручитель, в объеме, превышающем 10 (Десять) процентов от балансовой стоимости активов Поручителя по данным бухгалтерской отчетности на последнюю отчетную дату, способный оказать отрицательное воздействие на способность Поручителя исполнять свои обязательства по настоящему Договору.

5.1.7. Отчетность, которая была или будет представлена Поручителем Кредитору по настоящему Договору, содержит достоверные и точные сведения и подготовлена или будет подготовлена в соответствии с нормами законодательства Российской Федерации.

5.1.8. Не принято каких-либо судебных, арбитражных или административных решений о взыскании с Поручителя денежных средств или иного имущества, сумма или стоимость которых превышает 10 (Десять) процентов от балансовой стоимости активов Поручителя по данным бухгалтерской отчетности на последнюю отчетную дату и которые могли бы повлечь негативные последствия для исполнения Поручителем своих обязательств по настоящему Договору.

5.1.9. Поручитель не имеет просроченной задолженности по уплате налогов, сумма которой превышает 10 (Десять) процентов от балансовой стоимости активов Поручителя по данным бухгалтерской отчетности на последнюю отчетную дату, просрочка уплаты которой длится не менее 3 (трех) месяцев и которая не была им добросовестно опротестована.

5.1.10. Поручителю не известно о фактах получения каким-либо судом заявления третьего лица либо заявления самого Поручителя о признании Поручителя несостоятельным (банкротом) и/или о возбуждении в отношении Поручителя процедуры банкротства и/или об опубликовании иной кредитной организацией уведомления о намерении обратиться с заявлением о признании Поручителя банкротом путем включения его в Единый государственный реестр сведений о фактах деятельности юридических лиц. Поручителем не принято решение о своей добровольной ликвидации (банкротстве), соответствующим судом не принято решение о ликвидации (банкротстве) Поручителя, в отношении Поручителя не введена процедура наблюдения, либо внешнего управления, либо финансового оздоровления, либо иные аналогичные действия и меры.

5.1.11. Вся информация, представленная Поручителем Кредитору в связи с настоящим Договором, является верной, полной и точной, и Поручитель не скрыл обстоятельств, которые могли бы, в случае их выяснения, негативно повлиять на решение Кредитора о предоставлении кредита Должнику в соответствии с условиями Кредитного соглашения.

5.1.12. Поручителю известно об уголовной ответственности руководителя Должника за незаконное получение кредита путем представления заведомо ложных сведений о хозяйственном положении либо финансовом состоянии, предусмотренной статьей 176 Уголовного кодекса Российской Федерации, а также за злостное уклонение от погашения кредиторской задолженности, предусмотренной статьей 177 Уголовного кодекса Российской

Федерации.

5.1.13. Все представленные Кредитору учредительные и иные необходимые для правового анализа документы действительны и представлены Поручителем в полном объеме с учетом всех внесенных в них и зарегистрированных в установленном порядке изменений.

5.1.14. Участниками Поручителя договор об осуществлении прав участников Поручителя, предусмотренный статьей 8 Федерального закона от 08.02.1998 года № 14-ФЗ «Об обществах с ограниченной ответственностью», статьей 67.2 Гражданского кодекса Российской Федерации, согласно которому участники обязуются осуществлять определенным образом свои права и/или воздерживаться от осуществления указанных прав, не заключался.

5.1.15. Поручитель не осуществляет деятельность в сферах деятельности субъектов естественных монополий, не включен в реестр субъектов естественных монополий.

5.1.16. Подписи должностных лиц Поручителя, уполномоченных на подписание от имени Поручителя документов, представленных Поручителем Кредитору в связи с заключением и исполнением настоящего Договора, а также оттиски печатей на соответствующих документах, подлинны.

5.1.17. Все копии документов, представленные Поручителем Кредитору, являются полными, достоверными и точными копиями оригиналов соответствующих документов.

5.1.18. Документ, подписанный Электронной подписью и направленный Поручителем в электронном виде с использованием Системы электронного документооборота в соответствии с условиями настоящего Договора, является надлежащим образом оформленным волеизъявлением Поручителя, и подписан уполномоченным лицом Поручителя.

Электронная подпись – усиленная электронная подпись, соответствующая требованиям Федерального закона от 06.04.2011 года № 63-ФЗ «Об электронной подписи», использование которой осуществляется с применением Системы электронного документооборота.

Система электронного документооборота – Система «Клиент-Банк.WEB» или иная система электронного документооборота, предоставляющая возможность обмена документами в электронном виде, подписанными с использованием Электронной подписи, на основании заключенного Поручителем и Кредитором, в том числе с использованием Электронной подписи, соответствующего соглашения об использовании Системы электронного документооборота.

Система «Клиент-Банк.WEB» – корпоративная информационная система Кредитора, предназначенная для обмена электронными документами между Сторонами Договора, предоставляющая возможность обмениваться электронными документами Поручителю с Кредитором через сеть Интернет и Web-интерфейс.

5.1.19. Настоящим Стороны договорились о возможности:

- предоставления Поручителем и Кредитором друг другу документов/копий документов, в том числе юридически значимых сообщений (с использованием усиленной неквалифицированной Электронной подписи Поручитель вправе предоставлять документы/копии документов, предусмотренные ниже), составленных в форме электронного документа, подписанного Электронной подписью в соответствии с соглашением об использовании Системы электронного документооборота;

- использования Системы электронного документооборота в порядке, установленном соглашением об использовании Системы электронного документооборота, в качестве канала связи для направления Поручителем и Кредитором друг другу документов, составленных в форме электронного документа и подписанных Электронной подписью уполномоченного лица, соответственно, Поручителя или Кредитора с соблюдением дополнительных требований к оформлению и направлению документов, которые доводятся до Поручителя Кредитором отдельно;

- внесения изменений в Договор, за исключением размера и срока денежного обязательства и/или изменения предмета залога, посредством обмена Сторонами электронными документами, подписанными Электронной подписью с использованием Системы электронного документооборота.

5.1.20. Возможность направления Поручителем документов/копий документов в электронном виде с использованием Системы электронного документооборота, подписанных усиленной неквалифицированной Электронной подписью, распространяется на следующие документы:

а) финансовые документы (финансовая (бухгалтерская) отчетность, расшифровки и прочее);

б) документы, подтверждающие выполнение обязательств по настоящему Договору;

в) заявления, уведомления, извещения, требования, претензии или иные юридически значимые сообщения, направляемые в рамках настоящего Договора;

г) документы для внесения изменений в настоящий Договор, за исключением изменения размера и срока денежного обязательства.

5.1.21. Документы/копии документов направляются в форме, соответствующей настоящему Договору и требованиям Кредитора. Кредитор вправе отказать Поручителю в приёме в электронном виде документов, изначально составленных третьими лицами, а не Поручителем. Об отказе в приеме документа Кредитор сообщает Поручителю путем направления соответствующего сообщения посредством Системы электронного документооборота не позднее 10 (десяти) рабочих дней с даты поступления документа Кредитору.

5.1.22. Кредитор вправе потребовать от Поручителя дополнительного предоставления документов, предоставленных с использованием Системы электронного документооборота, на бумажном носителе. Поручитель обязуется предоставить такие запрошенные документы на бумажном носителе в срок, указанный в требовании Кредитора.

5.1.23. Электронный документ, подписанный Электронной подписью уполномоченного лица Поручителя и/или Кредитора, считается документом, имеющим равную юридическую силу с надлежащим образом оформленным документом на бумажном носителе, подписанным (заверенным) собственноручной подписью уполномоченного лица и заверенного печатью (при наличии таковой).

5.1.24. Кредитор вправе в одностороннем порядке отказаться от приема документов в электронном виде полностью или частично, направив соответствующее уведомление Поручителю с использованием Системы электронного документооборота. Прием документов в электронном виде полностью или частично прекращается Кредитором с даты направления Кредитором соответствующего уведомления Поручителю с использованием Системы электронного документооборота.

5.2. На протяжении всего периода действия настоящего Договора Поручитель обязуется:

5.2.1. Незамедлительно, но не позднее 5 (пяти) рабочих дней с даты, когда Поручителю стало об этом известно, поставить Кредитора в известность относительно любого факта, заявления и заверения в отношении которого указаны в пункте 5.1. настоящего Договора, способного существенным образом негативно повлиять на способность Поручителя исполнить свои обязательства перед Кредитором по настоящему Договору.

5.2.2. Вести надлежащий бухгалтерский учет и отчетность, отражающие все его финансовые и хозяйственные операции.

5.2.3. В течение 3 (трех) рабочих дней с даты наступления какого-либо факта неисполнения Поручителем обязательств перед третьими лицами на сумму, превышающую 10 (Десять) процентов от балансовой стоимости активов Поручителя по данным бухгалтерской отчетности на последнюю отчетную дату, представлять Кредитору письменное уведомление с изложением подробностей, а также предлагаемых Поручителем мер по исправлению ситуации.

5.2.4. Если иное предварительно не согласовано с Кредитором, воздерживаться от совершения сделок, в результате которых отчуждается или возникает возможность условного отчуждения[1] (залог, лизинг и др.) однократно или частями, безвозмездно или с представлением Поручителю несоразмерного возмещения[2] (встречного предоставления), в пользу третьих лиц имущества, балансовая стоимость которого превышает 10 (Десять) процентов от балансовой стоимости активов Поручителя по данным бухгалтерской отчетности на последнюю отчетную дату.

5.2.5. Если иное предварительно не согласовано с Кредитором, воздерживаться от досрочного исполнения денежных обязательств, балансовая стоимость которых на дату вышеуказанного исполнения составляет 10 (десять) и более процентов от балансовой стоимости активов Поручителя по данным бухгалтерской отчетности на последнюю отчетную дату.

5.3. Поручитель признает, что Кредитор заключает настоящий Договор, полностью полагаясь на заявления и заверения Поручителя, изложенные в настоящей статье Договора, и что ответственность за несоответствие действительности каких бы то ни было положений настоящей статьи (в том числе влекущее за собой признание настоящего Договора полностью либо частично недействительным) целиком несет на себе Поручитель независимо от того, было ли ему известно о недостоверности соответствующих заявлений и/или заверений.

5.4. Поручитель заявляет и заверяет, что содержащиеся в настоящей статье Договора заявления и заверения соответствуют действительности на дату заключения Договора и будут действительными и полностью соответствовать действительности в течение всего срока действия настоящего Договора, если не произойдут изменения в части отдельных заявлений и заверений, содержащихся в настоящей статье Договора, о каждом из которых Поручитель будет информировать Кредитора незамедлительно после того, как Поручителю стало известно о соответствующем изменении.

6. ЗАКЛЮЧИТЕЛЬНЫЕ ПОЛОЖЕНИЯ

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[1] Под отчуждением понимается:

- передача имущества при обстоятельствах, когда такая передача является основанием возникновения заемного или иного обязательства, по которому Поручитель является должником;
- передача имущества в качестве исполнения обязательства;
- невостребование Поручителем причитающегося ему имущества с допущением отсрочки или на иных условиях.

[2] Несоразмерным возмещением (встречным предоставлением) считаются:

- уплата Поручителю (получение Поручителем) денежных средств в рублях и/или иностранной валюте в сумме на 30 (тридцать) процентов меньшей, чем балансовая стоимость отчуждаемого за них имущества Поручителя по данным бухгалтерской отчетности на последнюю отчетную дату;
- поступление денежных средств в рублях и/или иностранной валюте на банковский счет Поручителя в кредитной организации после приостановления этой кредитной организацией исполнения денежных обязательств;
- предоставление Поручителю (получение Поручителем) прав требования по заемным денежным обязательствам (отсрочка платежа за отчужденное имущество) с возможностью отсрочки исполнения по таким обязательствам сроком свыше 180 (ста восьмидесяти) календарных дней, а если Поручитель перед этим допустил неисполнение своих обязательств перед Кредитором или третьими лицами - свыше 30 (тридцати) календарных дней;
- передача Поручителю (получение Поручителем) имущества (кроме ценных бумаг), рыночная стоимость (цена) которого определена в соответствии со статьей 40 Налогового кодекса Российской Федерации на дату сделки на 30 (тридцать) и более процентов меньше балансовой стоимости имущества, отчужденного Поручителем против вышеуказанного имущества согласно его балансу за последний отчетный период;
- передача Поручителю (получение Поручителем) ценных бумаг, рыночная стоимость которых на дату сделки на 30 (тридцать) и более процентов меньше балансовой стоимости имущества, отчужденного Поручителем против вышеуказанного имущества согласно его балансу за последний отчетный период.

6.1. Стороны обязуются письменно уведомлять друг друга о предстоящем изменении своих адресов, номеров телексов, факсов, телефонов и иных реквизитов не менее чем за 10 (десять) рабочих дней до даты изменений.

6.2. Настоящий Договор составлен в 3 (трех) экземплярах, идентичных по своему содержанию, обладающих одинаковой юридической силой, в том числе один экземпляр для Поручителя, два экземпляра для Кредитора.

7. АДРЕСА И РЕКВИЗИТЫ СТОРОН

ПОРУЧИТЕЛЬ	675000, РФ, Амурская область, г. Благовещенск, ул. Ленина, д. 140/1, ИНН – 2801138741, КПП – 280101001, ОГРН – 1082801011380, ОКПО – 76802759, р/с 40702810400000007222 в Банке ГПБ (АО), БИК 044525823, к/с 30101810200000000823 в ГУ Банка России по ЦФО
КРЕДИТОР	117420, г. Москва, ул. Наметкина, дом 16, корпус 1, ИНН 7744001497, корсчет 30101810200000000823 в ГУ Банка России по ЦФО, л/с № 47422810100000000051, БИК 044525823 **Реквизиты в долларах США:** Citibank N.A., New York SWIFT: CITIUS33 Account: 36141825. Для зачисления на счет 47422840200000000044 **Реквизиты в евро:** Bank GPB International S.A., Luxembourg SWIFT: GAZPLULL Account: LU643790111780352004. Для зачисления на счет 47422978800000000044

Подписи Сторон:

От имени Кредитора Первый Вице-Президент – начальник Департамента операций на товарных рынках	**От имени Поручителя** Генеральный директор
____________/Черный Ю.В./	____________/Александров Д.В./

Прошито, пронумеровано и скреплено печатью 12 (Двенадцать) листа

Первый Вице-Президент – начальник Департамента операций на товарных рынках	Генеральный директор
____________ /Черный Ю.В./	/____________ /Александров Д.В./