

In the High Court of Justice Case No. CR-2022-002121

Petropavlovsk PLC (In Administration)

THE JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

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Disclaimer Notice

- This Statement of Proposals has been prepared by Allister Manson, Trevor Binyon and Joanne Rolls, the Joint Administrators of Petropavlovsk PLC, solely to comply with their statutory duty under Paragraph 49 of Schedule B1 of the Insolvency Act 1986 and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.
- Any estimated outcomes for creditors included in this Statement of Proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.
- Any person that chooses to rely on this document for any purpose or in any context other than under Paragraph 49 of Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Statement of Proposals.
- The Joint Administrators act as agents for Petropavlovsk PLC and contract without personal liability. The appointment of the Joint Administrators is personal to them and, to the fullest extent permitted by law, Opus Restructuring LLP does not assume any responsibility and will not accept any liability to any person in respect of this Statement of Proposals or the conduct of the Administration.

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1. Executive Summary

- 1.1** This Statement of Proposals is being delivered to creditors on 8 September 2022 further to the appointment of Allister Manson, Trevor Binyon and Joanne Rolls, all of Opus, as Joint Administrators on 18 July 2022. The appointment was made by way of an order of the High Court of Justice, following an application by the Directors of the Company under Paragraph 12 Schedule B1 Insolvency Act 1986.
- 1.2** Definitions of the terms used in this Proposal are provided at Appendix I.
- 1.3** An agreement for the Sale of a substantial number of the Company's key assets, being its shares in its main subsidiaries, to UMMC was entered into on 1 August 2022. The Joint Administrators can confirm that the Sale was completed on 7 September 2022.
- 1.4** In accordance with SIP 16 – Pre-packaged Sales in Administrations, on 8 August 2022, we issued our statement to creditors providing details of the Sale following the execution of the SPA on 1 August 2022. A copy of the SIP 16 statement can be found at Appendix IV and on the Company's website at www.petropavlovskplc.com/administration-news. (The Proposals were not issued at the same time as the SIP 16 statement as the sale had not completed and the Joint Administrators and their advisors still being in the process of dealing with issues relating to completion of the Sale at that time. Some of this work is still ongoing).
- 1.5** Also at Appendix IV and on the Company's website is our initial letter to creditors and shareholders dated 4 August 2022.
- 1.6** Since our appointment, the Joint Administrators have made a number of applications to Court. An Estimated Outcome Statement was included within the Administration Application, which compared the outcome to creditors of Administration versus Liquidation. Details of the applications and the resulting Orders of the Court are set out on the Company's website at www.petropavlovskplc.com/administration-news.
- 1.7** This Statement of Proposals should be read in conjunction with our initial letter to creditors, our SIP 16 statement to creditors and the Joint Administrators' evidence in support of their applications to Court, referred to above.
- 1.8** The principal activity of the Company was to act as a group holding company, overseeing approximately 37 subsidiaries, and associated companies, related to the Group's mining and quarrying activities. The Company traded from 11 Grosvenor Place, Belgravia, London SW1X 7HH.
- 1.9** Having concluded that it was not possible to rescue the Company as a going concern (the first statutory objective of Administration), the Joint Administrators concluded that the Sale was likely to achieve either:
- the second statutory objective of Administration, which is "achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration)"; and/or

- the third statutory objective of Administration, which is “realising property in order to make a distribution to one or more [...] preferential creditors” (being HMRC in respect of certain of the Company’s UK tax obligations).

1.10 A summary of the current and anticipated future financial positions is detailed below. (It should be noted that although the assets and liabilities set out below are denominated in US dollars, the cash element of the consideration received from UMMC under the SPA has been paid in Sterling. The Joint Administrators are taking steps to address the resulting risk of foreign exchange fluctuations.)

Assets

Description	Realisations to date (US \$)	Anticipated future realisations (US \$)	Total anticipated realisations (US \$)
Adjusted cash consideration	179,770,357.40	-	179,770,357.40
Term Loan – credit bid	-	202,500,000.00	202,500,000.00
Administration Fund	7,178,042.17	-	7,178,042.17
Administration Top Up Fund	Nil	10,000,000.00	10,000,000.00
Contingency Fund	4,000,000.00	2,000,000.00	6,000,000.00
Refunds of payments on account	Nil	252,890.00	252,890.00
Cash at bank	4,820,761.89	-	4,820,761.89
Loan from Pokrovskiy Mine	8,220,000.00	-	8,220,000.00
Cyprus Funds	Nil	Uncertain	Uncertain
Refund from Supplier	99.93	-	99.93

Expenses

Description (all amounts exclude VAT)	Expense Incurring to date (US \$)	Anticipated further expense (US \$)	Total anticipated expense (US \$) <small>*Conversion rate used 1.148. This is subject to change.</small>
Joint Administrators’ Fees	Nil	3,214,400.00	3,214,400.00
Legal Fees (JHA)	901,017.08	706,182.82	1,607,199.90
Legal Disbursements (JHA)	155,560.58	57,400.00	212,960.58
Legal Fees (Sanctions)	Nil	300,000.00	300,000.00
Payroll Fees	Nil	11,480.00	11,480.00
Tax and accountancy fees	Nil	57,400.00	57,400.00
Transfer of Shares Legal Costs	18,423.10	230,883.47	249,306.57
Tax Advice Fees – Stamp Duty	54,630.21	Nil	54,630.21
Consultants’ Fees	58,763.00	58,762.00	117,525.00
Forensic Costs (Sanction checks and Review of Valuation)	52,283.36	33,816.64	86,100.00
Agents’ Fees (lease)	15,926.20	2,296.00	18,222.20
Legal Fees (lease)	1,052.72	Nil	1,052.72

Agents' Fees (Rates Refund)	Nil	Uncertain	Uncertain
Legal Fees (ERA)	34,735.04	17,220.00	51,955.04
Legal Fees (Employment Tribunal Claim)	6,047.51	14,616.49	20,664.00
Website Management Fees	7,612.41	2,387.59	10,000.00
Insurance	Nil	15,000.00	15,000.00
Payroll Costs	5,740.00	11,480.00	17,220.00
Admin – employee costs	106,479.39	725,532.16	832,011.55
Admin – directors costs	48,518.87	51,481.13	100,000.00
Admin trading costs (office etc)	22,960.00	45,920.00	68,880.00
Storage Fees	Nil	6,000.00	6,000.00
ERA / Pension Advisors' Fees	Nil	2,870.00	2,870.00
Provision for Jersey Liquidations	Nil	45,000.00	45,000.00
General disbursements	Nil	19,110.00	19,110.00
VAT irrecoverable	Uncertain	Uncertain	Uncertain

1.11 Due to complications in establishing an estate account in the Administration, the Joint Administrators have not provided a separate trading receipts and payments account. All transactions since the date of Administration are shown in the main receipts and payments account. It should also be noted that it is uncertain whether VAT will be recoverable at this stage.

Dividend prospects

Creditor class	Distribution / dividend paid to date	Anticipated distribution / dividend
Preferential creditors	Nil	100p in the £
Secondary Preferential creditors	Nil	100p in the £
Unsecured creditors	Nil	100p in the £

1.12 The main tasks remaining to be undertaken in order to conclude the Administration are:

- to perfect the transfer legal title in the shares of transferring subsidiaries to UMMC (following the transfer of beneficial ownership on the Completion Date of 7 September 2022) as required under the terms of the SPA;
- to seek to recover the Cyprus Funds and other monies held in offshore accounts;
- to resolve outstanding employment claims against the Company and other matters;
- to liaise with HMRC to resolve the Company's VAT position and historical tax liability;
- to identify all bond and noteholders to the extent possible and to make payments due to them (with guidance from Court, likely pursuant to a Scheme of Arrangement, and application to OFSI in respect of any necessary sanctions licence);
- to adjudicate on all creditor claims advanced against the Company;
- to make an application to Court for approval to pay creditors within the Administration or to implement a Scheme of Arrangement;
- to make distributions to all classes of creditors; and

- to make a submission to the Insolvency Service on the conduct of the Directors in line with our statutory duties.

1.13 The Administration is expected to be concluded within 12 months of inception, by which point the Joint Administrators will either have distributed the assets from Administration or proposed a Scheme of Arrangement to make a distribution to creditors. Following the distribution of assets, the Joint Administrators intend to apply to Court for the Company to be dissolved and to seek their release. Further details are provided on all areas of work to be completed and the proposed exit routes at Appendix IX.

2. Background to the Company

2.1 As stated above, the Joint Administrators recommend that all interested parties read the SIP 16 statement and our initial letter to creditors and shareholders (see Appendix IV) in conjunction with this Statement of Proposals. We also invite interested parties to read the evidence filed at Court on behalf of the directors of the Company and the Joint Administrators, which is available on the Company's website.

2.2 The Company was incorporated in December 2001 and its principal activity was acting as a group holding company of multiple subsidiary and associated companies in various jurisdictions that dealt with mining and quarrying of gold. Immediately prior to Administration, it traded from premises at 11 Grosvenor Place, Belgravia, London, SW1X 7HH.

2.3 The Company is a PLC that was listed on the premium listing segment of the Official List of the FCA and admitted to trading on LSE's main market for listed securities.

2.4 The members of the Board are:

- James W Cameron Jr, Chairman
- Charlotte Philipps, Senior Independent Director
- Mikhail Irzhevsky, Independent Non-Executive Director
- Evgeny Potapov, Non-Executive Director
- Roman Deniskin, Independent Non-Executive Director

2.5 Three of the Company's directors are based in Russia (Mr Deniskin only having been appointed on 11 April 2022).

2.6 The following subsidiaries (or business units) mined and processed gold and gold products:

- Albynskiy Rudnik (Amur region, Russia)
- Pioneer mine (Amur region, Russia) (operated by JSC Pokrovskiy Rudnik)
- Malomyrskiy Rudnik (Amur region, Russia)
- The pressure oxidation or POX hub, processing gold from concentrate, operated by Pokrovskiy (Amur region, Russia).

2.7 The remaining subsidiaries and investments of the Company are either intermediate holding or financing companies; provided support services in Russia to the mining, exploration and processing entities, including management services, aviation, logistics, research, construction and engineering services; or, are dormant.

- 2.8** Until a dramatic fall in its share price in March 2022, following Russia's invasion of Ukraine, the Company was a constituent of the FTSE 250, FTSE 350 and FTSE All Share indices. The Company was removed from all FTSE indices on 21 March 2022 and was formally de-listed when the Board resolved to apply for the Company to be placed into Administration. The Company has a secondary listing on MOEX, which has also been cancelled.
- 2.9** The largest shareholder of which we are aware is UGC with a 29.18% holding. The second largest shareholder is Prosperity Capital Management, which holds approximately 10% of the Company's shares.
- 2.10** Many of the Company's subsidiaries and investments are Russian companies and, under Russian Law, Atlas is the corporate managing director with oversight of the Russian subsidiaries.
- 2.11** The Board was required to approve all contracts and expenditure in excess of US\$1m which any of the subsidiaries wish to, or are required to, enter into.
- 2.12** There was a schedule of matters reserved for the Board's approval. This includes, amongst other things, setting strategy, budgets, culture, changes to capital or corporate structure, significant transactions or litigation and related party transactions.
- 2.13** Statutory information on the Company and extracts from the most recent accounts are provided at Appendix II. Please note that this information has not been verified by the Joint Administrators or by Opus.

3. Events leading to the Administration

- 3.1** As mentioned above, the Company is the parent company of a group of gold mining and exploration companies operating in the far east of Russia. As a result of international sanctions and other restrictions as a result of Russia's invasion of Ukraine in 2022, the Group's ability to operate its business was seriously impaired due (primarily) to the introduction of legal and practical restrictions on its ability to receive funds (whether by way of dividends, loans or otherwise) from its trading subsidiaries. As a result of these difficulties, the Company became unable to pay its debts as they fell due. This is explained in greater detail below.
- 3.2** Until April-May 2022, the Company's main lender was GPB, one of Russia's largest commercial banks. GPB provided a US\$ 200 million term loan to the Company (the Term Loan) and credit facilities of c.US\$ 86.7 million to certain of its subsidiaries in Russia (the Facilities). The Company also had a significant commercial relationship with GPB and its subsidiaries, who were major buyers of the Group's gold with contractual rights of exclusivity.
- 3.3** On 24 March 2022, the UK government announced the imposition of 65 new sanctions targeting strategic industries, banks and business elites. GPB was one of six Russian banks which became subject to asset-freezing measures under sanctions regulations. As a result of these sanctions as well as the legal and practical impediments to transferring funds from the Russian subsidiaries to the Company, the Company and its subsidiaries were unable to make payments to GPB and so defaulted on the Term Loan and the Facilities, which were in turn accelerated by

GPB on 18 April 2022, such that the full sum outstanding under the Term Loan and Facilities became immediately due and payable. The Group was also unable to sell gold to GPB.

3.4 In addition, the Company acts as guarantor to the following debt instruments issued by its subsidiaries:

- US\$ 500 million 8.125% notes due in November 2022 (the 2022 Notes); and
- US\$ 125 million 8.25% convertible bonds due in 2024 (the Convertible Bonds).

(Default under the Term Loan and Facilities triggered cross-defaults under the terms of those instruments.)

3.5 During the course of April and May 2022, GPB assigned the Term Loan to UMMC and the Facilities to Nordic LLC, neither of which are subject to sanctions. Consequently, the Group has no current financial or commercial connection with any entity which is a designated person under sanction regulations. However, ongoing sanctions and banking restrictions (as well as a general reluctance on the part of Western financial institutions to accept Russian related business) made it difficult for the Company's Russian subsidiaries to trade effectively and to move funds to the Company to enable the Company to service its debts, such that it remained unable to meet its obligations to its creditors. The Term Loan and the Facilities have been accelerated by their respective Lenders and the amounts outstanding are accordingly now due and payable in full.

3.6 Opus was introduced to the Board on 10 June 2022 by JHA to provide restructuring advice to the Company. JHA were subsequently engaged by the Company (and, following our appointment, by the Joint Administrators) to provide legal advice in relation to the Administration.

3.7 Opus was formally engaged by the Company on 17 June 2022 following initial correspondence with the Board and discussions surrounding engagement strategy.

3.8 At the time of our engagement, it was clear that the Company was insolvent. It had defaulted on debt obligations in respect of which it was either the borrower or guarantor, and its ability to conduct its business had been seriously impaired by sanctions and other financial restrictions relating to Russia, where the Company's operating subsidiaries are based.

3.9 Although the Company and its subsidiaries were not themselves sanctioned, sanctions had restricted the ability of the Company's subsidiaries to transfer funds to the Company, made it increasingly difficult for the Company to access at least some of its own cash, and had made it more difficult for the operating subsidiaries to maintain their production operations or to sell their products.

3.10 From March 2022, when it became clear that its position was likely to be unsustainable, the Company had sought to refinance its debts. However, despite approaching numerous financial institutions, it was unable to identify any willing to lend to it. Opus has also approached various financial institutions regarding refinancing the Group, but without success.

3.11 The Company also marketed its assets for sale. Kroll produced a formal valuation of the Company's operating assets dated 2 May 2022, which valued those assets (at

that date) at between US\$ 458 million and US\$ 621 million. A marketing process, which was run with the assistance of Hannam & Partners and AlixPartners, resulted in several indicative bids for the Company's assets. Ultimately, only one (from UMMC) was expressed as a binding offer. UMMC is part of one of Russia's largest metals and mining groups and had first expressed an interest in purchasing the Company's assets in late 2021. It is also the Company's largest creditor, following its purchase of the Term Loan in April 2022.

3.12 Following the marketing process undertaken UMMC were identified as the preferred purchaser and negotiations commenced.

3.13 In July 2022, it became apparent that there would be a cash shortfall for July-August 2022 of approximately US\$30m in respect of operating cashflow and the maintenance of capital projects across the Group.

3.14 The substantial deterioration of the financial position of the trading subsidiaries was due to, among other things:

- A 30% fall in the USD/RUB exchange rate since February 2022.
- International sanctions on Russian gold having impaired the Group's ability to export gold from Russia, virtually limiting sales to the domestic market where a further 13-15% discount to the global market price was steadily applied.
- Interruption to the import of crucial spare parts and the general domestic price inflation have led to price increases for such things of 10%-20% above budget.
- Domestic suppliers to the Russian market changing payment terms to 100% advance payment in light of the Group's well-publicised financial difficulties.

3.15 The Company issued regular press releases to shareholders between February and July 2022 regarding its financial difficulties and the fact that it was exploring a sale of its assets. These made it clear that it was not likely that any sale would result in any return for shareholders.

3.16 The invasion of Ukraine by Russia and the subsequent Western sanctions significantly impacted the share value of the Company. This resulted in the share price dropping to a low of less than 1.0p.

3.17 Given the threat of enforcement action at both parent and subsidiary levels and the Group's inability to meet its substantial debts as and when they fell due, it was clear that the Company was insolvent on both a cash flow and balance sheet basis. The Company and the proposed Administrators considered various options. A detailed explanation of these can be found in the SIP 16 statement and the evidence filed at Court.

3.18 Attached at Appendix III is an account of the work undertaken prior to the Joint Administrators' appointment and the costs associated with that work.

3.19 On 18 July 2022, Allister Manson, Trevor Binyon and Joanne Rolls of Opus were appointed Joint Administrators of the Company following an Administration Order granted by the Court on the application of the Directors.

3.20 These proceedings are COMI proceedings, to which the EU Regulation as it has effect in the law of the United Kingdom does not apply.

Ethical Considerations

3.21 Prior to their appointment, the Joint Administrators undertook a review of ethical issues, and the following potential ethical matters were identified:

- Professional Competence and Due Care – the particular complexities and high-profile nature of this case, coupled with the unfavourable sanctions landscape in which the Group finds itself, could be deemed to present an ethical threat. However: (i) the Joint Administrators are satisfied that the significant experience and knowledge possessed by the Administrators' team (and their advisors) is commensurate to the risk of any potential ethical breach. The core Administration team is made up of the three Joint Administrators (who are all licenced insolvency practitioners with significant experience), three Associate Directors, a Senior Administrator and two paralegals; and (ii) the Joint Administrators have carefully considered, with the benefit of specialist legal advice, the risk presented by applicable sanctions legislation and have taken steps to mitigate that risk, which were set out in detail to the Court.
- Validity of Appointment – in order to provide complete transparency to all and any potential stakeholders regarding the validity of the Administration, and to provide an opportunity for any party to attend and participate in the process of appointment, the appointment of the Joint Administrators was sought by way of an application to Court. The appointment of the Joint Administrators was made at a Court hearing on 18 July 2022 (as set out in the subsequent Order dated 19 July 2022).

3.22 The Joint Administrators are also satisfied that the level of these ethical risks is acceptable due to:

- An internal ethical review having been completed by Opus and approved by the Joint Administrators;
- Disclosure of the potential ethical matters identified in our letter dated 4 August 2022 (and, similarly, to the Court); and
- The team dealing with the Administration having had no prior involvement or relationship with the Company or its Directors.

4. The Objective of the Administration

4.1 Administrators must perform their functions with the objective of:

- rescuing the company as a going concern;
- or, if that is not possible, then achieving a better result for the creditors as a whole than would be likely to be achieved if the company were wound up (without first being in Administration);
- or, if that is not possible, realising property in order to make a distribution to one or more secured or preferential creditors.

4.2 The Joint Administrators did not consider it possible to achieve the first objective, as the Company was unable to obtain finance to meet its liabilities as they fell due. Refinancing had been explored at length prior to our appointment, without success.

The Joint Administrators also explored refinancing options following our appointment, again without success. Therefore, we concluded that it was not possible to rescue the Company as a going concern by restructuring the existing debt.

- 4.3** The second objective can be achieved by means of a sale of a Company's assets as a going concern, or by a sale of the assets on an insolvent basis in a more orderly way than could be achieved in a liquidation. The Joint Administrators consider that the Sale will result in a better result for creditors (and therefore for stakeholders as a whole) than if the Company had been placed into liquidation.
- 4.4** A sale of the Company's assets will also achieve the third objective of Administration, as it will enable distributions to be made to secured and preferential creditors (namely employees and HMRC).
- 4.5** A detailed account of how the Joint Administrators have sought to achieve the objectives of the Administration is set out below.

5. Events since the Joint Administrators' Appointment

- 5.1** Immediately upon appointment, the Joint Administrators undertook a review of the Company's affairs with particular regard to its financial position and resource requirements. This assessment was carried out with the assistance of the management of the Company.

Financial position of the Company

- 5.2** It was concluded that the Company was clearly insolvent on both a cashflow and a balance sheet basis:
- The Company is unable to pay its debts as they fall due and is already in default of its obligations under the Term Loan and the Facilities.
 - It is estimated that the Company's liabilities are approximately US\$ 619m. The Company's only material assets are the shares in its operating subsidiaries and sub-subsidiaries, which own three operational mines and a pressure oxidization hub. As noted above, Kroll's 2 May 2022 report valued those assets at between US\$ 458 million and US\$ 621 million.
- 5.3** As explained in detail in the evidence referred to above, the Company's major creditors (including UMMC as the Lender under the Term Loan) also took steps to enforce against the Group's operating assets in Russia. Such enforcement action risked serious prejudice to the interests of other creditors.
- 5.4** The financial position of the Company was continuing to deteriorate due to:
- Continuing worsening of trading conditions due to the fall in value of the Russian rouble, the depressed gold price on the Russian domestic market (where the Company's subsidiaries are effectively restricted to selling their gold as a result of international sanctions), difficulties in obtaining spare parts from outside of Russia which, together with the increase in costs of parts within Russia, led to a significant increase in production costs, and the withdrawal of operational credit by the Group's suppliers. Taken together,

these factors led to a projected cash deficit for the Group of approximately US\$ 30 million for July-August 2022 (US\$ 13 million in operating cashflow deficit plus US\$ 17 million in cash requirements to fund required capital expenditure). The resulting pressure on the Group's working capital made further operations untenable.

- The Group's two largest creditors, UMMC (as lender under the Term Loan) and Nordic LLC (as lender under the Facilities) called on the operating subsidiaries (as guarantors under the Term Loan and borrowers under the Facilities) to repay the debts immediately.
- UMMC and Nordic LLC also gave notice of their intention to initiate bankruptcy proceedings against the operating subsidiaries, relying on the unsatisfied debts described above. This resulted in suppliers becoming (even more) reluctant to deal with the Group and in buyers of the Group's gold (including the largest buyer, Lentabank) stopping purchases due to the perceived risk that any sale could be subsequently challenged in a Russian insolvency process.

The sale of the Company's assets

5.5 The Joint Administrators agreed and signed the SPA on 1 August 2022, following a Court order of the same date granting the Joint Administrators liberty to do so. Information relating to the Sale is detailed in the SIP 16 Statement attached at Appendix IV. The terms of the Sale to UMMC are summarised below.

5.6 Under the SPA, the Company agreed to sell and UMMC agreed to purchase the Company's interest in its subsidiaries (excluding Petropavlovsk 2010 Limited and Petropavlovsk 2016 Limited) and certain intercompany receivables owed to the Company for total consideration of approximately US\$ 619 million. This sum is sufficient to meet the liabilities of the Company and is intended by the parties to be sufficient to allow the Company to meet its obligations to all creditors in full. It is not however envisaged that there will be any return for shareholders as, in accordance with the terms of the SPA, any surplus funds will be repaid to UMMC.

5.7 The consideration payable by UMMC under the SPA consists of:

- Cash consideration of approximately US\$ 380.5 million, to be reduced dollar for dollar at completion against the face value and unpaid interest on any 2022 Notes acquired by UMMC and transferred to the Company, or the amount due on such 2022 Notes, if higher. This, in effect, allows UMMC to be able to either pay cash of US\$ 380 million, or to reduce that amount by the Company being released from the liability to pay bonds at Completion. Put differently, it allows a partial credit bid option for UMMC;
- Consideration of US\$ 202.5 million, being equal to the amount outstanding on the Term Loan from time-to-time, to be discharged by way of set-off or similar against UMMC's claims under the Term Loan (which is to be subordinated to all other creditors pending the set-off);
- Day One Administration funding of up to US\$ 20 million, to fund the expenses of Administration and the estimated amount of contingent and uncertain

trade liabilities, with potential top-up funding of a further US\$10 million if required, with any residual funds being returned to UMMC; and

- Contingency funding of US\$ 6 million for the purpose of dealing with any legal matters arising in relation to the Proposed Transaction, with any residual funds being returned to UMMC.

5.8 The following consideration has now been received by the Company from UMMC (as noted above, these sums were denominated in US dollars but paid in sterling according to the prevailing exchange rate at the date of payment):

- £155,969,423.39 in respect of the Adjusted Cash Consideration
- £6,167,762.65 in respect of the Day One Admin fund
- £3,439,085.20 in respect of the Contingency Fund
- 2022 Notes totalling US\$ 200,729,643 were purchased by UMMC prior to completion and have reduced the Cash Consideration in line with the mechanism explained in paragraph 5.7.

5.9 In summary, it is envisaged that the Sale will enable all creditors of the Company to be paid in full.

Transfer of Shares

5.10 As stated above, the Company holds shares in companies in various jurisdictions, including Russia, the UK, Cyprus, Cayman Islands and Guyana. The Joint Administrators have instructed advisors within the relevant jurisdictions to assist with the legal requirements to complete the transfer of the shares within each jurisdiction as part of the Sale.

5.11 The Joint Administrators, with the assistance of their advisors and the Company's employees, have since the receipt of the consideration set out above worked to effect with the transfer of these shares to UMMC, as required by the SPA. Substantial completion of the Sale occurred on 7 September 2022, when beneficial transfer of shares to UMMC was completed following the receipt of the consideration set out above.

Collection of the 2022 Notes

5.12 Following the signing of the SPA on 1 August 2022, UMMC purchased a number of Notes for the purpose of tendering these as consideration under the SPA. The total number of Notes purchased by UMMC was 177,509. The beneficial owners of the Notes (where known) have been sanction-checked prior to the Joint Administrators accepting Note purchases made by UMMC as being capable of offset against the Sale consideration. Notes with a value of US\$ 200,729,643 (including relevant interest) have been checked and accepted as consideration in this way.

5.13 The Joint Administrators will attempt to identify the remaining Note and Bondholders. If necessary, the Joint Administrators will also seek guidance from the Court in this regard and anticipate proposing a Scheme of Arrangement to ensure that all Note and Bondholders can be repaid in the most efficient manner possible

(regardless of how they hold the Notes or Bonds). These Note and Bondholders will then be included in the distribution process to the unsecured creditors. For the avoidance of doubt, the Joint Administrators intend that any future distributions to holders of the Group's debt will be subject to mechanisms to ensure that no payments will be made to or for the benefit of any sanctioned persons or otherwise in breach of applicable laws unless appropriate licences are granted.

Russian Presidential Decree

5.14 On 5 August 2022, the President of the Russian Federation published executive decree number 520 *'on the application of special economic measures in the financial, fuel and energy spheres in connection with the unfriendly actions of some foreign states and international organisations'* which took effect on the same date and made certain transactions subject to presidential approval.

5.15 On or around 5 September 2022 the President of the Russian Federation published an ordinance in relation to the decree granting approval for the Sale.

Other Assets – Cyprus Funds

5.16 Prior to Administration, an amount of US\$ 25m was transferred between a Group company's bank account in Cyprus and the Company's account with GPB Luxembourg. Neither bank is accepting stewardship of these funds and they are effectively blocked in the Company's GPB Luxembourg account. The Joint Administrators will need to undertake additional investigations and potentially apply for the relevant licences in order to secure the transfer of these funds into the Administration.

Other Assets – Bank Accounts

5.17 Upon appointment, the Joint Administrators contacted the Company's bankers, Citi, with the intention of freezing the Company's bank accounts and requesting the transfer of any credit balances to the Joint Administrators' control.

5.18 However, the Joint Administrators have been unable to set up separate accounts for the Company's Administration estate owing to a reluctance of UK banks to deal with any assets associated with Russia despite the Court Order dated 1 August 2022 authorising the Joint Administrators to do so.

5.19 The Company's main bank account at Citi has therefore been maintained and utilised as the Administration estate account. This has allowed the Company to maintain trading facilities and make critical payments, such as the employees' salaries. It has also allowed the Company to receive the consideration due from UMMC under the SPA.

Steps taken as regards stakeholders

5.20 Following their appointment, members of the Joint Administrators' staff attended meetings to advise employees of the Administration. Agreement was reached with the Company's relevant employees securing their continued employment during a trading period to assist with the transfer of the Company's shares and other requirements to facilitate the Sale. The employees accepted the offers for continued employment and the Joint Administrators have adopted their contracts.

5.21 The Joint Administrators' staff have handled creditors' queries as they have arisen, which have included telephone calls and written correspondence. We have been lodging these claims and requesting further information where required.

5.22 The Joint Administrators' staff have also received a significant volume of correspondence from shareholders following appointment, including telephone calls, emails and other written correspondence. As well as responding directly to these queries where possible, the Joint Administrators have provided written updates on the Administration process to all stakeholders by publishing updates providing details of the Administrators' work and conclusions. In addition, to the extent the Joint Administrators considered themselves able to do so, they have also published copies of all relevant documents, including evidence and court orders.

5.23 The Joint Administrators have been corresponding with HMRC regarding a significant debt in respect of historic VAT. A number of calls have been held with HMRC and also to instruct and liaise with accountants for tax advice and to discuss the options available and HMRC's comments.

5.24 An employment claim brought by a former employee of the Company was still outstanding at the date of Administration. The Joint Administrators have instructed employment solicitors to assist with the employee's claim. These negotiations are still ongoing.

Instruction of specialists

5.25 When instructing third parties to provide specialist advice and services or having the specialist services provided by Opus, the Joint Administrators are obligated to ensure that such advice or work is warranted and that the advice or work contracted reflects the best value and service for the work undertaken. The firm reviews annually the specialists available to provide services within each specialist area and the cost of those services to ensure best value. The specialists chosen usually have knowledge specific to the insolvency industry and, where relevant, to matters specific to this insolvency appointment. Details of the specialists specifically chosen in this matter are detailed below.

Legal Advisors and Corporate Agents

5.26 JHA have advised in relation to legal issues surrounding the Sale including negotiation of the SPA and subsequent work in relation to completing the Sale. They have continued to assist the Joint Administrators with matters arising in the Administration. JHA were initially instructed by the Company pre-appointment (alongside insolvency counsel to assist) with placing the Company into Administration and preparing the required documentation, including the initial application to Court for the appointment of administrators, as well as subsequent Court applications by the Administrators.

5.27 In addition, JHA advised on the potential impact of sanctions on the Administration and the sale of the Company's assets and assisted in corresponding multiple times with OFSI. The majority of JHA's pre-appointment costs were paid by the Company during the pre-Administration period.

5.28 The Joint Administrators also instructed insolvency counsel (Peter Arden QC and Joseph Wigley) and sanctions counsel (Jim Sturman QC) to provide specialist advice and representation.

5.29 Legal advice has been provided by Isadore Goldman Limited in relation to the Company's leasehold interest in its trading premises. Isadore Goldman provided advice regarding whether to assign or surrender the current lease. They advised that an assignment was appropriate.

5.30 DAC were instructed by the Company prior to the Administration to deal with the outstanding employee claim prior to our appointment. The Joint Administrators instructed DAC to continue providing advice and assistance in dealing with this following their appointment. This matter is ongoing.

5.31 Shoosmiths LLP have been instructed to provide advice relating to all employment matters with the existing team and any potential TUPE implications. They assisted with the employee retention agreements entered into by the Company prior to Administration, as well as providing other employment and insolvency advice.

5.32 As stated above, in order to facilitate the transfer of the shares the Company holds in its key subsidiaries as part of the Sale, lawyers have been instructed in various jurisdictions to assist in preparing the relevant legal paperwork and documentation. The professional instructed are:

- Harneys Fiduciary (Cayman) Limited – Cayman Island Shares
- Infalex – Russian Shares
- Baker Tilly – Cyprus Shares

5.33 Weil, Gotshal & Manges (London) LLP and Dechert LLP were instructed by the Company to provide legal advice in relation to the Company's financial situation prior to Opus' engagement. Weil, Gotshal & Manges have outstanding professional fees and expenses of £1,452,099 and Dechert have outstanding fees and expenses of £21,969.50. Creditors' approval is sought for payment of these as an expense of the Administration. See paragraph 10.3.

Accounting and Tax Advisors

5.34 MHA have been instructed to assist with all tax related matters, including advising on any tax arising as a result of the Sale. MHA have also provided advice regarding the Company's liability to HMRC in respect of VAT. MHA were the Company's auditors prior to our appointment. Following the decision to apply for Administration, MHA resigned from their position as auditors in order to be able to advise the Joint Administrators. This was announced by the Company on its website. It should be noted that MHA resigned as auditors prior to providing any advice in relation to the Company's tax matters.

5.35 A4G were instructed to provide advice in connection with stamp duty arising on the sale of the UK based shares and withholding tax on the Term Loan.

5.36 OPT and Pear Tree, which are both associated companies within the Opus Group, were instructed to evaluate and update the valuation provided by Kroll pre-appointment and to carry out sanctions checks on parties related to the Administration and the Sale.

- 5.37** To avoid any perceived conflict of interest between OPT, Pear Tree and Opus, an independent firm, Outlook Investment Ltd were instructed to validate OPT's findings regarding the Kroll valuation.

Other professionals instructed

- 5.38** SIA Group, professional valuers, were instructed to assist with the practical advice and valuation of the lease.
- 5.39** GN2, property agents, were instructed by the Company pre-appointment to identify an interested party for an assignment of the lease and were subsequently instructed by the Joint Administrators to assist with the proposed assignment of the lease to the interested party identified. However, since our appointment, negotiations have broken down.
- 5.40** Office Freedom, property agents, were instructed to source alternative offices. It is anticipated that the office move will take place in the near future (and ahead of the September rental quarter date of which the current leased premises are paid up to).
- 5.41** PDS Auctioneers & Valuers, a firm of chattel agents, was instructed by the Joint Administrators to undertake inventories and valuations of the Company's chattels and intangible assets where appropriate. These assets are currently still being used by the Company during the trading period, however, the agent will be instructed to realise the assets once trading has ceased. These assets have negligible value in the overall context of the Administration.
- 5.42** The Company's pre-appointment public relations company and webmaster, Thoburns, has been instructed to assist with publication of updates by the Joint Administrators to the Company's website. As explained above, publication in this way is intended to ensure that interested parties are kept abreast of the Administration and are supplied with copies of relevant documentation.
- 5.43** Clumber Consultancy Limited have been instructed to assist with matters relating to the Company's pension scheme. Work will be required to wind down the pension scheme and deal with the RPS regarding any unpaid pension contributions which will be claimed in the Administration as a preferential creditor claim.
- 5.44** The post-appointment insurance requirements are being dealt with by Marsh Commercial Limited who have been instructed to maintain adequate insurance cover for of the Company in Administration.
- 5.45** The Joint Administrators are due to instruct CAPA, a firm of specialists in dealing with assessing the business rates position and whether the Company are entitled to any potential refunds. CAPA are contractually entitled to be remunerated by reference to a percentage of any refunds achieved.
- 5.46** The Trustees of the 2010 Bonds and 2016 Notes are Apex and Citi Bank respectively. The Joint Administrators have engaged in ongoing dialogue with the trustees in order to assist with future distributions to the bond and noteholders.
- 5.47** Nick Hood, an external consultant to Opus, who has significant experience with the media has been retained to assist with managing the public relations both prior to

and following the Administration. Nick Hood will be paid on an hourly rate and is working alongside the Joint Administrators' team.

5.48 Prior to our involvement, the Company engaged Hannam & Partners, who have expertise and experience in Russian based companies and mining activities, to conduct a marketing exercise to identify potential purchasers of certain assets of the Company. The Company also engaged Datasite UK to provide a dataroom for the transaction. Professional fees and expenses of £527,000 remain outstanding in respect of Hannam & Partners and £83,464.64 in respect of Datasite UK. Creditors' approval is sought for payment of these as an expense of the Administration. See paragraph 10.3.

5.49 All professional fees are based upon the parties' recorded time costs incurred at their standard charge out rates, unless a fixed fee is agreed or a percentage of realisations and will be reviewed and agreed by the Joint Administrators before being approved for payment.

Investigations into the Company's affairs prior to the Administration

5.50 The Joint Administrators have commenced a review of the Company's trading activities prior to Administration in order to establish whether or not there has been any misconduct by the directors, and consequently to enable a submission to be made to the Insolvency Service in this regard.

5.51 Should any creditor have any concerns about the way in which the Company's business has been conducted or information on any potential recoveries for the estate, they are invited to bring them to the attention of the Joint Administrators as soon as they are able.

6. The Statement of Affairs and the Outcomes for Creditors

6.1 The directors have not yet submitted a signed Statement of Affairs in respect of the Company. Therefore, the Joint Administrators have prepared a statement of the Estimated Financial Position of the Company, together with a list of creditors, which is attached at Appendix V. These details are based on the Company's records and the Joint Administrators cannot provide any assurance as to the accuracy of the figures provided at this time.

6.2 In accordance with the standard practice, no provision is made in the Statement for the costs of the Administration.

Prospects for creditors

6.3 Attached at Appendix VI is the Joint Administrators' receipts and payments account for the period from 18 July 2022 to 6 September 2022. Due to complications in establishing an estate account in the Administration, the Joint Administrators have not provided a separate trading receipts and payments account. All transactions since the date of Administration are shown in the main receipts and payments account.

6.4 The summary at paragraph 1.11 illustrates the anticipated outcomes for creditors.

- 6.5** The Act requires Administrators to make a Prescribed Part of the Company's net property available for the satisfaction of unsecured debts. The Prescribed Part is the balance remaining after discharging the preferential and secondary preferential claims but before paying the floating charge-holder.
- 6.6** In this case, the prescribed part provision does not apply, as there is no debt due to any secured creditor. As such, there is no need for the Joint Administrators to make an application to court under Section 176A(5) of the Act to disapply the prescribed part.
- 6.7** In summary, it is anticipated that there will be sufficient funds to meet the Company's obligations to preferential, secondary preferential and unsecured creditors in full.

7. The Joint Administrators' Fees

- 7.1** The Joint Administrators propose that their remuneration be set on a fixed fee basis and propose to fix their post-appointment fees in the Administration in the amount of £2,800,000 plus VAT.
- 7.2** The fixed fee proposed is considered to be a fair and reasonable reflection of the work already undertaken, and proposed to be undertaken during the remainder of the Administration, in light of the scope and the risks inherent in the appointment, as set out above and at Appendix VIII. Fixing the remuneration will also give creditors certainty and clarity regarding the Administrators' fees from the outset and throughout the course of the Administration. It should be noted that unsecured creditors will be paid in full. In addition, UMMC have confirmed their agreement in principle to the basis of the remuneration being a fixed fee to ensure certainty. A further review may be undertaken during the course of the Administration and if necessary further approval sought.
- 7.3** Creditors may access a Guide to Administrators' Fees at <http://thecompliancealliance.co.uk/cgfdm.pdf> or a hard copy will be provided on request.

8. The Joint Administrators' Expenses

- 8.1** Attached at Appendix VIII are details of the expenses that the Joint Administrators expect to incur in the Administration.
- 8.2** Expenses fall into two categories:
- Category 1 expenses are payments to persons providing the service to which the expense relates who are not associates of the Joint Administrators. Administrators may discharge Category 1 expenses from the funds held in the insolvent estate without further recourse to creditors.
 - Category 2 expenses are payments to associates or which have an element of shared costs. Payments may only be made in relation to Category 2 expenses after the relevant creditors have approved the bases of their calculation.
- 8.3** Appendix VIII provides details of the bases of Category 2 expenses that the Joint Administrators propose to recover from the insolvent estate.

- 8.4** OPT and Pear Tree are associates of the Joint Administrators due to these companies forming part of the Opus Group. The work required and completed by OPT and Pear Tree includes providing a supplementary report on the valuation provided by the valuation experts Kroll pre-appointment, detailed due diligence on the valuation completed by Kroll and sanction checks on a number of related and unrelated parties.

9. The Joint Administrators' Discharge

- 9.1** As the Joint Administrators' appointment was made via an application to Court, their discharge at the conclusion of the Administration will also need to be by way of an application to the Court. This will be made in due course.

10. Approval Process

Approval of the Statement of Proposals

- 10.1** Attached at Appendix IX is a summary of the Joint Administrators' Statement of Proposals. For further information on how the Company's affairs will continue to be managed, if these Proposals are approved, please refer to Appendix VII, which sets out in detail what further work the Joint Administrators propose to undertake.

- 10.2** The Joint Administrators think that the Company has sufficient assets to enable each creditor of the Company to be paid in full, including statutory interest. Therefore, pursuant to Paragraph 52(1)(a) of Schedule B1 of the Act, the Joint Administrators are not required to seek creditors' approval of the Statement of Proposals. Notwithstanding this, the Joint Administrators shall be required to seek a creditors' decision on whether to approve the Statement of Proposals, if it is requested by creditors whose debts amount to at least 10% of the Company's total debts. Such request must be delivered to the Joint Administrators within 8 business days from the date on which the Statement of Proposals is delivered. Security must be given for the expenses of seeking such a decision. If no decision is requested, the Statement of Proposals will be deemed to be approved pursuant to Rule 3.38(4) of the Rules.

Other Decisions

- 10.3** The Joint Administrators are inviting creditors to decide on the following matters:

- Whether to establish a creditors' committee
- The timing of the Joint Administrators' discharge from liability
- In the event that a creditors' committee is not established:
 - The basis on which the Joint Administrators' fees shall be fixed
 - The approval of the unpaid pre-Administration costs
 - The approval of the basis of Category 2 expenses
 - The approval of the pre-appointment costs incurred by Weil, Gotshall & Manges (London) LLP in the sum of £1,452,099
 - The approval of the pre-appointment costs incurred by Hannam & Partners Advisory Limited in the sum of £527,000

10.4 Attached at Appendix X are the relevant notices and forms required to assist creditors in submitting their votes in these proceedings.

Should any creditor have queries in relation to the above, please do not hesitate to contact the Joint Administrators by email to petropavlosk@opusllp.com.

Dated 8 September 2022

A handwritten signature in black ink, appearing to read 'Alister Manson', with a stylized, flowing script.

Alister Manson
Joint Administrator

Appendix I: Definitions

The Act	The Insolvency Act 1986
The Rules	The Insolvency (England & Wales) Rules 2016
The Statement of Proposals	The Statement of the Joint Administrators' Proposals prepared pursuant to Paragraph 49(1) of Schedule B1 of the Act
The Joint Administrators	Allister Manson, Trevor Binyon and Joanne Rolls
The Company	Petropavlovsk PLC (in Administration)
The Group	The Group of companies forming the Petropavlovsk PLC Group
The Board	The Board of Directors of the Company
The Court	High Court of Justice
Russia	The Russian Federation
EBIT	Earnings before interest and tax
SPA	Sale & Purchase Agreement
RPO	The Redundancy Payments Office
HMRC	HM Revenue & Customs
ROT	Retention of Title
Prescribed Part	The Prescribed Part of the Company's net property subject to Section 176A of the Act
QFCH	Qualifying Floating Charge Holder
SIP	Statement of Insolvency Practice (England & Wales)
TUPE Regulations	Transfer of Undertakings (Protection of Employment) Regulations
Opus	Opus Restructuring LLP
The Sale	The agreement for the sale of the Company's shares in its main subsidiaries to joint stock company UMMC which was signed on 1 August 2022 and completed on 7 September 2022
UMMC	Joint stock company UMMC-Invest
GPB	Joint stock company Gazprombank
OFSI	Office of Financial Sanctions Implementation
FCA	Financial Conduct Authority
LSE	London Stock Exchange
MOEX	Moscow Stock Exchange

UGC	Uzhuralzoloto Group of Companies
Atlas	Atlas Mining LLC
Term Loan	GPB US\$200 million term loan to the Company
Facilities	Credit facilities of US\$86.7 million to certain subsidiaries
2022 Notes	US\$500 million 8.125% notes due in November 2020
Convertible Bonds	US\$125 million 8.25% convertible bonds due in 2024.
JHA	Joseph Hague Aaronson LLP
Day One	Administration funding of US\$20 million
the Notes	2022 notes purchased by UMMC for the purpose of consideration under the SPA
Citi	Citi Bank London
DAC	DAC Beachcroft LLP
MHA	MacIntyre Hudson LLP
A4G	A4G Chartered Accountants
OPT	Opus Pear Tree Limited
Pear Tree	Pear Tree Forensic Accounting Limited

Appendix II: Statutory and Financial Information

Company name	Petropavlovsk PLC
Previous name(s)	Peter Hambro Mining PLC
Trading name(s)	N/A
Proceedings	In Administration
Court	High Court of Justice
Court reference	CR-2022-002121
Date of appointment	18 July 2022
Appointed by	High Court of Justice
Joint Administrators	Allister Manson, Trevor John Binyon and Joanne Rolls Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB
Statement required by Paragraph 100(2) of Schedule B1 of the Act	The Joint Administrators are authorised to carry out all functions, duties and powers by either one or by both or all of them
Registered office	c/o Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB
Company number	04343841
Incorporation date	20 December 2001
Company Secretary at date of appointment	Dorcas Murray – Appointed on 8 November 2020
Directors at date of appointment	James Cameron Jr Roman Deniskin Mikhail Irzhevskiy Charlotte Philipps Evgenii Potapov
Directors' / Secretary's shareholdings	N/A

Summary Profit and Loss Account

	Audited Statutory Group Accounts for year to 31 December 2020	Audited Statutory Group Accounts for year to 30 December 2019
	US\$ '000	US\$ '000
Turnover	988,534	741,589
Cost of Sales	(840,494)	(590,853)
Gross Profit	148,040	150,736
Gross Margin %	14.9%	20.3%
Share of Results of Associates	52,681	(35,376)
Write Down	(55,798)	-
Net Impairment of Reversals on Financial Instrument	1,000	30,797
Investment and Other Financial Income	7,754	8,826
Interest	(58,533)	(59,854)
Other Financial Losses	(67,957)	(42,190)
(L)/EBT	27,187	52,939

Summary Balance Sheet

	Audited Statutory Group Accounts for year to 31 December 2020 US\$ '000	Audited Statutory Group Accounts for year to 31 December 2019 US\$ '000
Non-Current Assets		
Property, Plant and Equipment	1,204,550	1,209,817
Investments and Other assets		
Inventories	50,011	113,705
Trade and Other Receivables	86,186	60,257
	481	556
	<hr/> 1,341,228	<hr/> 1,384,335
Current Assets		
Inventories	196,668	307,773
Trade and Other Receivables	98,551	105,975
Cash		
	35,404	48,153
Other	59,161	5,807
	<hr/> 389,784	<hr/> 467,708
Liabilities		
Trade creditors	(205,089)	(389,041)
Tax	(140,178)	(113,101)
Lease	(4,143)	(13,178)
Other	(709,961)	(701,196)
	<hr/> (1,059,371)	<hr/> (1,216,516)
Total Liabilities		
Net Assets	<hr/> <hr/> 671,641	<hr/> <hr/> 635,527

Appendix III: Statement of Pre-Administration Costs

Prior to our appointment, the Company agreed with the proposed Joint Administrators, on 17 June 2022, that Opus be paid fees for work completed prior to the Administration at a set fee of £325,000 plus VAT and related expenses for the following tasks and matters that were considered to be necessary to place the Company into Administration and prepare for a sale. In a variation to the initial Engagement Letter, in view of the additional time and work required over and above that anticipated, the original proposed fee was increased by £100,000 plus VAT (to £425,000 plus VAT) which was agreed by the Company on 8 July 2022.

Following discussions with external parties a further increase of £1,000,000 plus VAT was agreed between Opus and the Company in advance of the hearing of the Administration application to reflect additional risks to Opus' business in accepting appointment as Administrators. This sum was paid prior to the Administration.

The quantum of the Joint Administrators' pre-appointment fees in the sum of £1,425,000 plus VAT is considered to be a fair and reasonable reflection of the work undertaken and the exceptional risks undertaken. This fee covered the work detailed in the body of Proposals, as well as the work set out, below.

- Prior to the commencement of Administration, the proposed Joint Administrators spent significant time gathering information on the Company to ensure that they were in a position to consent to act as Joint Administrators and to formulate an initial strategy for pursuing achievement of an Administration objective.
- Undertaking detailed and complex Anti-Money Laundering, ethical and due diligence checks on the Company, its directors and shareholders, solicitors, agents and other third parties involved in the process.
- Undertaking an extensive internal conflict and risk assessment given the complexity of the case and international connotations.
- Obtaining information from the director and employees on the Company's business, trading history, assets etc.
- Creating and maintaining a case record and file (filing of documents, emails etc.)
- Liaising with creditors who were seeking information.
- Engaging in discussions with the Company's shareholders, fielding requests and queries.
- Engaging, in particular, with UGC and Prosperity as the Company's largest shareholders and potential acquirers.
- Providing advice to the Company/its Board while negotiating the terms of the Sale. This advice was strictly in relation to the process set out above.
- Regular monitoring of Opus's and the proposed Joint Administrators' relationship with the Company/the Board and the advice given.
- Regular compliance and ethical reviews in relation to the transaction.
- Liaising with a number of agents and solicitors already instructed by the Company and instructed whilst the proposed Joint Administrators were engaged by the Company. This included but was not limited to: answering queries, providing information, obtaining updates and reviewing reports.
- Liaising with UGC in relation to its non-binding offer to purchase the Company's shares, which offer was ultimately not pursued by UGC in the time available.
- Liaising with the Company's employees, providing updates, answering queries and ongoing communication.

- Review of the marketing process of the assets of the Company prior to the Joint Administrators' instruction.
- Reviewing the valuation provided by Kroll and liaising with them directly and instructing OPT and PTFA to satisfy ourselves that it remained appropriate to enter into a conclude a sale of the Company's assets.
- Where appropriate, obtaining independent advice to confirm the conclusions drawn by prior advisors.
- Liaising with UMMC as a significant creditor and proposed purchaser.
- Negotiating the SPA.
- Seeking advice in relation to the sanctions position.
- Preparing and reviewing witness statement in support of the application for Administration.

In conducting the above work, the following costs were incurred:

All amounts exclude VAT *Conversion rate used 1.148. This is subject to change.	Incurring \$	Paid \$	Outstanding \$
Opus Restructuring LLP	1,635,900	1,635,900	-
OPT and Pear Tree	50,947	38,032	12,915
Outlook Investment Ltd	14,350	-	14,350
Agents' costs – SIA Group	6,888	-	6,888
Agents' costs – PDS Valuers	2,623	-	2,623
Transfer of Shares Legal Fees - Infracore	46,139	-	46,139
ERA Specialists Fee	689	-	689
MHA MacIntyre Hudson	120,540	120,540	-
JHA	1,238,110	1,180,159	57,951
JHA - disbursements	313,173	157,953	155,220
Total	3,429,359	3,132,584	296,775

Costs incurred by OPT and Pear Tree, who are entities associated to the Joint Administrators by being part of the Opus Group, related to the following areas: to satisfy the Joint Administrators that Kroll's methodology and valuation were reasonable, the Company instructed OPT to carry out additional work in relation to the valuation. This was not only to establish the validity of its assumptions and methodology, but also to factor in changes to the macro-economic environment, including the price of gold and the value of the rouble. In addition, OPT performed a comparison with other recent mining transactions to demonstrate how asset values were continuing to drop in the Russian mining sector. Pear Tree was also instructed to complete a number of detailed background and sanction checks on entities relevant to the proposed appointment and sale.

Weil, Gotshal & Manges (London) LLP and Dechert LLP were instructed by the Company to provide legal advice in relation to the Company's financial situation prior to Opus' engagement. Weil, Gotshal & Manges have outstanding professional fees and expenses of £1,452,099 and Dechert have outstanding fees and expenses of £21,969.50. Creditors' approval is sought for payment of these as an expense of the Administration.

Prior to our involvement, the Company engaged Hannam & Partners, who have expertise and experience in Russian based companies and mining activities, to conduct a marketing exercise to identify potential purchasers of certain assets of the Company. The Company also engaged Datasite UK to provide a dataroom for the transaction. Professional fees and expenses of £527,000 remain outstanding in respect of Hannam & Partners and £83,464.64 in respect of Datasite UK. Creditors' approval is sought for payment of these as an expense of the Administration.

Our ref: PE00151

Your ref:

8 August 2022

4th Floor
Euston House
24 Eversholt Street
London
NW1 1DB

+44 (0) 20 3326 6454

To All Known Creditors and Members

✉ londonhq@opusllp.com

Dear Sir / Madam

Petropavlovsk PLC - In Administration ("the Company")

As you are aware, Trevor Binyon, Joanne Rolls and I were appointed Joint Administrators of the Company on 18 July 2022. I refer to our initial letter to creditors and shareholders dated 4 August 2022 which should be read in conjunction with this disclosure.

PRE-PACKAGED SALE

An agreement for the sale of the Company's shares in its main subsidiaries to joint stock company UMMC-Invest ("UMMC") was signed on 1 August 2022 ("the Sale").

The Administrators have conducted an assessment of the Sale based on the principles set out in Statement of Insolvency Practice 16 ("SIP 16") in respect of pre-packaged sales by administrators and have prepared this disclosure in this regard. Although a SIP 16 disclosure may not strictly be required in respect of the Sale, we have prepared one on the footing that it may be helpful to interested parties. This statement is intended to provide details regarding the Sale and the events leading up to the Sale.

The primary function of an administrator is to achieve one of the objectives set out in the Insolvency Act. In this case, the statutory purpose being pursued is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration). This transaction should enable the statutory purpose to be achieved and, in my view, is the best available outcome as a whole in all the circumstances.

THE ROLES OF THE INSOLVENCY PRACTITIONERS

In most cases involving a pre-packaged sale, an insolvency practitioner's firm is initially engaged by the insolvent company to help its board of directors to consider the Company's options for resolving its financial difficulties and/or for arranging an orderly winding up of its affairs. If it is decided that an Administration is appropriate, the Company may then instruct the insolvency practitioner's firm to assist the Company or its directors to issue an application to the High Court to commence the

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Leeds • Liverpool • Maidstone • Newcastle • Nottingham • Preston

process and to assist the Company to take steps towards selling its assets to achieve the best available outcome as a whole in all the circumstances.

Once appointed as Joint Administrators, the role of the insolvency practitioners is to manage the Company's affairs, business and assets with the objective of achieving a statutory purpose of an Administration. In the event of a pre-packaged sale, this involves concluding a sale of the business and/or assets shortly after the Administration has begun. When either assisting the Company before Administration or acting as Administrators, the insolvency practitioners' role is not to advise the directors personally or any parties connected with any potential purchaser, who are usually encouraged to take independent advice.

Prior to commencement of the Administration, Opus Restructuring LLP ("Opus") acted as restructuring advisors to the Company and its Board of Directors ("the Board"), having been engaged by the Company on 17 June 2022. For the avoidance of doubt, neither Opus nor its insolvency practitioners advised the directors personally or any parties connected with the purchaser, who were encouraged to take independent advice. At all times prior to Administration, the Board remained responsible for and in control of the Company's affairs.

In this instance, the Company had first engaged Alix Partners ("Alix") in April 2022 and then BDO LLP ("BDO") on May 2022, to consider the options available. In both cases, it was decided that an Administration with an immediate sale of assets was the most appropriate option. The Company then began the process of valuing and marketing its assets, with the assistance of other professional firms. Our role prior to being appointed as Administrators included reviewing and verifying the work previously carried out to satisfy ourselves that it remained appropriate to conclude a sale of the Company's assets. We have, where appropriate, obtained independent advice to confirm the conclusions drawn by prior advisors.

Full details in relation to our initial introduction to the Board as well as the events leading to our appointment as Joint Administrators can be found later in this disclosure.

When we were engaged, it was quickly apparent to us that it was necessary to sell the Company's assets within a short timeframe to avoid further deterioration of the value of the Company's assets (including due to the threat of immediate enforcement action by creditors against the Company's trading subsidiaries).

We considered the most effective method of securing a sale, representing the best outcome for creditors as a whole, and negotiated with parties interested in acquiring the assets of the Company to a point whereby a sale could be concluded shortly after the Administration had commenced.

Immediately on appointment, the Administrators, as officers of the Court and as agents of the Company, took over from the Board the responsibilities of managing the affairs, business and property of the Company. The Administrators have however, reached an agreement to provide certain directors of the Company with specific management powers for a short period, to enable trading to continue without interruption utilising the very particular knowledge and expertise of the Company's employees. For the avoidance of doubt, the Administrators retain overall day to day control. Further details will be provided in the Administrators' Proposals ("the Proposals").

Mindful of the need to achieve a statutory purpose of an Administration, on 1 August 2022, following an order of the High Court of the same date giving the Administrators liberty to enter into the Sale, the Company (acting through the Administrators) executed a Sale and Purchase Agreement with UMMC ("the SPA") to sell the majority of the assets of the Company for total consideration of approximately US\$619 million. Full details of the Sale can be found later in this disclosure.

Insolvency Practitioners are bound by the Insolvency Code of Ethics (“the Code”) when carrying out all professional work relating to an insolvency appointment. The Joint Administrators observed the Code in all their activities both prior to their appointment as set out in our letter dated 4 August 2022. Further detail will be provided in the Proposals which will be issued in due course.

Please note the Joint Administrators act as agents of the Company and contract without personal liability.

INITIAL INTRODUCTIONS

Opus was introduced to the Board on 10 June 2022 by Joseph Hage Aaronson LLP (“JHA”) to provide restructuring advice to the Company.

The first briefing call was held between one of the Directors, Mikhail Irzhevskiy, and Allister Manson on 11 June 2022. Opus provided advice and a proposed engagement strategy between 11-17 June 2022, Opus was formally engaged on 17 June 2022. Between the initial introduction and the formal engagement, Opus was required to tender against other insolvency firms. Since the Administrators’ appointment, they have been involved in advising the Board in relation to the proposed Administration and the transaction. This advice has been provided in conjunction with JHA.

Advice was provided regarding the different options available to the Company and further detail is provided below.

PRE-APPOINTMENT

In addition to advising on the Company’s options, our advice included matters regarding the marketing of the business that had already taken place prior to our instruction, by Hannam & Partners (“Hannam”), which was based on the valuation report that had also taken place prior to our instruction by Kroll LLC (“Kroll”). Further detail of the work completed by Kroll and Hannam is provided further in this disclosure.

Our fee in respect of pre-appointment advice and assistance was agreed in the sum of £425,000 plus VAT. As matters progressed, it became clear that there was potential for exceptional reputational and corporate risks to arise. Opus approached the Insolvency Practitioners Association (“IPA”) to discuss whether the agreement with the Company of an additional fee of £1,000,000 would be appropriate. Prior to our appointment as Administrators on 18 July 2022, the IPA confirmed that, in the circumstances, it considered such a fee to be commercial, fair and reasonable.

Our pre-appointment fee of £425,000 plus VAT was paid by the Company prior to our appointment. Creditors will have the opportunity to approve the enhanced element of our pre-appointment fee when considering the Proposals.

Group and Company Structure

The Company is a PLC that was listed on the premium listing segment of the Official List of the Financial Conduct Authority (the “FCA”) and admitted to trading on the London Stock Exchange’s (the “LSE”) main market for listed securities.

The Board are:

- James W Cameron Jr, Chairman
- Charlotte Philipps, Senior Independent Director
- Mikhail Irzhevsky, Independent Non-Executive Director
- Evgeny Potapov, Non-Executive Director
- Roman Deniskin, Independent Non-Executive Director

Three of the Company's directors are based in Russia (Mr Deniskin only having been appointed on 11 April 2022). Full anti-money laundering searches and checks have been completed on the Board including sanction checks. The Company also employs seven members of staff.

The following subsidiaries or business units mined and processed gold:

1. Albynskiy Rudnik (or mine) (Amur region, Russia) ("Albynskiy")
2. Pioneer mine (Amur region, Russia) (operated by JSC Pokrovskiy Rudnik ("Pokrovskiy"))
3. Malomyrskiy Rudnik (Amur region, Russia) ("Malomyrskiy")
4. The pressure oxidation or POX hub, processing gold from concentrate, operated by Pokrovskiy (Amur region, Russia)

The remaining subsidiaries and investments of the Company are either dormant, intermediate holding or financing companies or provided support services in Russia to the mining, exploration and processing entities, including management services, aviation, logistics, research, construction and engineering services.

Until a dramatic fall in its share price in March 2022 following Russia's invasion of Ukraine, the Company was also a constituent of the FTSE 250, FTSE 350 and FTSE All Share indices. The Company was removed from all FTSE indices as at 21 March 2022. The Company has a secondary listing on the Moscow Stock Exchange ("MOEX"), which has also been cancelled.

The largest shareholder that we are aware of is Uzhuralzoloto Group of Companies ("UGC") with 29.18%. The second largest shareholder is Prosperity Capital Management, who hold approximately 10% of the Company's shares.

The Company acted as a group holding company, overseeing ownership of its 12 direct subsidiaries. Many of the subsidiaries are Russian companies and, under Russian Law, Atlas Mining LLC ("Atlas") is the corporate managing director with oversight of the Russian based subsidiaries.

The Board approve all contracts and expenditure in excess of US\$1m which any of the subsidiaries wish or are required to enter into.

There is a schedule of matters reserved for the Board's approval. This includes, amongst other things, setting strategy, budgets, culture, changes to capital or corporate structure, significant transactions or litigation and related party transactions.

Subsidiaries and Insolvency Events

The Company is subject to a Term Loan of approximately US\$201m in favour of UMMC. UMMC took assignment of the Term Loan in April 2022 from Gazprombank ("GPB"), during a sanctions licencing window (which enabled entities about to be sanctioned to divest of their assets without penalties).

The amounts outstanding in respect of the Term Loan are guaranteed by Albynskiy, Pokrovskiy, Malomyrskiy and TEMI LLC (a Russian subsidiary engaged primarily in the holding and exploration of gold deposits in the Amur region). On 13 July 2022, UMMC, in its capacity as lender under the Term Loan, wrote to each of the guarantors demanding that the debt be repaid within five days. UMMC also filed a public notice, in Russia, of its intent to pursue bankruptcy proceedings against the guarantors.

In addition to the above, Pokrovskiy, Albynskiy and Malomyrskiy are each also debtors under revolving credit facilities assigned to Nordic LLC ("Nordic") in April 2022. These facilities are cross-guaranteed by the other Russian subsidiaries. Nordic are owed approximately US\$87m plus interest and penalties. On 15 July 2022, Nordic demanded repayment of the outstanding balances within 30 days and, at the same time, advised that the demand should be treated as a pre-claim demand in accordance with Russian Law. The Company is not a guarantor of the amounts due to Nordic.

The Company is the guarantor of convertible loan notes, issued by Petropavlovsk 2016 Limited, which are due to mature in November 2022. It is estimated that the total amount outstanding is approximately US\$304m, excluding outstanding interest payments, future interest and any options.

The Company is also guarantor of convertible bonds, issued by Petropavlovsk 2010 Limited, which are due to mature in 2024. It is estimated that the total amount outstanding is approximately US\$33m, excluding outstanding interest payments, future interest and any options.

On 29 April 2022 the Company announced that an Event of Default had occurred, but that no acceleration of the notes or bonds had taken place. On 3 July 2022, the Company announced that the quarterly interest payment of 8.25% for both the notes and bonds was due, but could not be paid, thereby providing a further Event of Default.

In July 2022, we were informed by the Group's CFO that there would be a cash shortfall for July-August 2022 of approximately US\$30m in respect of operating cashflow and the maintenance of capital projects across the Group.

The substantial deterioration of the financial position of the trading subsidiaries is attributed to the following:

- A 30% fall in the USD/RUB exchange rate since February 2022.
- International sanctions on Russian gold have imposed limitations on the ability to export gold, virtually limiting sales to the domestic market where a further 13-15% discount to the global market price is steadily applied.
- Interruption to the import of crucial spare parts and the general domestic price inflation have led to price increases for such things of 10%-20% above budget.
- Domestic suppliers to the Russian market changing payment terms to 100% advance payment.

The Company has not been able to refinance, having exhausted various options for refinancing the Group's debt, none of which are available in the current environment. Since the Russian invasion of Ukraine, the Company's market capitalisation has been diminished and the bonds, that are also listed, are trading at a significant discount to face value. The war in Ukraine has caused the relationship between Russia, the UK and the rest of the World to be unstable, unpredictable and hostile. Overall, trading had become extremely difficult and asset values had been depleted.

The Company approached a number of banks to explore refinancing options but none were willing to lend to the Company. Opus have also approached various financial institutions, including our own bankers, but without success.

The Company issued regular press releases to shareholders between February and July 2022 regarding its financial difficulties and the fact that it was exploring a sale of its assets. A number of shareholders, including UGC and Prosperity, were contacted and included in the marketing process conducted by Hannam.

The invasion of Ukraine by Russia and subsequent Western Sanctions significantly impacted the share value of the Company. This resulted in the share price dropping from 44p to 1.5p.

A review of the Company's cash-flow revealed that there would be insufficient working capital available to allow the Company to continue to trade whilst a purchaser was identified outside of an insolvency event.

Given the threat of enforcement action at both parent and subsidiary levels and the Group's inability to meet its substantial debts as and when they fell due, it was clear that the Company was insolvent on both a cash flow and balance sheet basis.

The Company and the proposed Administrators considered the following options:

Continuing to trade outside insolvency or through a Moratorium

The Company's cash constraints make it impossible to continue trading. The Company has a cash balance of c. US \$25 million in an account with GPB Luxembourg but the Company has no access to this cash due to sanctions and banking restrictions. It is simply unable to access sufficient cash to pay its liabilities as they fall due.

Company Voluntary Arrangement ("CVA")

A CVA is a procedure, often lasting between three and five years, which enables an insolvent Company to reach an agreement with its creditors to delay or compromise the payment of all or part of its debts.

Given the fluid sanctions environment and the Company's particular circumstances, we concluded that a CVA is not a viable option.

Liquidation

The possibility of placing the Company into liquidation was considered. However, it was decided that this was not the best course of action to take, as issuing notices initiating the liquidation process would have damaged the Company's reputation and consequently the value of its assets.

If the Sale does not take place, it is likely that the return to creditors will be very substantially reduced. This is because there are currently no other viable purchasers and there is a very real prospect of the Company's Russian creditors (including UMMC itself) taking steps to enforce against its key operating subsidiaries to the detriment of other creditors.

Compulsory Liquidation ("WUC")

A WUC is the creditor-led process where the court orders that the Company is wound up. The Official Receiver is initially appointed Liquidator although he may subsequently be replaced by an insolvency practitioner.

Once appointed, the Liquidator takes control of the Company from the directors and continued trading is highly unlikely as the effect of the winding-up order is to terminate all contracts. Thus, on the granting of the winding-up order (if not earlier), the Company ceases trading and the Liquidator sells its assets to repay the costs of the liquidation with any surplus being paid to creditors in priority set out in the legislation. There would also be a substantial increase in costs due to the statutory fees, as compared to an Administration.

GOING CONCERN SALE

Immediately prior to appointment, the proposed Administrators had considered whether the first Administration purpose might be achieved by continuing to trade the business within Administration whilst a suitable purchaser was sought. However, it was concluded that due to the Company's inability to raise funding or receive funds from its trading entities, it was not possible to rescue the Company as a going concern.

EFFORTS TO CONSULT CREDITORS

UMMC, the Company's largest creditor, has of course been fully informed throughout the process as they are the Purchaser.

The Administrators have not considered it necessary to contact other creditors of the Company in relation to the Sale prior to the execution of the SPA because it is anticipated that the sale proceeds received will enable creditors to be paid in full.

To my knowledge, the business and assets sold were not purchased from an insolvent company.

MARKETING OF THE ASSETS

Prior to our involvement, the Company engaged Hannam, who have expertise and experience in Russian based companies and mining activities, to conduct a marketing exercise to identify potential purchasers of certain assets of the Company. Hannam is authorised and regulated by the FCA and holds valid Professional Indemnity Insurance cover, evidence of which has been obtained.

We have liaised with Hannam to review the marketing undertaken and sought evidence of the same, where appropriate. We understand that the following timetable was followed:

- The marketing process began on 20 April 2022.
- Non-binding Indicative Offers were to be submitted by 29 April 2022.
- Data room granted to bidders between 4 May 2022 and 16 May 2022.

- Cash Confirmation, Offer structuring, SPA negotiation sessions, Q&A sessions between 5 May 2022 and 13 May 2022.
- Submission of Final Binding Offers by 16 May 2022.

Hannam have confirmed that, in order to reach the widest potential market they, together with the Company, identified and contacted 29 potential parties, including some shareholders and other large corporations. In addition to this, Hannam also sent teaser emails to its existing database. Hannam have advised that they focused on non-sanctioned Russian, CIS and emerging market buyers.

In addition to Hannam's activities, on 14 April 2022 and 16 May 2022, the Company issued two press releases which stated that all options were being considered, including "the sale of the Company's entire interests in its operating subsidiaries as soon as practically possible".

The Company's press releases were also published on the LSE, MOEX and, to the extent they relate to the 2022 Notes, the Global Exchange Market. It is clear that the potential sale of the Company's assets was well known in the market. It is also understood that the Company was contacted by interested parties independently of the marketing process that was carried out by Hannam who were then referred to Hannam.

The press release dated 14 April 2022 referred to the prospect of investors receiving no return from the sale.

The widest possible audience was reached by a combination of the Company issuing press releases and Hannam running a targeted sale and marketing process.

On appointment, the Administrators issued a press release requesting that any interested parties urgently contact the Administrators. No expressions of interest were received.

The Administrators are of the opinion that sufficient marketing was undertaken by Hannam and they are not connected to Opus, the Company or the subsidiaries.

The proposed administrators considered the merits of marketing the business for sale a second time. We considered the actions already taken by Hannam and the time constraints on the Company, given creditors were taking action both in the UK and against Russian subsidiaries. In addition to this, the proposed administrators sought guidance from Kroll as to whether the original valuation range could have increased. Kroll confirmed that, if anything, the value of the assets would have decreased during the period between their report and the date of Administration.

Hannam also confirmed that, in their opinion, the current global situation, e.g. G7 Sanctions on gold exports from Russia, meant they felt that the appetite to acquire a Russian gold producer remained low.

UMMC's ownership of the Term Loan is not sufficient for UMMC to be defined as a connected party for the purposes of the Administration. Formal Opinion was sought from Legal Counsel who have confirmed the same.

The marketing campaign resulted in the following offers (the names of bidders other than UMMC have been redacted to comply with confidentiality obligations):

Bidder 1. Bidder 1 made an indicative proposal to purchase all outstanding capital stock and other equity interests in the Company in the amount of US\$488m.

Bidder 2. Bidder 2 offered between US\$700-730m for all gold mining assets and other subsidiaries of the Company, which was based on net debt of the Company of US\$500m and other various provisions of US\$50m and the equity value of US\$150-US\$180m. Bidder 2 indicated that they felt that this represented up to 72% premium to the current (at the time) market capitalization of the Company on the London Stock Exchange. However, on the binding offer submission deadline date, Bidder 2 advised that they were not able to secure financing for the transaction and withdrew from the process.

UMMC. UMMC's initial non-binding offer did not provide a monetary figure but expressed their desire to ensure that creditors are paid in full. In expressing this, UMMC noted that they believed that the underlying assets of the Company do not exceed the total debt of Companies within the Group in the amount of approximately US\$628m.

Bidder 4. Bidder 4 expressed an interest in acquiring the assets of the Company but did not provide a monetary value to the expression of interest. It should also be noted that Bidder 4 provided its indicative offer on 16 May 2022, being the date for final binding offers. As a result of this, Bidder 4 confirmed that they would not be in a position to carry out due diligence in the timeframe permitted.

As a result, the best offer received by the date that the application to Court to appoint Administrators, was UMMC's. Accordingly, the proposed administrators began negotiating the precise terms of the transaction and formally drafting an SPA.

On 7 July 2022, UGC, the Company's largest shareholder, made a preliminary non-binding offer to purchase the Company's shares, procure repayment of the Term Loan and Facilities, and restructure the Group's other debt. The Company and the Administrators invited UGC to discuss this offer but UGC did not pursue it.

Under UGC's preliminary non-binding offer:

- UGC would procure full immediate repayment of outstanding sums due under the Term Loan (to UMMC) and the Facilities (to Nordic).
- UGC would buy out the remaining minority shareholders at "a current (preceding to announcement of this proposal) trading price of the Shares".
- The 2022 Notes and the Convertible Bonds should be transferred to a UGC subsidiary "incorporated in [a] jurisdiction outside of UK, EU, US and Russia", with the Company's guarantee terminated. Subsequent to this transfer, this debt would be "restructured and repaid".
- UGC would repay other outstanding indebtedness of the Company immediately.

In consideration of the above, the Company would transfer all material assets to an SPV set up by UGC.

This offer was expressly subject to contract and subject to various "conditions precedent", including that: (a) the current directors of the board who are EU, UK or US nationals resign; (b) the board

appoints three additional independent directors; (c) UGC conducting due diligence; (d) the current CEO being replaced by Mr Deniskin; (e) the agreement of binding documentation; and (f) “approval of the Proposed Restructuring by competent government body of the Company and regulatory authorities”.

Following this proposal, UGC exchanged correspondence with the Board between 11 and 14 July 2022.

On 12 July 2022 (prior to our appointment), we wrote to UGC. Our letter requested further information regarding the UGC Proposal by 4pm on 15 July 2022, including:

- An explanation of how UGC’s proposal to purchase the Company’s shares interacted with UGC’s intention to implement a complete debt restructuring of the Group;
- Detailed proposals as regards the treatment of the Company’s bondholders and shareholders;
- Proof that UGC had funding available to complete any transaction;
- Confirmation that all proposed steps could be carried out without additional regulatory approvals being obtained; and
- Confirmation that no person or entity involved in delivering the UGC Proposal or any transaction resulting from it is subject to any sanctions in the UK or elsewhere.

On 18 July 2022, UGC sent us a holding response stating, amongst other things, that UGC “should be able to revert to you with substantive answers to the queries raised in your letter of 12 July 2022 as soon as possible.... These are expected to be finalised in the course of this week” (i.e. by Friday 22 July 2022).

On 19 July 2022, we responded to UGC. Our letter repeated the requests set out in our 12 July letter and explained that the time available to identify a solution was extremely limited because of (i) the risk of immediate enforcement action by creditors against the Company’s assets in Russia, which would jeopardise any transaction and is likely to result in a far worse outcome for the Company’s stakeholders as a whole; and (ii) the risk that UMMC, which to date was the only party to have provided a binding and funded offer in respect of the Company’s assets, would withdraw that offer. We therefore requested UGC’s substantive response to our queries by 12pm on 22 July 2022, failing which we stated that we would have to conclude that UGC’s proposal was not viable in the time available. No substantive response was received from UGC.

Given the above, we had no further detail on UGC’s proposal beyond the preliminary, high-level and non-binding offer set out in its letter of 7 July 2022, and no proof that UGC has access to sufficient funds to pursue it. We were therefore forced to conclude that the proposal is not viable

On 16 May 2022, UMMC provided a final binding offer to acquire the gold mining assets and other subsidiaries of the Company. This was the only binding offer received.

In our opinion, the marketing strategy adopted, evidence of UMMC being able to complete the transaction and the fact that the other bidders have fallen away, has enabled the Administrators to achieve the best possible outcome for stakeholders, with creditors estimated to receive 100p in the £.

VALUATION OF ASSETS

The Company carried out a tender process to engage a valuation expert adviser. Kroll Advisory Limited (“Kroll”) and Grant Thornton submitted tenders and, on the advice of Alix, Kroll were selected to carry out the valuation. Alix reasoned that they felt both Kroll and Grant Thornton could do the work, but that Kroll fielded a more experienced team, had recently valued a Russian goldmine, and have extensive experience across the mining sector in general.

Accordingly, the Company instructed Kroll and on 2 May 2022 Kroll produced a valuation of the Company’s operating assets dated 2 May 2022, which valued those assets (at that date) at between US\$ 458 million and US\$ 621 million.

The information below has been summarised from the valuation report provided by Kroll to the Company.

The Net Asset Value (“NAV”) of the Petropavlovsk Subject Assets of US\$1.8 to US\$2.1 billion reflects the following:

- Life-of-mine projections for Pioneer, Malomir, Albyn and the POX hub (the Subject Assets) prepared by Management prior to the ongoing Russia-Ukraine conflict and without the impact on operations and development from existing and potential new sanctions. The discount attributable to the sanctions is factoring through our NAV multiple.
- Updated consensus long-term gold price projections of US\$1,600/oz.
- Forecasted long-term USD-RUB exchange rate of 87 RUB:1 USD based on IMF projections from April 19, 2022.
- Discount rate of 7% – like the cash flow projections, this discount rate excludes the impact from existing and potential new sanctions.

The NAV multiple (0.25X and 0.30X) reflects the discount applicable to the NAV arising from the impact of ongoing and potential new sanctions that are not factored into the cash flow projections or discount rate, including but not limited to potential discounts to the selling price of gold, operational delays due to lack of supplies, spares or labour, and an inability to repatriate funds outside of Russia.

The above NAV is based on the below breakdown of the Life-of-Mine Projections.

<i>in US\$000s</i>	<u>Low</u>	<u>High</u>
Pioneer	\$ 439,000	\$ 491,000
Malomir	733,000	819,000
Albyn	449,000	539,000
POX Hub	<u>210,000</u>	<u>220,000</u>
Net Asset Value	\$ 1,831,000	\$ 2,069,000

Kroll confirmed to us on 1 July 2022 that an updated valuation would value the assets at significantly less than the previous valuation provided. Kroll also confirmed that, if an updated valuation report was required, then the cost would be £187,500 plus VAT and it would take up to 5 days to undertake additional compliance checks, followed by a further 10 business days to produce the updated report.

In order to satisfy ourselves that Kroll's methodology and valuation were as accurate as possible, the Administrators instructed Opus Pear Tree Limited ("OPT") to carry out additional work in relation to the valuation. This was not only to establish the validity of its assumptions and methodology, but also to factor in changes to the macro-economic environment, including the price of gold and the value of the rouble. In addition, OPT have done a comparison with other recent mining transactions to demonstrate how asset values are continuing to drop in the Russian mining sector.

OPT audited the valuation methodology employed by Kroll and sought to update the valuation taking account of events which had taken place since the Kroll valuation was provided. OPT advised that their valuation range was US\$394m to US\$614m and concluded that "due to, inter alia, the continuing deterioration of market conditions, the current value of the assets would likely be lower today than as at the date of the Kroll report".

The Administrators considered the basis of the valuations appropriate as they were able to consider offers on a going concern basis but also understand what the assets might realise in the event that sale negotiations deteriorated and a forced sale of the assets was necessary. The final sale consideration reflects the higher end of Kroll's initial valuation and will almost certainly be considerably higher than any new valuation.

In addition to the Kroll valuation, PDS Valuers and Auctioneers were instructed to value the UK based chattel assets of the Company. The valuation report was produced on 11 July 2022. The value of these assets is not material to the outcome of the Administration.

THE TRANSACTION

On 1 August 2022, following a Court Order handed down by HHJ Jonathan Hilliard QC sitting as a Judge of the High Court, which granted the Administrators the liberty to enter in the transaction, the Administrators and UMMC executed the SPA.

There is no connection between the purchaser and the directors or shareholders of the insolvent Company or their associates.

This transaction impacts on the subsidiary companies of the Company as the transaction includes the shares of these subsidiary companies.

No guarantees have been given by any directors for amounts due from the insolvent Company to a prior financier.

The Assets

UMMC will be purchasing the shares in the following companies, which are direct subsidiaries of the Company:

- Cayiron Limited
- LLC Albynskiy Rudnik
- Petropavlovsk (Cyprus) Limited
- JSC Pokrovskiy mine
- Eponymousco Limited
- Victoria Resources Limited

- Petropavlovsk Mining Treasury UK Limited
- Sicinius Limited
- JSC MC Petropavlovsk
- LLC Atlas Mining

The Sale Consideration

The total consideration payable by UMMC is \$619m, broken down as follows:

- the Administration Fund of \$20m
- the Administration Top Up Fund of \$10m
- the Contingency Fund of \$6m
- the Adjusted Cash Consideration being the surplus amount of \$380.5m less the value of any 2022 Bond Notes that are already held by the Purchaser that has been agreed by the seller as clean.
- the 2022 Note Consideration Amount; and the face value of the Buyer 2022 Notes. The Notes held by the Purchaser by completion date that the seller agreed are clean.
- the Term Loan Consideration – an amount equal to any and all outstanding amounts payable in respect of the Term Loan (\$202.5m) from time to time (save for any statutory interest payable in respect of the Term Loan).

If the completion of the sale and transfer of shares cannot complete, the SPA provides for the sale to be unwound if required. This includes termination rights in the event that sanctions prevent the completion of the transaction. Further, under the SPA, the Company is entitled to refuse any 2022 Notes tendered by UMMC if the Administrators have any concerns that the 2022 Notes have been obtained by UMMC from sanctioned persons.

The Adjusted Cash Consideration, Administration Fund and the Contingency Fund will be received from the Purchaser on or prior to the completion date that is to be decided and agreed by both parties, once the shares transfers have been prepared and are in a position to be transferred to the Purchaser.

The 2022 Note Consideration Amount shall become payable and shall be dealt with at least 6 business days prior to the completion date. the Purchaser will provide all details relating to the 2022 Notes to the Company. The Administrators will, within 2 business days of receiving this evidence, confirm if the Notes are agreed and clean. The Purchaser will, within 3 business days of completion, provide the funds due for all the Company's agreed Notes.

Once all other items have been dealt with, the Term Loan will be set off against the sale consideration.

The SPA includes an extended longstop date for the completion of the transaction of 60 days from the date the agreement is signed. This period has been introduced to allow sufficient time to identify the bondholders and complete the various checks to approve the transfers. This period is also in place to allow sufficient time to complete all the subsidiaries' share transfers to the Purchaser.

During the period of 12 months from the date of this deed, the Purchaser agrees that it will disclose to the Seller all material details of any dividends or other distributions made by any Subsidiary,

including the date, amount, and recipient of any such payment. In the event that the total amount of such dividends or distributions exceeds US\$50m, then any portion of that sum that is reasonably attributable to the period preceding the Transfer Success Date shall be paid by UMMC to the Company

FURTHER INFORMATION

As required by the Insolvency Act 1986, the Joint Administrators will prepare proposals which must be uploaded to the website within eight weeks of the commencement of the Administration. In reality, we intend to issue our proposals as soon as reasonably practicable, if possible, by the end of August.

We intend to convene a decision-making procedure of creditors to take place during September 2022. At that stage, creditors may choose to form a Creditors' Committee. For information on the rights, duties and the functions of Committees, please go to <https://opusllp.com/literature/r3-guide-to-creditors-committees>.

Should you wish to know more about the insolvency process in general, I recommend that you visit www.creditorinsolvencyguide.co.uk.

Please note, specific email addresses have been set up for creditors and shareholders. Therefore, should you need to contact us, please use the addresses below:

Creditors: petropavlovsk@opusllp.com

Shareholders: petroshareholders@opusllp.com

Yours faithfully

For and on behalf of

Petropavlovsk PLC – In Administration



Alister Manson

Joint Administrator

Your ref:

Our ref: PE00151

Please contact: Ben Ekbery
Direct dial 020 3326 6454

TO ALL KNOWN CREDITORS AND MEMBERS +44 (0) 20 3326 6454

4 August 2022

 londonhq@opusllp.com

Dear Sirs

Petropavlovsk PLC - In Administration ("the Company")

I write to advise you that Allister Manson, Trevor Binyon and Joanne Rolls of Opus Restructuring LLP ("Opus"), 4th Floor, Euston House, 24 Eversholt Street, London NW1 1DB were appointed Joint Administrators of the Company on 18 July 2022. Formal notice of the appointment is enclosed.

Prior to the Joint Administrators' Appointment

Prior to the commencement of the Administration, Opus acted as advisors to the Board of Directors in relation to the options for the Company. Full details of the events leading to the appointment of the Joint Administrators will be detailed in the Joint Administrators' formal Proposals to creditors and shareholders (the "Proposals"), which will be circulated later this month.

Mindful of the potential future appointment of Joint Administrators, Opus made clear that its role was not to advise any director personally or any party expressing an interest in purchasing the Company's assets; throughout the period prior to the appointment of the Joint Administrators, Opus maintained its independence. At all times prior to Administration, the Board of Directors remained responsible for, and in control of, the Company's affairs.

The Effect of the Administration

The effect of the Administration is to provide protection to the Company and prevent any creditor taking action against it. During the period of the Administration, the Company cannot be wound up, no Administrative Receiver can be appointed, nor can any creditor enforce security, repossess goods, commence or continue legal action without leave of the Joint Administrators or the Court. Please note the appointment does not stop time running for the purposes of legal limitation.

The Joint Administrators manage the affairs, business and property of the Company. The Joint Administrators are neither personally adopting any contracts that may have been entered into by the Company, nor are they personally liable in any way in respect of them. Certain contracts have been adopted in the Administration, due to the requirement to continue to trade. Full details will be provided in the Proposals.

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Sale of Assets

A contract for the sale of the Company's shares in its main subsidiaries was signed on 1st August 2022, further to an application to Court for approval of such a transaction. The purchaser is a large, Russian mining company, UMMC. Full details of this transaction will be provided in accordance with the Joint Administrators' regulatory requirement to disclose such information under Statement of Insolvency Practice 16 ("SIP 16"), within 7 days of the date of the transaction.

As indicated above, the Company is continuing to trade under the control of the Joint Administrators during the period when completion of the transfers of the Company's shares in its key subsidiaries to UMMC is perfected. The Joint Administrators have reached agreement in principle to provide certain directors of the Company with specific management powers during this period, to enable trading to continue without interruption utilising the very particular knowledge and expertise of the Company's employees. For the avoidance of doubt, the Joint Administrators retain overall day to day control. Further details will be provided in the Proposals.

At this very early stage, it is not possible to forecast the outcome of the Administration. However, the Proposals will set out the purposes of the Administration and the likely future outcome for creditors. The Proposals will also convene a decision procedure to enable creditors to consider the Proposals and express their approval of their contents.

Creditors

All outstanding contracts or orders for the supply of goods and services are being reviewed and you should make supplies to the Company only against a new order or letter of novation signed by one of the Joint Administrators, or one of their authorised representatives. Any payments that are made (or goods that are supplied) to you are to be regarded as being strictly for the account of the Joint Administrators. They cannot be held or applied by you in reduction of any debts outstanding prior to the Administration order.

Although, strictly speaking, it is not normally the Joint Administrators' duty or function to deal with unsecured creditors' claims, I would nevertheless be pleased if you would forward to me details of any amounts that you consider that you are owed as at the date of the Administration, being 18 July 2022 to petropavlovsk@opusllp.com or by post to the above office address. This will enable the Joint Administrators to have an accurate picture of what the Company owes and to whom.

Should you intend to claim a lien, retention of title or any other form of security, you should advise me of your claim immediately in writing and forward any relevant supporting documents.

As part of the Joint Administrators' duties, investigations will be conducted into what assets the Company held and what other recoveries may be made for the benefit of creditors, as well as the manner in which the Company's business was conducted. These enquiries include investigations into any potential claims, if any, that may be brought against third parties. Accordingly, should you have any information which may be relevant, please contact us, as soon as possible. A short questionnaire has been enclosed, which may assist you in this regard.

VAT Bad Debt relief is available in respect of all debts on supplies made on or after 1 April 1989, for which VAT was charged and accounted for to HM Revenue and Customs, which has been outstanding for a period of six months and is written off in the accounts. No further documentation is required.

Ethical Considerations

Insolvency practitioners are bound by the Insolvency Code of Ethics (the “Code”) when carrying out all professional work relating to an insolvency appointment. The Joint Administrators observed the Code in all their activities both prior to and after their appointment.

Prior to their appointment, the Joint Administrators undertook a review of ethical issues, and the following potential ethical matters were identified:

- Professional Competence and Due Care – the particular complexities and high-profile nature of this case could be deemed to be present an ethical threat. However, the core Administration team is made up of the three Joint Administrators, three Associate Directors and a Senior Administrator. The Joint Administrators are satisfied that the significant experience and knowledge possessed by the key team members has removed the risk of any potential ethical threat.
- Validity of Appointment - in order to provide complete transparency to all and any potential stakeholders regarding the validity of the Administration, and to provide an opportunity for any party to attend and participate in the process of appointment, the appointment of the Joint Administrators was sought by way of an order of the Court, rather than by any out-of-court route. The appointment of the Joint Administrators was confirmed at a hearing on 18 July 2022 (as set out in the subsequent Order dated 19 July 2022).

The Joint Administrators are also satisfied that the level of these threats is acceptable due to:

- An internal ethical review being completed by Opus and approved by the Joint Administrators;
- Disclosure of the potential ethical matters identified in this letter to creditors, and further disclosure to be provided in the Proposals; and
- The team dealing with the Administration having no prior involvement or relationship with the Company or its Directors.

Further Information

Almost all future communications to creditors in general will be uploaded to the Opus website (www.opusllp.com) without further notice to creditors: the enclosed notice explains how you may access future correspondence issued by the Joint Administrators to creditors, generally. Also enclosed is an explanation of how creditors may opt out of receiving almost all future communications to creditors in general.

Please also note that, should the Joint Administrators need to communicate with you about your specific circumstances or requests, they will do this directly and not via the Opus website.

“A Creditors’ Guide to Administrators’ Remuneration” is also available to download at www.opusllp.com. Should you require a paper copy, please send your request in writing to the Joint Administrators and a copy will be provided at no cost.

As set out above, and as required by the Insolvency Act 1986, the Joint Administrators will prepare Proposals which must be uploaded to the website within eight weeks of the commencement of the Administration. Please note that it is the Joint Administrators' intention to send out their Proposals, later this month. A meeting of creditors will also be convened. At that stage, creditors may choose to form a Creditors' Committee. For information on the rights, duties and the functions of Committees, go to <https://insolvency-online.co.uk/files/2019/02/sip-15-reporting-and-providing-information-on-their-functions-to-committees-and-commissioners.pdf>.

Should you wish to know more about the insolvency process in general, I recommend that you visit www.creditorinsolvencyguide.co.uk.

Finally, a privacy notice as required by data protection legislation is attached.

Please note, specific email addresses have been set up for creditors and shareholders. Therefore, should you need to contact us, please use the addresses below:

Creditors: petropavlovsk@opusllp.com

Shareholders: petroshareholders@opusllp.com

Yours faithfully
For and on behalf of
Petropavlovsk PLC



Allister Manson
Joint Administrator

Enc. Notice of appointment
 Proof of debt
 Creditors' questionnaire
 Opting-out Information
 Notice of General Use of Website
 Privacy notice

NOTICE OF JOINT ADMINISTRATORS' APPOINTMENT

Company Name: Petropavlovsk PLC (In Administration) ("the Company")

Company Number: 04343841 In the High Court of Justice Reference No. 002121 of 2022

This Notice is given under Rule 3.27 of the Insolvency (England & Wales) Rules 2016 and Paragraph 46(3) of Schedule B1 to the Insolvency Act 1986. It is delivered by Allister Manson, who, together with Trevor John Binyon and Joanne Rolls, were appointed Joint Administrators of the Company.

The Company

Nature of business: Other mining and quarrying not elsewhere classified,
Activities of head offices

The Administrators

Names: Allister Manson, Trevor Binyon and Joanne Rolls

Address: Opus Restructuring LLP
4th Floor, Euston House
24 Eversholt Street
London
NW1 1DB

IP numbers: 23290, 9285 and 8867

Appointed by: Appointed by the High Court of Justice

Appointed on: 18 July 2022

Contact details: petropavlovsk@opusllp.com
020 3326 6454

Signed: 
Allister Manson
Joint Administrator

Dated: 4 August 2022

PROOF OF DEBT - GENERAL FORM

Petropavlovsk PLC (in Administration)

Date of Administration: 18 July 2022

DETAILS OF CLAIM		
1.	Name of Creditor (if a company, its registered name)	
2.	Address of Creditor (i.e. principal place of business)	
3.	If the Creditor is a registered company: <ul style="list-style-type: none"> For UK companies: its registered number For other companies: the country or territory in which it is incorporated and the number if any under which it is registered The number, if any, under which it is registered as an overseas company under Part 34 of the Companies Act 	
4.	Total amount of claim, including any Value Added Tax, as at the date of administration, less any payments made after this date in relation to the claim, any deduction under R14.20 of the Insolvency (England & Wales) Rules 2016 and any adjustment by way of set-off in accordance with R14.24 and R14.25	£
5.	If the total amount above includes outstanding uncapitalised interest, please state	YES (£) / NO
6.	Particulars of how and when debt incurred	
7.	Particulars of any security held, the value of the security, and the date it was given	
8.	Details of any reservation of title in relation to goods to which the debt relates	
9.	Details of any document by reference to which the debt can be substantiated. [The administrator may call for any document or evidence to substantiate the claim at his discretion.]	
10.	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986	Category Amount(s) claimed as preferential £
11.	If you wish any dividend payment that may be made to be paid in to your bank account please provide BACS details. Please be aware that if you change accounts it will be your responsibility to provide new information	Account No.: Account Name: Sort code:
AUTHENTICATION		
Signature of Creditor or person authorised to act on his behalf		
Name in BLOCK LETTERS		
Date		
If signed by someone other than the Creditor, state your postal address and authority for signing on behalf of the Creditor		
Are you the sole member of the Creditor?		YES / NO

Questionnaire Re: Petropavlovsk PLC - In Administration

of 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB

Creditor's name:	
Address:	
Estimated claim:	
What was the authorised credit limit?	£
Was any security, guarantee or assurance given to you in respect of ongoing trade?	
When did you first encounter delays in obtaining payment of your account, and do you have any evidence?	
Please provide details of any legal proceedings you took to recover your debts:	
Please supply details of any cheques which were not honoured, including amounts and dates:	
If there is any other information you wish to supply, or issues you consider should be reviewed, please provide brief details on the reverse of this form.	
Date:	
Signature:	
Name:	
Position:	
Please return the completed form to: Petropavlovsk@opusllp.com	

OPTING OUT OF RECEIVING DOCUMENTS

The consequences of opting-out

Creditors have the right to elect to opt out of receiving further documents about the insolvency proceeding unless:

- (i) the Insolvency Act 1986 requires a document to be delivered to all creditors without expressly excluding opted-out creditors;
- (ii) it is a notice relating to a change in the office-holder or the office-holder's contact details; or
- (iii) it is a notice of a dividend or proposed dividend or a notice which the court orders to be sent to all creditors or all creditors of a particular category to which the creditor belongs.

Opting-out will not affect the creditor's entitlement to receive dividends should any be paid to creditors.

Unless the Insolvency (England & Wales) Rules 2016 provide to the contrary, opting-out will not affect any right the creditor may have to vote in a decision procedure or a participate in a deemed consent procedure in the proceedings although the creditor will not receive notice of it.

A creditor who opts out will be treated as having opted out in respect of any consecutive insolvency proceedings of a different kind in respect of the same company.

How to opt out

A creditor may at any time elect to be an opted-out creditor.

The creditor's election to opt out must be by a notice in writing authenticated and dated by the creditor.

The creditor must deliver the notice to the Joint Administrator (details below).

How to opt back in

The creditor may at any time revoke the election to opt out by a further notice in writing, authenticated and dated by the creditor and delivered to the Joint Administrator (details below).

Contact details

The Joint Administrators' contact details are as follows:

Allister Manson, Trevor Binyon and Joanne Rolls

Telephone: 020 3326 6454

Email: petropavlovsk@opusllp.com

Post: Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB

NOTICE OF GENERAL USE OF WEBSITE

Company Name: Petropavlovsk PLC (in Administration) ("the Company")

Company Number: 04343841

In the High Court of Justice, The Business and Property Courts of England and Wales

Reference No. CR-2022-002121

This Notice is given under Rule 1.50 of the Insolvency (England & Wales) Rules 2016 ("the Rules"). It is delivered by the Joint Administrators of the Company, Allister Manson, Trevor Binyon and Joanne Rolls of Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB (telephone number 020 3326 6454), who were appointed by the High Court of Justice.

Accessing documents

The Joint Administrators have chosen to deliver all future documents (other than those listed below) to members and creditors by making them available for viewing and downloading on the website set out below:

Website:	www.opusllp.com
Username:	Opus
Password:	76dd196d

Documents will be uploaded to this website without further notice to members and creditors and the Joint Administrators will not be obliged to deliver any such documents to any recipient of this notice unless it is requested.

Requesting hard copies

Recipients of this notice may at any time request a hard copy of any or all of the following:

- (i) documents currently available for viewing on the website; or
- (ii) future documents that may be made available there.

To request one or more hard copies, contact Ben Ekbery by one of the following methods:

Telephone:	020 3326 6454
Creditor email:	petropavlovsk@opusllp.com
Shareholder email:	petroshareholders@opusllp.com
By post:	Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB

Documents that will not be uploaded to the website

The following documents will not be uploaded to the website, but instead will be delivered by post or by email as required:

- (i) a document for which personal delivery is required;
- (ii) a notice under rule 14.29 of the Insolvency (England & Wales) Rules 2016 of intention to declare a dividend; and
- (iii) a document which is not delivered generally.

Signed:  _____
Alister Manson
Joint Administrator

Dated: 2 August 2022 _____

Documents that are likely to be uploaded to the website

In an Administration, the following reports and notices are generally issued:

Document	Approximate timescale (from commencement of Administration)
Notice of Appointment	1 week
Statement of Proposals	8 weeks
Notice of Creditors' Decision or of Deemed Approval of the Proposals	11 weeks
Progress Report	7 months
Request for an Extension to the Administration (where necessary)	11 months
Notice of Extension of Period of Administration (where granted)	12 months
Final Progress Report (where no extension has been granted)	12 months
Progress Reports (where an extension has been granted)	13 and 19 months
Final Progress Report (unless a further extension is granted by the court)	24 months

Privacy Notice

The following information is provided to comply with the requirements of the UK General Data Protection Regulation.

This privacy statement describes why and how we collect and use personal data and provides information about individuals' rights. It applies to personal data provided to us, both by individuals themselves or by others. We may use personal data provided to us for any of the purposes described in this privacy statement or as otherwise stated at the point of collection.

Identity and contact details of the controller and where applicable, the controller's representative and the data protection officer	<p>Where an insolvency practitioner of Opus Restructuring LLP is not appointed as office holder, the data controller is either the company/individual on whose instructions Opus Restructuring LLP is acting or it is Opus Restructuring LLP. The contact details of Opus Restructuring LLP are: 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB, 020 3326 6454, londonhq@opusllp.com.</p> <p>Where an insolvency practitioner of 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB is appointed as office holder and the data processing is carried out as part of their statutory duties, the office holder(s) may be the data controller(s). The insolvency practitioner(s) can be contacted at: Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB, 020 3326 6454, londonhq@opusllp.com.</p>
How we use your personal information	<p>The purpose for which personal information is processed may include any or all of the following:</p> <ul style="list-style-type: none">• deliver services and meet legal responsibilities• verify identity where this is required• communication by post, email or telephone• understand needs and how they may be met• maintain records• process financial transactions• prevent and detect crime, fraud or corruption• may also need to use data to defend or take legal actions related to the above
Lawful basis for the processing	<p>Most processing is carried out to comply with our legal obligations under statute and other regulatory obligations related to the insolvency process. We also believe our processing is for the legitimate interests of all stakeholders in the insolvency process, as they are entitled to be kept informed and may wish to engage in the insolvency process. Where Opus Restructuring LLP has engaged with a client to perform a service, we will be required to process data to provide the service in accordance with the contractual terms.</p>
What personal information we hold	<p>The categories are: contact details, financial information and location. In rare cases, we may hold some special category data, e.g. trade union</p>

	<p>membership or information about individuals' health, which will be necessary to administer the insolvency process in line with our legal obligations.</p>
<p>Who we share our data with</p>	<p>[if applicable] Our firm may have offices outside of the UK. We may also use third parties located in other countries to help us run our business. As a result, personal data may be transferred outside the countries where we and our clients are located. This includes countries that do not have laws that provide specific protection for personal data. We have taken steps to ensure all personal data is provided with adequate protection and that all transfers of personal data internationally are done lawfully. Where we transfer personal data internationally to a country not providing an adequate level of protection for personal data, the transfers will be under an agreement which covers the UK GDPR for the transfer of personal data internationally.</p> <p>Personal data held by us may be transferred to:</p> <p>[if applicable]Other member firms and/or Other offices Details of our member firm/other office locations are available here www.opusllp.com. We may share personal data with other member firms/other offices where necessary for administrative purposes and to provide professional services to our clients.</p> <p>[if applicable]Third party organisations that provide applications/functionality, data processing or IT services to us We use third parties to support us in providing our services and to help provide, run and manage our internal IT systems. For example, providers of information technology, cloud based software as a service provider, identity management, website hosting and management, data analysis, data back-up, security and storage services. The servers powering and facilitating that cloud infrastructure are located in secure data centres around the world, and personal data may be stored in any one of them.</p> <p>[if applicable]Third party organisations that otherwise assist us in providing goods, services or information</p> <p>Auditors and other professional advisers</p> <p>Law enforcement or other government and regulatory agencies or to other third parties as required by, and in accordance with, applicable law or regulation Occasionally, we may receive requests from third parties with authority to obtain disclosure of personal data, such as to check that we are complying with applicable law and regulation, to investigate an alleged crime, to establish, exercise or defend legal rights. We will only fulfil requests for personal data where we are permitted to do so in accordance with applicable law or regulation.</p>
<p>How long we retain</p>	<p>We retain personal data for as long as is necessary to achieve the</p>

your personal information	purpose listed above and for any other permissible related purpose. For example, we retain most records until the time limit for claims arising from the activities has expired or otherwise to comply with statutory or regulatory requirements regarding the retention of such records.
Your rights	<p>The UK GDPR provides the following rights for individuals:</p> <p><u>Right to inform</u> This privacy notice meets our requirement to inform you of our processing of your data.</p> <p><u>Access to personal data</u> You have a right of access to personal data held by us as a data controller. This right may be exercised by contacting us [insert contact information]. We will aim to respond to any requests for information promptly, and in any event within one month.</p> <p><u>Amendment of personal data</u> To update personal data submitted to us, you may email us at miltonkeynes@opusllp.com or, where appropriate, contact us via the relevant website registration page or by amending the personal details held on relevant applications with which you registered.</p> <p><u>Rights that do not apply in these particular circumstances</u> Not all of the rights under the UK GDPR are available as one of the reasons we are holding your data is on the basis of it being a legal obligation and therefore the right to erasure, data portability and to object do not apply.</p>
Right to withdraw consent	The data received was not based upon obtaining consent and therefore the right to withdraw consent does not apply.
Changes to our privacy statement	<p>We keep this privacy statement under regular review and will place any updates on our website. Paper copies of the privacy statement may also be obtained by writing to us at Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB.</p> <p>This privacy statement was last updated on 21 September 2021.</p>
Complaints	<p>Should you want to complain about our use of personal data, please contact us [insert contact information].</p> <p>You also have the right to lodge a complaint with the Information Commissioner's Office ("ICO") (the UK data protection regulator). For further information on your rights and how to complain to the ICO, please refer to the ICO website.</p>
Who provided the personal data	Except where your personal data was provided by you or your representative, the personal data we have used to contact you was provided by the company/individual (or persons acting on their behalf) on whose instructions we are acting or in relation to which our insolvency practitioner has been appointed. We also access

	information from the Registrar of Companies and other similar public-access data providers.
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Appendix V: Estimated Financial Position

Petropavlovsk PLC - In Administration Estimated Financial Statement as at 18 July 2022

A - Summary of Assets

Assets	Book Value \$	Estimated to Realise \$
Non-Charged Assets		
Investments	560,743,243	619,000,000
Fixtures & fittings	5,874	5,780
Long term lease	407,527	NIL
Other debtors	79,304	NIL
Inter Company Loans	1,010,110,452	NIL
Inter Company Receivables	10,553,171	NIL
Balance held by BDO	2,000,000	138,701
Balance held by Bird & Bird	115,585	115,585
Cash at bank	10,118,887	NIL
Cyprus Funds	25,004,875	Uncertain
Estimated Total Assets Available to Preferential Creditors:	1,619,138,917	619,260,066

Notes

Book Values have been taken from the Company's management accounts as at 30 June 2022. These figures have not been verified by Opus. The Company has not made any adjustments to asset values in its management accounts to reflect the impact of Russia's invasion of Ukraine, the subsequent sanctions regimes imposed and ensuing challenges at both subsidiary and parent company level.

Petropavlovsk PLC - In Administration
Estimated Financial Statement as at 18 July 2022

A1 - Summary of Liabilities

		Estimated to Realise \$
Estimated total assets available for preferential creditors (carried from page A)		619,260,066
Liabilities		
Preferential Creditors:		
Employees - Holiday	(91,360)	
Employees - Pensions	(7,091)	
Secondary Preferential Creditors:		
HM Revenue & Customs - PAYE	(59,114)	
HM Revenue & Customs - VAT	(12,845,239)	
		<u>(13,002,804)</u>
Estimated Deficiency / Surplus as Regards Preferential/Secondary Preferential Creditors		606,257,262
Total Assets Available to Unsecured Creditors		606,257,262
Unsecured Claims (excluding any shortfall to floating charge holders)		
Inter Company Creditors	(1,099,661,122)	
Accruals	(10,227,027)	
Term Loan	(202,390,338)	
Trade Creditors	(4,016,176)	
P11D	(220,190)	
Unclaimed indemnities	(3,380,000)	
Employees	(567,672)	
Employee Litigation	(555,841)	
HMRC - EBT	(387,583)	
2016 Notes	(304,269,000)	
2016 Notes interest	(16,728,230)	
2016 PUT options	(3,042,690)	
2016 penalties	(176,101)	
2010 Notes	(33,000,000)	
2010 Notes interest	(816,750)	
2010 PUT options	(330,000)	
2010 penalties	(2,685)	
2022 Bond Conversion outstanding	(215,711)	
CT IRC	(542,300)	
Directors Fees	(900,000)	
Landlord	(544,000)	
		<u>(1,681,794,629)</u>
Estimated Deficiency/Surplus as Regards Non-Preferential Creditors (excluding any shortfall to floating charge holders)		(1,075,537,367)
Estimated Deficiency as regards Unsecured Creditors		
Issued and Called Up Share Capital	(47,607,948)	
		<u>(47,607,948)</u>
Estimated total Deficiency / Surplus as Regards Members		(1,123,145,316)

Note

This statement excludes any of the costs of Administration

Appendix VI: Receipts and Payments Account

Petropavlovsk PLC - In Administration Joint Administrators' Receipts & Payments

From 18 July 2022 to 6 September 2022

S of A £	\$
RECEIPTS	
Cash at Bank	4,820,761.89
Loan from Pokrovskiy Mine	8,220,000.00
Contingency Fund ¹	4,000,000.00
Administration Fund ²	7,178,042.17
Adjusted Cash Consideration ³	179,770,357.40
Refund from supplier	99.93
	<u>203,989,261.39</u>
PAYMENTS	
Wages (Gross)	(90,080.21)
Director's payments	(48,518.87)
Pension	(14,424.08)
Medical	(987.80)
Employees Benefits	(987.30)
IT Costs	(1,362.44)
Mobile Phones	(495.49)
Office Supplies	(94.18)
Bank Fees	(2,992.54)
Forex	(55,118.11)
Legal Fees	(1,416.14)
Legal Fees – share transfers	(853.21)
Management Costs	(1,035.61)
VAT Irrecoverable	(714.21)
	<u>(219,080.19)</u>
CASH IN HAND	<u>203,770,181.20</u>

¹ Conversion rate to \$USD - £3,439,085.20*1.1631

² Conversion rate to \$USD - £6,167,762.65*1.1638

³ Conversion rate to \$USD - £155,969,423.39*1.1526

Appendix VII: The Joint Administrators' Fee Proposal

The Joint Administrators are proposing to fix their fees at £2,800,000 plus VAT. This proposal is based upon the following assumptions:

- the Joint Administrators' initial investigations will not identify any matters that require further material investigations or pursuit;
- no exceptional work will be required to realise the remaining assets other than that stated above;
- A creditors' committee will not be formed;
- that a distribution to creditors will be made out of Administration;
- there will be no requirement to hold a physical creditors' meeting or additional decision procedure to consider the matters covered by the Joint Administrators' Proposals; and
- there will be no need to extend the Administration.

On these assumptions, the Joint Administrators do not anticipate that it will be necessary to seek additional approval from the relevant creditors for fees in excess of the fees proposed. However, in the event that the Administration does not proceed as envisaged, the Joint Administrators will seek approval for any fees in addition to those covered by the proposed fee that they wish to draw from the insolvent estate.

Work to be undertaken

General Description	Work includes
Administration (including statutory reporting)	
Statutory/advertising	Filing and advertising to meet statutory requirements
Document maintenance/file review/checklist	Filing of documents Periodic file reviews, including ethical, anti-money laundering and anti-bribery matters Maintenance of statutory and case progression task lists/diaries Updating checklists
Bank account administration	Preparing correspondence and liaising with banks regarding the opening of accounts Liaising with Citibank regarding ongoing use of existing account Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers Maintenance of the estate cash book Banking remittances and issuing cheques/BACS payments
Planning / review	Regular (lengthy) discussions regarding strategies to be pursued (constantly moving) Meetings with team members and independent advisers to consider practical, technical, and legal aspects of the complexities of the case including specialist counsel opinion on matters regarding sanctions Seeking advice on and making application to court as regards Administrators discharge as necessary.
Books and records / storage	Liaising with staff members regarding records to be collected. Dealing with records in storage

	Sending case files to storage
Creditor reports	Detailed SIP16 disclosure following pre-pack sale of assets Preparing proposal, six monthly progress reports, fee authority report to creditors (where appropriate), conversion to CVL (where appropriate) and final report Seeking extension via creditors (where appropriate) and/or court
Creditors' decisions	Preparation of decision notices, proxies/voting forms Collate and examine proofs and proxies/votes to establish decisions Consider objections received and requests for physical meeting or other decision procedure (For virtual meeting) Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, advertisement of meeting and draft minutes of meeting Issuing notice of result of decision on Proposals
Investigations	
SIP 2 Review	Collection, and making an inventory, of company books and records Correspondence to request information on the company's dealings, making further enquiries of third parties Reviewing questionnaires submitted by creditors and directors Reconstruction of financial affairs of the company if necessary Reviewing company's books and records Preparation of deficiency statement Review of specific transactions (if identified) and liaising with directors regarding certain transactions
Statutory reporting on conduct of director(s)	Preparing statutory investigation reports Liaising with the Insolvency Service Submission of report to the Insolvency Service Preparation and submission of supplementary report (if required) Assisting the Insolvency Service with its investigations
Examinations	Preparing brief to solicitor* Liaising with solicitors regarding examinations * Attendance at examination* Reviewing examination transcripts * Liaising with solicitors regarding outcome of examinations and further actions available * *subject to findings from investigations
Litigation / Recoveries	Strategy meeting regarding litigation* Seeking funding from creditors* Reviewing terms of solicitors' conditional fee agreements* Preparing brief to solicitors/Counsel* Liaising with solicitors regarding recovery actions* Dealing with ATE insurers* Attending to negotiations* Attending to settlement matters* *subject to findings from investigations
Realisation of Assets	
Office furniture and equipment	Liaising with valuers, auctioneers and interested parties Reviewing asset listings
Leasehold Property	Liaising with valuers and agents on marketing strategy and offers received Liaising with landlords Agreeing assignment or surrender Reviewing and negotiation dilapidations position Seeking alternative temporary office space
Leasing	Reviewing leasing documents Liaising with agents and owners/lessors

Sale of the Assets	<p>Detailed, complex and lengthy negotiations regarding the share sale</p> <p>Seeking tax advice as necessary</p> <p>Undertaking daily multinational conference calls in hiatus period (between signing SPA and completion) to report progress and deal with any queries.</p> <p>Finalising the transfer of the shares to the purchaser</p> <p>Collecting full consideration on completion</p> <p>Sanction checks on all bonds prior to transfer and sale</p>
Other assets: cash at bank	<p>Liaising with bank(s) to recover cash at bank</p> <p>Application for OFSI licence to recover funds held in Cyprus</p> <p>Considerations as to residual balances held in other overseas accounts</p>
Insurance	<p>Identification of potential issues requiring attention of insurance specialists</p> <p>Correspondence with insurer regarding initial and ongoing insurance requirements</p> <p>Reviewing insurance policies</p> <p>Correspondence with previous brokers</p>
Trading	
Management of operations	<p>Establishing new accounts with utility providers</p> <p>Ensuring security of premises, computer system and equipment</p> <p>Daily discussions with management and staff</p> <p>Weekly meeting to discuss trading liabilities and authorising expenditure</p> <p>Maintaining purchase order registry</p> <p>Preparing and authorising receipt vouchers</p> <p>Preparing and authorising payment vouchers</p> <p>Liaising with RPO and Job Centre Plus regarding redundancies</p> <p>Arranging new PAYE scheme with HMRC and submitting online payroll returns</p> <p>Concluding payroll and issuing forms P45 when trading ceases</p> <p>Liaising with Pensions regulator regarding auto-enrolment</p>
Accounting for trading	<p>Reviewing company's cashflow</p> <p>Maintaining trading profit & loss</p> <p>Trading strategy review</p> <p>Corporation tax returns</p> <p>Liaising with HMRC re VAT group position and reclaiming VAT</p>
Ongoing employee issues	<p>Review of staffing requirements for trading period</p> <p>Significant level of consultation with employees regarding contracts and entitlements</p> <p>Retention award considerations</p> <p>Deciding on and making redundancies as necessary</p> <p>Dealing with the employment tribunal claim</p> <p>Director indemnity considerations</p>
Creditors (claims and distribution)	
Creditor communication	<p>Receive and follow up creditor enquiries via telephone</p> <p>Review and prepare correspondence to creditors and their representatives via facsimile, email and post</p> <p>Corresponding with the PPF and the Pensions Regulator</p> <p>Seeking to identify bondholders. Requesting advice and potential application to Court for directions.</p>
Dealing with proofs of debt ('POD')	<p>Receipting and filing POD when not related to a dividend</p> <p>Corresponding with RPO regarding POD when not related to a dividend</p>
Processing proofs of debt	Preparation of correspondence to potential creditors inviting submission of POD

	Receipt of POD Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication Seeking solicitors' advice on the validity of secured creditors' claims and other complex claims
Distribution procedures	Paying distribution to preferential/secondary preferential or unsecured creditors The process below will need to be applied for each class of creditor paid: Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of notice of intended dividend Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Preparation of cheques/BACS to pay dividend Preparation of correspondence to creditors enclosing payment of distribution Seeking unique tax reference from HMRC, submitting information on PAYE/Ni deductions from employee distributions and paying over to HMRC Dealing with unclaimed dividends When paying the secondary preferential creditor the adjudication of HMRC's secondary preferential claim, may involve bringing the Company's preferential tax affairs up to date Dealing with the loan notes/ offset with UMMC
Creditors' Committee	No estimate has been provided, as it has been assumed that no Committee will be established

Administration (including Statutory Reporting)

The Joint Administrators are required to meet a considerable number of statutory and regulatory obligations. Whilst many of these tasks do not have a direct benefit in enhancing realisations for the insolvent estate, they assist in the efficient and compliant progressing of the administration, which ensures that the Joint Administrators and their staff carry out their work to high professional standards.

Investigations

At present, the Joint Administrators' investigations are ongoing and it is not yet clear whether any matters will be identified with the potential to generate additional recoveries for the insolvent estate. At this early stage, it is difficult to estimate the likely time costs and expenses that may be incurred in carrying out a detailed exploration and pursuit of any questionable matters. The Fees and Expenses Estimates reflect the anticipated work in carrying out basic investigations in order to identify any potential causes of action. If any are identified and the Joint Administrators consider that additional work is required in order to generate a net financial benefit for creditors, they may revert to the relevant creditors to seek approval for fees in excess of the estimate.

Realisation of assets

The receipts and payments account at Appendix VI sets out the realisations achieved to date. In brief, the following main tasks are yet to be completed:

- Completing sanction checks on all proposed transfer of bonds
- Seeking a licence to recover the sum of US\$ 25 million held in the Company's GPB Luxembourg account.
- Perfecting the transfer of shares to UMMC under the SPA.
- Dealing with the surrender of the lease.
- Cash at bank: continuing to pursue the Company's banks to release payment.

- Reviewing the position in relation to business rates
- Dealing with the physical/chattel assets.

Trading

The Company and Group are currently continuing to trade. This requires the following work to be undertaken:

- Continuing to oversee the trading and supervision of the subsidiaries
- Keep all compliance matters up to date and valid for all subsidiaries
- Provide ongoing Board approval for decisions relating to the trade and finances of the subsidiaries

Creditors (claims and distributions)

Irrespective of whether sufficient realisations are achieved to pay a dividend to preferential or secondary preferential or unsecured creditors, time will be spent in dealing with creditors' queries, assisting the employees in pursuing their claims via the RPO. In addition, as a dividend to preferential and secondary preferential and unsecured creditors is anticipated, time will be spent adjudicating on those creditors' claims to ensure that the funds are distributed in accordance with each creditor's statutory entitlement.

Appendix VIII: The Joint Administrators' Expenses Estimate

Please note that this estimate reflects the expenses anticipated to be incurred for the full period of the Administration and thus it includes expenses already incurred, details of which are provided elsewhere in this document.

Category 1 Expenses	Basis	Estimate of total (\$) <small>*Conversion rate used 1.148. This is subject to change.</small>
Legal costs [JHA LLP]: providing advice in respect of validity of appointment, sale of the business	Time-costs	\$1,607,200
Legal Disbursements [JHA LLP]		\$212,961
Legal costs [DAC Beachcroft]: assisting with employee settlement claims and negotiating settlement terms	Time-costs	\$20,664
Legal Fee: Dealing with the sanctions issues and licences	Tim-costs	\$300,000
Legal costs [Shoosmiths]: Legal advice and assistance with employee matters and claims and trading costs, termination matters and costs	Time-costs	\$51,955
Legal costs [Isadore Goldman]: Legal advice on lease and options	Time-costs	\$1,053
Legal costs: transfer of shares in various jurisdictions	Time-costs	\$249,307
Agents and Valuers [GN2]: providing a valuation and assisting with the lease of the company	Fixed fee	\$18,222
Consultants Fees [Nick Hood]	Time-costs	\$117,525
Agents Fees – Rates refund		Uncertain
Tax and Accountancy Fees		\$57,400
Tax Advice – Stamp Duty	Fixed	\$54,630
Administration employee costs		\$832,012
Administration Directors costs		\$100,000
Administration Office running costs		\$68,880
Website management costs [Thoburns]: managing and updating/amending the company's website to include statements and documents	Time-costs	\$10,000
Payroll Costs		\$11,480
ERA/Pension Specialists [Clumber Consultancy Limited]: assisting with employee matters generally and, where relevant, with agreeing the employee claims where a dividend is anticipated, dealing with the pension scheme and any arrears of contributions		\$2,870
Advertising		\$550
Bond premium		\$1,360
Document storage		\$6,000
Case management software and website document access		\$200
Insurance	Fixed	\$15,000
Travel		\$10,000
Printing and postage		\$7,000

Liquidation of Jersey entities		\$45,000
Total		\$3,857,543

Category 2 Expenses	Basis	Estimate of total
Opus Pear Tree Limited and Pear Tree Forensic Accounting Limited	Time costs	\$86,100
Total		\$86,100

Appendix IX: Summary of the Joint Administrators' Proposals

In order to achieve the purpose of the Administration, the Joint Administrators formally propose to creditors that:

- The Joint Administrators continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration, in particular that:
 - (i) they complete the sale of the Company's assets to UMMC in accordance with the SPA;
 - (ii) they deal with any remaining assets on such terms as they consider appropriate;
 - (iii) they investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or company, whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or company that supplies or has supplied goods or services to the Company; and
 - (iv) they do all such things and generally exercise all their powers as Joint Administrators as they consider desirable or expedient at their discretion in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these activities.
- The Joint Administrators make distributions to any preferential creditors in accordance with Paragraph 65 of Schedule B1 of the Act. Further, they may make a distribution to unsecured creditors, having first sought the court's permission in accordance with Paragraph 65(3) of Schedule B1 of the Act where necessary.
- The Joint Administrators end the Administration in one of the following ways, appropriate to the circumstances of the case at the time:
 - (i) in the event that the Joint Administrators consider that a distribution of 100p in the £ plus statutory interest will be made to unsecured creditors, the Joint Administrators will request the Court's permission to make distributions to the unsecured creditors in the Administration, followed by the filing a notice of dissolution of the Company pursuant to Paragraph 84 of Schedule B1 of the Act; or
 - (ii) in the event that the Joint Administrators consider that a distribution of 100p in the £ plus statutory interest will be made to unsecured creditors (and they have not sought the court's permission, and are otherwise unable, to pay the distribution whilst the Company is in Administration), they shall apply to creditors for the implementation of a Company Voluntary Arrangement. In such circumstances, Allister Manson, Trevor Binyon and Joanne Rolls will be appointed Joint Supervisors and will be authorised to act either jointly or separately in undertaking their duties. Creditors may nominate a different person or persons as the proposed Supervisors in accordance with Paragraph 83(7)(a) of Schedule B1 of the Act and Rule 3.60(6)(b) of the Rules, but they must make the nomination or nominations at any time after they receive the Statement of Proposals, but before it is approved. Information about the process of approval of the Statement of Proposals is set out at Section 10; or

- (iii) in the event that there are not sufficient funds to pay all creditors in full including statutory interest, then the Joint Administrators will apply to Court to propose a Scheme of Arrangement for the purpose of make distributions to different classes of creditors; or
- (iv) in the event that the Joint Administrators consider that a distribution will be made to unsecured creditors (and they have not sought the court's permission, and are otherwise unable, to pay the distribution whilst the Company is in Administration), they shall send to the registrar of companies notice to move the Company from Administration to Creditors' Voluntary Liquidation. In such circumstances, Allister Manson, Trevor John Binyon and Joanne Rolls will be appointed Joint Liquidators and will be authorised to act either jointly or separately in undertaking their duties as Liquidator. Creditors may nominate a different person or persons as the proposed liquidator or liquidators in accordance with Paragraph 83(7)(a) of Schedule B1 of the Act and Rule 3.60(6)(b) of the Rules, but they must make the nomination or nominations at any time after they receive the Statement of Proposals, but before it is approved. Information about the process of approval of the Statement of Proposals is set out at Section 10; or
- (v) in the unlikely event that there are no remaining assets that might permit a distribution to the Company's creditors, they shall file a notice of dissolution of the Company pursuant to Paragraph 84 of Schedule B1 of the Act; or
- (vi) alternatively, and should there be no likely funds to distribute to unsecured creditors, the Joint Administrators may seek to place the Company into Compulsory Liquidation in order to bring proceedings that only a Liquidator may commence for the benefit of the estate. In such circumstances, Allister Manson, Trevor Binyon and Joanne Rolls may ask the Court that they be appointed Joint Liquidators, to act either jointly or separately in undertaking their duties as Liquidators; or
- (vii) in the event that the Joint Administrators think that the purpose of the Administration has been sufficiently achieved and that control of the Company should be returned to the Company directors, they shall file the relevant form to bring the Administration to an end in accordance with Paragraph 80 of Schedule B1 of the Act.

Appendix X: Decision Process Documents

NOTICE OF DECISION PROCEDURE BY VIRTUAL MEETING

Company Name: Petropavlovsk PLC (In Administration) ("the Company")

Company Number: 04343841 In the High Court of Justice Case No. CR-2022-002121

This Notice is given under Rules 3.39 and 15.8 of the Insolvency (England & Wales) Rules 2016 ("the Rules"). It is delivered by the Joint Administrator of the Company, Allister Manson, of Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB (telephone number 020 3326 6454), who was appointed by the above mentioned Court.

Creditors are invited to attend a virtual meeting for the purposes of considering the following (for the full wording of proposed decisions, see the proxy form):

1. The establishing of a Creditors' Committee, if sufficient nominations are received by 8 September 2022 and those nominated are willing to be members of a Committee
2. The basis of the Joint Administrators' fees
3. The approval of the Joint Administrators' Category 2 expenses
4. The approval of the Pre-Administration costs
5. The approval of the Pre-appointment costs incurred by Weil, Gotshal & Manges (London) LLP in the sum of £1,452,099.82
6. The approval of the Pre-appointment costs incurred by Dechert LLP in the sum of £21,969.50
7. The approval of the pre-appointment costs incurred by Hannam & Partners Advisory Limited in the sum of £527,000
8. The approval of the Pre-appointment costs incurred by Datasite UK Ltd in the sum of £83,464.64
9. The timing of the Joint Administrators' discharge

The meeting will be held as follows:

Time: 26 September 2022

Date: 14:00

Venue: Please contact the Joint Administrators (details below) to receive instructions on how to access the virtual meeting, which will be held via an online conferencing platform.

This virtual meeting will be recorded by video and audio in order to establish and maintain records of the existence of relevant facts or decisions that are taken at the meeting. By attending this meeting, you consent to being recorded, including recordings of your facial image. Where any recording of the meeting also entails the processing of personal data, such personal data shall be treated in accordance with the Data Protection Act 2018.

The meeting may be suspended or adjourned by the chair of the meeting (and must be adjourned if it is so resolved at the meeting).

Also provided is a proxy form to enable creditors to appoint a proxy-holder to attend on their behalf (note: any creditor who is not an individual must appoint a proxy-holder, if they wish to attend or be represented at the meeting).

All proxy forms, together with a proof of debt if one has not already been submitted, must be completed and returned to the Joint Administrator by one of the methods set out below:

By post to: Opus Restructuring LLP, 4th Floor, Euston House, 24 Eversholt Street, London, NW1 1DB
By fax to: 020 3691 1570
By email to: petropavlovsk@opusllp.com

Please note that, if you are sending forms by post, you must ensure that you have allowed sufficient time for the forms to be delivered to the address above by the times set out below. Unless the contrary is shown, an email is treated as delivered at 9am on the next business day after it was sent.

All proofs of debt must be delivered by: 4pm on 23 September 2022

All proxy forms must be delivered to the convener or chair before they may be used at the meeting fixed for 14:00 on 26 September 2022

If the Joint Administrator has not received a proof of debt by the time specified above (whether submitted previously or as a result of this Notice), that creditor's vote will be disregarded. Any creditor whose debt is treated as a small debt in accordance with Rule 14.31(1) of the Rules must still deliver a proof if the creditor wishes to vote. A creditor who has opted out from receiving notices may nevertheless vote if the creditor also provides a proof by the time set out above.

Creditors who meet one or more of the statutory thresholds listed below may, within 5 business days from the date of the delivery of this Notice, require a physical meeting to be held to consider the matter.

Statutory thresholds to request a meeting:	10% in value of the creditors
	10% in number of the creditors
	10 creditors

Creditors who have taken all steps necessary to attend the virtual meeting under the arrangements made by the convener, but that do not enable them to attend the whole or part of the meeting, may complain under Rule 15.38 of the Rules. A complaint must be made as soon as reasonably practicable and in any event no later than 4pm on the business day following the day on which the person was, or appeared to be, excluded; or where an indication is sought under Rule 15.37, the day on which the complainant received the indication.

A creditor may appeal a decision by application to the court in accordance with Rule 15.35 of the Rules. Any such appeal must be made not later than 21 days after the Decision Date.

Invitation to Form a Committee

Creditors are invited to nominate creditors (which may include themselves) by completing the relevant section on the proxy form and returning it to the Joint Administrator.

All nominations must be delivered by: 4pm on 23 September 2022

Nominations can only be accepted if the Joint Administrator is satisfied as to the nominated creditor's eligibility under Rule 17.4 of the Rules. For further information on the role of Creditors' Committees, go to: <http://thecompliancealliance.co.uk/cglc.pdf>.

Signed: _____



Allister Manson

Joint Administrator

Convener

Dated: 8 September 2022

The Insolvency Act 1986

Proxy (Administration)

In the matter of Petropavlovsk PLC

and

Notes to help completion of the form

Please give full name and address for communication

in the matter of the Insolvency Act 1986

Name of creditor _____

Address _____

Please insert name of person or "chair of the meeting". If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the names of the alternatives as well

Name of proxy-holder

1 _____

2 _____

3 _____

Please delete words in brackets if the proxy-holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be the principal's proxy-holder at [the meeting of creditors of the above Company to be held on 26 September 2022 or at any adjournment of that meeting].

or

[all meetings in the above Insolvency proceeding relating to the above company]

The proxy-holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

Voting instructions for resolutions:

SEE ATTACHED SHEET

This form must be signed

Signature _____ **Dated** _____

Name in CAPITAL LETTERS _____

Only to be completed if the creditor has not signed in person

Position with creditor or relationship to creditor or other

authority for signature: _____

Are you the sole member/shareholder of the creditor?

Yes / No

This proxy may be completed with the name of the person or the chair of the meeting who is to be the proxy-holder.

Proxy (Administration) (continued)

Petropavlovsk PLC (in Administration)

Name of creditor _____

Voting instructions for resolutions:

<p>That a Creditors' Committee be established if sufficient nominations are received by 4pm on 23 September 2022 and those nominated are willing to be members of a Committee.</p> <p>1. I nominate the following creditor to be a member of a Creditors' Committee <u>and they have confirmed that they are willing to act:</u></p> <p>_____</p>	*For / Against
<p>2. That the Joint Administrators be discharged from liability in respect of any action undertaken by them pursuant to Paragraph 98 of Schedule B1 of the Act, such discharge to take effect when the appointment of Joint Administrators ceases to have effect, as defined by the Act, unless the court specifies a time.</p>	*For / Against
<p>3. That the Joint Administrators' fees be fixed by a set amount of £2,800,000 for the Administration</p>	*For / Against
<p>4. That the Joint Administrators be authorised to discharge all Category 2 expenses, calculated on the bases detailed in Opus Restructuring LLP's summary.</p>	*For / Against
<p>5. That the unpaid pre-Administration costs set out in the Joint Administrators' Proposal be approved.</p>	*For / Against
<p>6. The approval of the pre-appointment costs incurred by Weil, Gotshal & Manges (London) LLP in the sum of £1,452,099.82</p>	*For / Against
<p>7. The approval of the Pre-appointment costs incurred by Dechert LLP in the sum of £21,969.50</p>	*For / Against
<p>8. The approval of the pre-appointment costs incurred by Hannam & Partners Advisory Limited in the sum of £527,000</p>	*For / Against
<p>9. The approval of the Pre-appointment costs incurred by Datasite UK Ltd in the sum of £83,464.64</p>	*For / Against

* Please delete as applicable to indicate your voting instructions

PROOF OF DEBT - GENERAL FORM

Petropavlovsk PLC (in Administration)

Date of Administration: 18 July 2022

DETAILS OF CLAIM

1.	Name of Creditor (if a company, its registered name)	
2.	Address of Creditor (i.e. principal place of business)	
3.	If the Creditor is a registered company: <ul style="list-style-type: none"> For UK companies: its registered number For other companies: the country or territory in which it is incorporated and the number if any under which it is registered The number, if any, under which it is registered as an overseas company under Part 34 of the Companies Act 	
4.	Total amount of claim, including any Value Added Tax, as at the date of administration, less any payments made after this date in relation to the claim, any deduction under R14.20 of the Insolvency (England & Wales) Rules 2016 and any adjustment by way of set-off in accordance with R14.24 and R14.25	£
5.	If the total amount above includes outstanding uncapitalised interest, please state	YES (£) / NO
6.	Particulars of how and when debt incurred	
7.	Particulars of any security held, the value of the security, and the date it was given.	
8.	Details of any reservation of title in relation to goods to which the debt relates.	
9.	Details of any document by reference to which the debt can be substantiated. [The administrator may call for any document or evidence to substantiate the claim at his discretion.]	
10.	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986	Category Amount(s) claimed as preferential £
11.	If you wish any dividend payment that may be declared to be paid into your bank account please provide BACS details. Please be aware that if you change accounts it will be your responsibility to provide new information	Account No.: Account Name: Sort code:
	AUTHENTICATION	
	Signature of Creditor or person authorised to act on their behalf	
	Name in BLOCK LETTERS	
	Date	
	If signed by someone other than the Creditor, state your postal address and authority for signing on behalf of the Creditor	
	Are you the sole member of the Creditor?	YES / NO