

Company name: Petropavlovsk PLC
Brief background about the company (e.g. structure, directors, shareholders, employees, nature of business, reasons for current difficulties)
<p>Structure and Shareholding</p> <p>The Company is a PLC 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. 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").</p> <p>The trading price and market capitalisation are, as such, publicly available on a daily basis. We do have a recent list of shareholders however, given that it is a PLC, this is subject to constant change. The largest shareholder that we are aware of is Uzhuralzoloto Group of Companies with 29.18%.</p> <p>The company has significant Bondholder values, in the sum of c.£350m. The identity of these Bondholders however, are not held by the company. The company had instructed an independent party to locate and identify all of the bondholders and their details. Approximately 27% of bondholders were identified with the remaining holders not replying to any enquiries or providing any contact details. It is envisaged that we will instruct a party to locate bondholders.</p> <p>Within the first two months following the signing of the SPA, the Purchaser is to attempt to identify the bondholders and seek to purchase these bonds. These bonds will be reviewed by the Administrators in full along with sanction checks to confirm that there are no sanction risks or other regulatory issues with the transfer of these bonds to allow for the transfer to complete. If the bondholders cannot be located and identified, then further forensic searches will be requested and completed to complete further searches and checks.</p> <p>As discussed in further detail below, if the completion of the sale and transfer of bonds and shares cannot complete, then the SPA provides clauses to allow the sale to be unwound if required. Sufficient legal advice has been received on this matter and agreed with the proposed Administrators. Such causes of the share transfer to not complete, include each bond and share identified by the purchaser for the proposed purchase and transfer will need to be reviewed in full by the Administrators. Who will need to be fully comfortable that all of the checks completed regarding any possible sanction or regulatory risks on transferring the shares are confirmed as passed and a clean transfer can take place. If the Administrators has not been provided sufficient evidence to prove that there will be no risk associated to the transferring of the bond and share, the Administrators have the power to reject this proposed transfer.</p> <p>If they are again unsuccessful, it is likely that we will either seek directions from the Court (remembering that any surplus is repayable to the purchaser) or the funds will be paid to HM Treasury as Bona Vacantia.</p> <p>Nature of Business</p> <p>The Company's business is focused on its ownership of 12 direct subsidiaries as the holding company of these subsidiaries. Many of the subsidiaries are Russian companies and, under Russian Law, Atlas Mining</p>

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LLC is the managing director with oversight of the Russian based subsidiaries. These subsidiaries control and deal with four gold mines and associated businesses in the Amur region of Eastern Russian.

Atlas Mining's managing director is Denis Alexandrov who also is group CEO. The Company's board has adopted a delegation of authority policy together with the Terms of Reference for the Executive Committee. The delegation of authority requires that the Board of Directors approve all contracts in excess of \$1m. There is a schedule of matters reserved for board approval. Anything within that schedule must be referred to the board for approval wherever it arises in the group. This includes setting strategy, budgets, culture, approving changes to capital or corporate structure, significant transactions or litigation, related party transactions etc. There are additional policies overseen by the board (such as the delegation of authority which sets sign off limits at different levels of seniority on transactions by value, fundamental safety rules, related party transactions, code of ethics) which build on these principles and are binding across the group.

In addition, the Board communicates with key managers such as CEO, CFO, Head of Internal Audit, Head of HR and Head of HSE on a regular basis to ensure that no red flag issues arise and that the Board is fully appraised on of the company's operations. The CFO and Head of Internal Audit report to the Chair of the Audit Committee.

The Company then has general oversight of Atlas Mining LLC and the Company's duties to Atlas Mining LLC include:

- 1) Any matter reserved to the board under the schedule of matters reserved and Delegation of contract authority \$ 1mm
 - a. Contract approval via email (all directors consent)
 - b. Contract approval via meeting of the BoD
 - c. Contract information provided in accordance with format developed by Internal Audit and Board
 - d. Board seeks input from Internal Audit, CFO and gets informed about the operations of the tender committee.

- 2) HSE (Health and Safety and Environment are combined functions)
 - a. All serious accidents and incidents have to be reported to the BoD within 24hours
 - b. In case of an accident or incident the BoD communicates with the head of HSE and ensures that policies are updated and, where required a proper investigation into the causes of an accident or incident are carried out.
 - c. The Board receives and reviews monthly HSE reports from the Head of HSE and engages with the head of HSE to further improve the HSE performance of the company.
 - d. The Board's SSW committee (chaired by Mikhail Irzhevsky) oversees HSE performance and receives quarterly updates.
 - e. The board approves HSE policies and budget.

- 3) Human Resources
 - a. The company has a 'RemCo population', a set of managers that are subject to the oversight of the Remuneration Committee. These are (a) the company secretary; (b) the CEO, CFO and head of Internal Audit, (c) the heads of mines; and (d) the Atlas N-1. Matters covered include:

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- i. Material changes to contracts
- ii. Award of bonuses
- iii. Award of special leave
- iv. Retention and dismissal of RemCo population employees

4) General Governance

The Board has regular communications with senior managers in PLC and on Atlas Mining level in order to maintain an oversight of the operations, to receive updates on key issues and to be apprised of red flags. In general, a regular contact between senior management and the Board ensures that management stays closely aligned with the objectives of the Board. The Board receives monthly reports on performance from management.

Of these subsidiaries, ten are being transferred to the purchaser as part of the proposed sale, and there are two Jersey based subsidiaries, Petropavlovsk 2010 Limited and Petropavlovsk 2016 Limited, that are excluded from the transaction. The proposed purchaser did not wish to acquire these and they will have to go through their own insolvency procedure. The mechanism for dealing with any intercompany position is set out in the SPA. The Company also has a number of group entities in locations such as Jersey, the Cayman Islands, Cyprus and Guyana. Please find attached a copy of the group structure for reference. A Balance Sheet for the period up to 31 May 2022 has been received for all of the direct and indirect subsidiaries providing confirmation of the financials of each entity separately.

Subsidiaries

As stated above, 4 subsidiaries hold and control the gold mines and the remaining 8 subsidiaries deal with the sale of the gold and holding companies in the different jurisdictions. Based on current information from the company, the subsidiaries are rapidly running through cash reserves, and are due to become insolvent in the near future for those that are not already insolvent, because of the Russian sanctions imposed on selling Russian gold and assets. According to the Balance Sheets received for all of direct and indirect subsidiaries, 26 of the 36 direct and indirect subsidiaries are already insolvent. UMMC, who took an assignment of a \$200M term loan which is owed by certain subsidiaries and guaranteed by the Company, have recently issued a demand for repayment.

Employees

There are 7 employees, all based in the UK. There are also 5 directors who are on PAYE and have service agreements in place, two of whom are based in the UK; note that they do not have employment contracts.

The roles of the employees and directors are as follows:

Head Office Accountant
Assist CoSec
HR and Compliance
Assistant Accountant
Company Secretary and Corporate Counsel
Office manager
IR Manager
CEO
CFO

For completeness, 3 of the Company's directors are based in Russia (Mr Denisikin only having been appointed on 11 April 2022). The Chairman, Senior Independent Director and Company Secretary are based in England. Full AML searches and checks have been completed on all of the directors including sanction checks. These have all been passed and cleared to proceed.

<p>Reason for Difficulties</p> <p>The Company is insolvent based on the financial information provided, and primarily due to its inability to receive dividends from parties and subsidiaries involved in sanctioned areas or sanctioned activities. The Company’s main banking facility is in default and it is struggling to extract cash from Russia to maintain day to day operations. Bond interest and repayments are falling due and cannot be met.</p> <p>The Company has not been able to refinance and there is no further scope for re-financing. The Company has extensively investigated various options for refinancing the Group’s debt and it is apparent that there are none available in the current environment that would resolve all the outstanding debt issues. 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. This war has caused the relationship between Russia, the UK and the rest of the World to be unstable, unpredictable and hostile. There is, of course, the issues of sanctions against Russia which should also be considered. Therefore, trading has become extremely difficult and asset values have been reduced.</p> <p>Western banks are not interested in refinancing as the Company’s assets are located in Russia. On the other hand, the Russian banks most likely able to take on a refinancing of this scale are subject to UK sanctions. These include Unicredit, Societe Generale, Raiffeisenbank and Commerzbank who the company approached. Accordingly, the Company could not engage with those entities to discuss a potential refinancing. The Company contacted the smaller Russian banks that are not subject to UK sanctions but none were willing to refinance such a large debt on its own. For example, the Group approached Rosbank to seek a refinancing of \$300m of debt (being the Term Loan and the Facilities), but Rosbank advised that this deal would be too large for one bank, suggesting that a syndicate of banks might be required. Other banks simply said that it would not be possible. This was done over the past 6 months. The shareholders of the company were not contacted directly regarding the potential for further investments into the company. A number of shareholders who have the potential to be interested in the purchase of the company were contacted and included in the marketing process which was conducted by Hannam.</p> <p>As discussed above, following the invasion of Ukraine by Russia, there were significant Government sanctions across the World against Russia and any entities with links to Russia or Russian Assets. This significantly impacted the share value of the company and resulted in the shares being a minimal value compared to pre sanctions being enforced.</p>
<p>What is the statutory purpose being pursued and provide an explanation that the proposed sale achieves this.</p> <p><u>Statutory Objective Being Pursued</u></p> <p>It is considered that the second statutory objective of administration is likely to be met for the reasons set out below. For ease of reference, the second statutory objective is:</p> <p><i>“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).”</i></p> <p><u>Why the Proposed Sale Achieves This</u></p> <p>First, if the proposed transaction is completed then, it is intended that all the Company’s bondholders, preferential and secondary preferential creditors will receive 100p in the £ and unsecured trade creditors will also receive 100p in the £ based on our most prudent current estimates.</p> <p>If the Company does not enter into administration (and/or the proposed transaction fails), it is likely that the return to creditors would be materially less as it is unlikely that a share sale, at the current value,</p>

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would proceed. Our best estimates are that a sale via an Administration would provide a return of 100 p/£ to all classes of creditors, where as in a liquidation scenario preferential creditors are likely to be paid in full an unsecured creditors would receive 2 p/£, as detailed in the attached EOS.

Further, UMMC, who are owed \$200M by certain subsidiaries and which is guaranteed by the Company, have demanded repayment in full. No party is capable of settling the outstanding balance and it is therefore likely that, if a sale does not conclude, UMMC will commence bankruptcy proceedings in Russia which would render the shares and Company worthless.

The resulting diminution in the Company's assets (both through the loss of key operating assets and the costs associated with any litigation) and the lack of an alternative purchaser for all the Transferring Subsidiaries would be likely to lead to a worse return to creditors compared to if the Administration process was to proceed. This has been confirmed by the instructed solicitor as a real possibility. More detail in relation to the transaction as well as an Estimated Outcome Statement can be found later in this checklist.

Second, the directors could, in theory, have taken an alternative approach of seeking to place the Company into liquidation. However, in my view, an administration will produce a better result for creditors as a whole than if the Company first entered into liquidation. A voluntary liquidation process would be difficult to proceed with, because of the company being a PLC and has a significant number of shareholders. Therefore, a Court appointed Liquidation process would be the likely route for a liquidation process of a company of this size and position in the market, with potentially a Special Manager being instructed to assist with the appointment, such as in the case of Carillion. This would lead to greater costs for the Official Receiver with realisation charges and distribution charges, as well as significant costs to a potential Special Manager.

If the Directors sought a special resolution from the members, 21 days' notice would be required. If they apply to Court for a winding up, this could take weeks. Due to the time passed, this would create material uncertainty around the sales process. It could disrupt the process, worsening the prospects of a successful sale at a value consistent with the best price available in the circumstances.

Equally, the Company has limited available cash reserves to trade during any such hiatus period. There is a balance of c\$25 million which currently will not be collected by either the company's bank GPB Luxembourg and the subsidiary's bank Bank of Cyprus, due to neither bank wanting to accept the funds. At present, this is not available to the Company due to the banks' sanctions and client concerns, according to the Company. Unfortunately, we are unable to be more specific at this stage as neither bank has confirmed the position. This will form part of our investigations post appointment and possible licences will be required from OFSI to grant the recovery of these funds. This has been confirmed through our ongoing discussions with our solicitor, and written advice has been requested on this matter.

Furthermore, UMMC, the proposed purchaser and the major creditor, is expecting that administrators will be appointed to the Company in short order, and there is no certainty that UMMC would be willing to proceed with the proposed transaction if the Company went into liquidation, even if the Company's assets were not otherwise taken by way of enforcement action (as explained below). Further details of UMMC are stated below. Given the uncertainties arising from the conflict in Ukraine, it is possible that further sanctions or other restrictions could be implemented in the meantime that could prevent, or further delay, the completion of a sale, such that time is of the essence.

In addition, certain of the Company's Russian subsidiaries have waived the moratorium on bankruptcy filing in Russia, as stated in the Company's press release as at 12 May 2022. As a consequence, creditors

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can now take enforcement action against certain of the Russian subsidiaries which, in turn, could have an impact on the Company’s creditors, creating further time pressure.

UMMC are one of the top Russian producers of major commodities including copper, zinc, coal, gold and silver. Additionally UMMC produces lead, selenium, tellurium, cadmium and indium., however are looking to expand into the precious metal mining market. UMMC operates 40 companies situated in Russia and other countries and has more than 80 000 employees.

Company’s headquarters are situated in Verknaya Pyshma (Russia, Sverdlovsk region).

(The Administration can justifiably also claim to be fulfilling the third statutory purpose, as it is likely that the secondary preferential creditor of c£10m, relating to VAT owing to HMRC will be paid out of the Administration).

An explanation and justification of why a pre-pack sale is an appropriate option

See above for the detail as to why a pre-pack is the appropriate option. In essence, this is to secure the best value for the Company’s assets and expedite the sale process to complete as soon as possible before the value of assets reduce further or alternative enforcement action is taken not based in England, the Company’s COMI.

The instructed solicitors have stated that if the company does not go into Administration providing a legal moratorium and protection over the company and its assets, being the subsidiaries, then Russian third parties could take enforcement action against the subsidiaries and nationalise them, as previously outlined.

The assets of the subsidiaries will continue to reduce as the subsidiaries are losing value in the sale of gold due to sanctions causing a sale to Russian entities allowed only. Therefore, there is an increased need to sell greater quantity of gold reserves to receive a lower value for it in order to cover their ongoing trade and costs of the subsidiaries.

The duration of the process for entry into liquidation would create a material uncertainty around any sales process. This is because there would be a material period before the appointment and identity of the liquidator was confirmed. This would risk disrupting the sales process, worsening the prospects of a successful sale at a value consistent with the best price available in the circumstances. Equally, the Company has limited available cash reserves to trade during any such hiatus period. The company trades as the holding company over the subsidiary companies it controls. The company would not be in a position employ the directors and employees that oversee and control the subsidiary entities.

Source and date of Opus Restructuring LLP’s initial introduction. [SIP16]

JHA LLP on 10 June 2022.

Extent of Opus Restructuring LLP’s involvement to date. It must be made clear which party Opus Restructuring LLP is advising and in what context, e.g. restructuring, sale. State when the involvement commenced. [SIP16]

Initial Contact and Formal Engagement
AM received the first phone call with JHA on the evening of Friday 10 June 2022. The first briefing call with one of the Directors was on Saturday 11 June 2022. AM provided advice and a proposed engagement strategy between 11-17 June 2022, Opus was formally engaged on 17 June 2022. Since the initial introduction and prior to the formal engagement of the director, Opus was required to tender

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against other insolvency practitioner firms. Opus were successful in the tender. Since then, Opus have been involved in advising the Board of the Company in relation to the proposed pre-pack Administration and the proposed transaction. This advice has been provided in conjunction with the advice of solicitors, JHA, the source of Opus' introduction.

Progression of Pre Pack Sale

Further to corresponding with the instructed solicitors regarding the sale considerations and contents of the SPA, there have been ongoing negotiations between the solicitors and the proposed purchaser to maximise the sale price and return to creditors (likely to be 100p in the £ as set out in the SPA). These commenced on Sunday 19 June 2022 and continued, thereafter.

Significant time has been spent reviewing all company background information and documentation held, understanding the business and any restrictions or requirements needed for the proposed sale and administration appointment. It should be made clear that other insolvency practitioners have been involved prior to Opus, including Alix Partners and BDO. Alix Partners were appointed in April 2022 and BDO were appointed on 15 May 2022. The marketing process took place prior to Opus' involvement and was completed by the International Private Bank Hannam & Partners ("Hannam"), who are authorised and regulated by the FCA, and were instructed by the company, and further information is provided in the marketing section below. A valuation has been prepared by Kroll. Please see more detail later in the valuation section of this checklist).

Hannam have been paid £500,000 plus VAT for their marketing services to date in accordance to their engagement terms, and a further £500,000 plus VAT is to be claimed once the completion of the sale has completed. However, this further fee on completion will require adjudicating on and analysis required to confirm if the payment terms last beyond their termination of instruction. Therefore, this fee has been included as an unsecured creditor.

Details of the Opus Restructuring LLP team involved and details of external advisors (e.g. solicitors, agents – together with their professional qualifications and confirmation of their independence and adequate PI insurance)

Opus

Allister Manson, Trevor Binyon, Joanne Rolls – Proposed Joint Administrators
Bradley Parrott, Jess Jennings, Mark Boast - Associate Directors
Ben Ekbery – Senior Administrator
(David Birne, Emma Mifsud and other partners/staff providing ad hoc advice and document reviews)

JHA LLP – Solicitor (please see attached New Agent Form detailing all the relevant information required).

Clumber – Employment Redundancy calculations
TBC – employment advice re TUPE *
PDS Valuers – Valuation agent in relation to chattel assets
Opus Pear Tree – Forensic review of information
Outlook Investments Limited – Independent review of Opus Peartree work
A Plus 2 – Review and calculation of relevant employee figures.
MHA – Tax and VAT advice
SIA Group – Property lease valuation and advice
[add others as required e.g. employment/ TUPE advice, Tax advice]

* It should be noted that we are seeking advice on TUPE to confirm whether employee claims will be included in the Administration or not as we need to understand costs/claims as part of the Sale (to be

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included in the purchasers consideration). There is also the matter of the employees involvement post appointment to help execute the share transfers, deal with bond holders etc.
Secured creditors – full details incl name, indebtedness, type of charge, priority & date
N/A
Asset finance involvement
N/A
Critical issues (e.g. secured creditors, creditor pressure, assets in jeopardy, key suppliers, wages & salaries)
<p>See comments above in relation to critical issues. In summary:</p> <ul style="list-style-type: none">• Assets in jeopardy due to the crashing Russian market: risk of enforcement action being taken against subsidiaries in Russia. The major creditor has already demanded repayment of the Term Loan r and other creditors could enforce on subsidiaries in Russia, thus the control could be removed from the Company and thereby minimising the return to creditors• Risk of further sanctions against Russia that will cause further restrictions on the trading of the company and the subsidiaries reducing the value of the business and assets.• There is ongoing legal action that is due to be settled and finalised shortly regarding an employment tribunal claim. This is being dealt with separately.• There is also, a Statutory Demand that is outstanding, and the creditor will take action against this imminently.• Need to complete on the sale urgently to maximise return to creditors (see above as to why).• This is the only valid and proved offer on the table and if it falls away, it is highly likely that creditors will get a minimal return. There were two other indicative offers received during the marketing period, however these offers could not be progressed. Further detail is confirmed in the marketing section below. There is a further initial offer that has recently been received on 7 July 2022. However, this offer has not been reviewed fully with further evidence and due diligence required. Further detail of this offer is below section regarding offers received.• The Company has depleting funds and cannot support any kind of trading, nor can it re-finance. This is as a result of the subsidiaries not being able to distribute up to the parent to support the trading of the Group.
Key information from audited/draft accounts
<p>The Company’s last Group accounts were made up to 31 December 2020 and were filed at Companies House on 15 June 2021. Note that the Company also filed an extension to their period end from 31 December 2021 to 28 February 2022. The last filed accounts are 224 pages long and I feel that it is not appropriate or cost effective to discuss these in this checklist. However, some of the key headings from the balance sheet include, Right of Use Assets in the sum of £575m and Creditors Falling Due Within 1 Year in the sum of £997m.</p> <p>However, we do have a working document initially produced by the Company with the assistance of BDO (and subject to our full review and comment) which set out the Company’s liabilities. Since then, Opus have worked on calculating the Company’s liabilities (including contingencies) as well as looking at the Company’s VAT position with the assistance of the previous auditors, MHA MacIntyre Hudson. The</p>

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completed detail of the company’s liabilities is attached.

Summary of assets. Give details of any valuations obtained of the business or the underlying assets, including name, qualification and PI insurance of valuer. To include the basis of valuation adopted by the Administrator or his valuers / advisors together with the rationale for the basis of the valuations obtained. If the agents/ valuers do not meet this criteria explain why they were instructed.

If no valuation, explain why not. Disclose amounts attributed to either the business as a whole or to individual classes of assets. Where assets are difficult to value reliably, e.g. goodwill, it may be possible to demonstrate that best value has been obtained by exposing them to the market. [SIP16]

The below information has been summarised from the valuation report provided by Kroll Advisory Ltd (“Kroll”).

in US\$000s	Low	High
Net Asset Value	\$ 1,831,000	\$ 2,069,000
NAV multiple	0.25X	0.30X
FMV of Subject Assets	\$ 458,000	\$ 621,000

The Net Asset Value (“NAV”) of the Petropavlovsk Subject Assets of \$1.8 to \$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.

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

See full valuation attached. Valuation produced by Kroll on 2 May 2022 for the Company prior to Opus’ involvement. Further clarity and confirmation was received from Kroll on 1 July 2022 that an updated valuation would value the shares at significantly less than the above valuation provided. This email

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correspondence is also provided for completeness. Kroll have confirmed, that if an updated valuation report is required, then the cost will be £187,500 plus VAT and will take a further 10 business days to produce.

Significant consideration was made with regard to the potential of instructing another agent to prepare a valuation of the assets. However, after a review of the valuation and niche area a valuation report was provided on, it was deemed that another agent would not have been able to, or in a position to provide a more accurate valuation report. Therefore, the valuation report provided by the previous instructed agents by the Company was used as part of the SPA and the negotiations with the purchaser.

However, OPT have carried out additional work on the valuation, not only to establish the validity of its assumptions and methodology, but also to factor in changes to the macro-economic environment, eg the price of gold and the value of the rouble. In addition, OPT have compared other recent mining transactions to demonstrate how asset values are continuing to drop in the Russian mining sector.

The consideration to be paid for each subsidiary is detailed below.

Name	Jurisdiction of incorporation	Shareholder(s)	Petropavlovsk PLC shareholding(s) / nominal value of LLCs participatory interest owned by Petropavlovsk PLC	Consideration payable at Completion
Cayiron Limited	Cayman Islands	Petropavlovsk PLC (100%)	142 ordinary shares of USD 1.00 each	USD 1.00
LLC Albynskiy Rudnik	Russia	Petropavlovsk PLC (100%)	1,200,000.00 RUB	USD 129,000,000.00
Petropavlovsk (Cyprus) Limited	Cyprus	Petropavlovsk PLC (99.99%) Eponymousco Limited (0.01%)	386,995 ordinary shares (USD 2.50)	USD 227,629,837.00
JSC Pokrovskiy mine	Russia	Petropavlovsk PLC (19.37%) Eponymousco Limited (80.01%) Amur region rep. by the Ministry for Property Relations of the Amur region (0.62%)	39,027,777,779 ordinary shares of 0.0009 RUB each	USD 43,000,000.00

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Eponymousco Limited	England	Petropavlovsk PLC (100%)	59,645,086 A ordinary shares of GBP 0.01 each 2,759,368 C ordinary shares of GBP 0.01 each	USD 83,000,000.00
Victoria Resources Limited	England	Petropavlovsk PLC (100%)	410,248 ordinary shares of USD 1.00 each 2 ordinary shares of GBP 1.00 each	USD 1.00
Petropavlovsk Mining Treasury Limited	UK England	Petropavlovsk PLC (100%)	165,251 ordinary shares of USD 1 each	USD 1.00
Sicinius Limited	Cyprus	Petropavlovsk PLC (99.99%) Eponymousco Limited (0.01%)	211,853 ordinary shares (USD 2.50)	USD 24,000,000.00
JSC MC Petropavlovsk	Russia	Petropavlovsk PLC (100%)	100,000 ordinary shares of 240 RUB each	USD 370,000.00
LLC Atlas Mining	Russia	Petropavlovsk PLC (100%)	10,000.00 RUB	USD 160.00
Estimated outcome statement, comparing with break up sale/liquidation/trading administration/other. [SIP16]				
Attached				
Details of any marketing activities conducted by the company, its directors, agents and Opus Restructuring LLP. Specify how any marketing was undertaken, for example advertising, mailshots, direct approaches to parties etc. Make specific reference to marketing essentials set out in SIP 16 and explain rationale from any deviation from these essentials.				
<p>The information below has been summarised from the Witness Statement of the Proposed Administrator, para 51 to 51.4. The marketing process was completed by Hannam & Partners (“Hannam”) – a private bank, with sufficient expertise and experience in Russian assets and mining activities, and is authorised and regulated by the FCA and who holds valid PI Insurance cover and sufficient qualifications. Further clarification and details of the marketing process completed by Hannam was requested. This detail includes:</p> <ul style="list-style-type: none"> - How was the initial marketing done to broadcast the proposed sale? Were there any marketing emails to any databases of contacts, or marketed online? If the potential sale was only sent to the potentially interested parties listed in the Investor Tracker document, then please confirm 				

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how it was decided to only send the marketing to these parties?

- In the Process Letter dated 20 April 2022, it states that due diligence would be done by the company on any parties that submitted an Indicative Offer. Can you please confirm what due diligence was completed by the company and whether you have any copy documentation?
- GeoProMining submitted a higher offer, \$750m, but proof of funding was not received, and FAS approval was not received, according to the Investor Tracker. Can you please confirm if any further correspondence was sent or received to or from them after their offer? Any additional information relating to this offer is much appreciated.
- Provide a detailed timeline of what was done and when, and confirm when the marketing process began and ended?
- In their opinion, given the nature of the business and current worldwide political matters, those that could purchase the assets, would be in limited jurisdictions?
- Confirmation of their PI cover is with and what are the qualifications you hold?
- Did they receive any response from the majority shareholder UGC?
- Did they contact any possible financing companies regarding the potential to refinance?
- Provide a copy of Arbat Capital's offer and any correspondence held with them. The same for NMMC as well.
- How did you find Arbat as a potential purchaser, and how were they initially approached?
- In their opinion, could they confirm if they feel that the marketing completed previous, still feels valid and is sufficient now, and that it is likely that no further offers would be received if the marketing process was done now? Is there anything that they believe they could do now that would have provided a different outcome or result?

This information has now been received from Hannam, and the firm is now satisfied with the way the marketing process was conducted.

- Although the marketing process was carried out before our engagement under the supervision of AlixPartners and then BDO, in summary, the Proposed Administrators are satisfied that the marketing process was appropriate in the circumstances. For completeness, both AlixPartners and BDO terminated their instructions because of the increased Government sanctions and possible PR related associations with this company. The company also did not agree with the advice provided to them by BDO and sought separate advice from JHA and Opus Restructuring LLP.
- The marketing process was carried out by Hannam, an independent investment bank.
- As part of the marketing process, Hannam engaged with 29 potential purchasers selected by them as being likely to be able to conclude a transaction in the necessary timescales. This included the Company's shareholders where possible and various large mining enterprises and ultra-high net worth individuals. In our opinion, given the nature of the business and current worldwide political matters, those that could buy it would be in limited jurisdictions.
- The Company published a press release online on 14 April 2022 noting that it had "*appointed AlixPartners UK LLP to assist the Board as it explores its options and determines the Company's course of action in the best interest of all stakeholders, including creditors and shareholders. These options include the sale of the Company's entire interests in its operating subsidiaries as soon as practically possible. It is not currently clear what return, if any, may be secured for shareholders or the holders of the Bonds or Notes as a result of this process.*" The Company published a further press release on 16 May 2022 noting that it was continuing to explore its options including "*the sale of the Company's entire interests in its operating subsidiaries as soon as practically possible*". The Company's press releases are also released as announcements on the LSE, MOEX and – to the extent they relate to the 2022 Notes - the GEM. It is understood from the Company that the potential sale of its 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.
- It is also notable that the press release dated 14 April 2022 specifically referred to the prospect of

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investors receiving no return from the sale. Equally, the Company's shares are listed on the LSE and the Moscow Exchange. The trading price and market capitalisation are, as such, publicly available on a daily basis.

Make specific reference to marketing essentials set out in SIP 16 and explain rationale from any deviation from these essentials. – Advertisement?

Marketing Essentials

- **Broadcast**

The business should be marketed as widely as possible proportionate to the nature and size of the business- the purpose of the marketing is to make the business's availability known to the widest group of potential purchasers in the time available, using whatever media or other sources that are likely to achieve this outcome.

Full marketing process was completed, including two press releases on 14 April 2022 and 16 May 2022. The marketing teaser was released to a databases held by Hannam and further marketing to 29 identified potential parties including shareholders and other large incorporations, to market the business to specifically identified parties by Hannam that had the potential to purchase the company. As noted above, given the Global relationship with Russia due to the War with Ukraine and the imposed Sanctions, limited jurisdictions and companies/individuals could be considered for the marketing process. Hannam have provided a list of the 29 parties approached.

- **Justify the marketing strategy**

The statement to creditors should not simply be a list of what marketing has been undertaken, it should explain the reasons underpinning the marketing and media strategy used. – Sufficient marketing exercise was completed that included:

- Initial email to 29 potential interested parties providing Sales Teaser.
- Preparing an Initial Process Letter to 2 interested parties that had signed NDA's and confirmed further interest in the potential purchase.
- Process Letter requested indicative offers by 29 April 2022, and to include proof of funding.
- The Indicative Offer focused on establishing the relevant bidder's valuation, assessment of the Assets, development plan for the Assets and strategic fit, and should identify other key commercial and structural terms of the Transaction.
- Indicative Offers received from 2 interested parties.
- Stage 2 Letter sent to the 2 interested parties on 4 May 2022. This provided the interested parties time to complete the Due Diligence required and provide their Final Bidding Offer. The Fully funded bidding offer was to be received by 16 May 2022.
- Due diligence will entail:
 - (i) a management engagement opportunity that will include a question and answer ("Q&A") session (if requested by interested party);
 - (ii) access to a virtual data room ("VDR") containing additional financial, technical, legal and other relevant information; and
 - (iii) a Q&A process where any questions can be submitted through the Q&A function in the VDR.

Petropavlovsk was required to complete threshold level due diligence on prospective buyers to satisfy Director's statutory duties and various regulatory requirements.

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• Independence

Where the business has been marketed by the company prior to the IP being instructed, this should not be used as a justification in itself to avoid further marketing. The administrator should be satisfied as to the adequacy and independence of the marketing undertaken.

Sufficient marketing was undertaken by an Independent Bank, Hannam & Partners, and they are not connected to this firm, the Company or the subsidiaries. See comments above in relation to why another marketing campaign was not carried out, in particular, the note from Hannam that, if anything, the value of the business has decreased since their valuation.

If the business or business assets have been acquired from an insolvency practitioner within the previous 12 months, or longer if the administrator deems that relevant to creditors' understanding, the administrator should disclose both the details of the transaction and whether the administrator, administrator's firm or associates were involved.

N/A

Publicise rather than simply publish

Marketing should be undertaken for an appropriate length of time to satisfy the administrator that the best available outcome for creditors as a whole in all the circumstances has been achieved. Creditors should be informed of the reason and the length of time settled upon.

The best outcome to creditors has been achieved following the marketing because the creditors are estimated to receive 100p in the £. Further, the limitation on potential purchasers should be taken into account. The proposed Administrators are comfortable with the level of marketing carried out. The marketing process lasted from 20 April 2022 to 27 April 2022.

On the appointment of the Administrators, a press release was issued requesting that any interested parties urgently contact the Administrators. No contact from interested parties has been received.

Connectivity

Include online communication alongside other media by default. The internet offers one of the widest populations of any medium. If the business is not marketed via the internet this should be justified.

There was two online press releases dated 14 April and 16 May 2022.

Complain or explain

Particularly with sales to connected parties where the level of interest is at its highest, the administrator needs to explain how the marketing strategy has achieved the best available outcome for creditors as a whole in the circumstances.

The best outcome was achieved because the creditors are estimated to receive 100p in the £. It should be noted that although UMMC are a major creditor, they are not a connected party for the purposes of this SIP. This is because there are no associated parties of the company, involved in the management of UMMC in accordance with S249 and S435 of the Insolvency Act 1986.

There has been a recent offer received on 7 July 2022 by the majority shareholder UGC, who is a

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connected party due to its shareholding in the company. Further details are stated in the below section regarding offers received.

Information to be disclosed under SIP16 (additional guidance from the Insolvency Service is given in *italics*)

- *An explanation and justification of why a pre-pack sale was undertaken* Pre-Pack sale was required to complete on the sale of the assets as soon as possible to maximise the value of the sale due to the diminishing value of the assets following the sanctions, as discussed with JHA.
- *A statement explaining the statutory purpose pursued, confirming that the transaction enables the statutory purpose to be achieved and that the outcome achieved was the best available outcome for creditors as a whole in all the circumstances.* – Purpose 2 to be pursued as a better result to creditors than winding up, and the sale to the purchaser will fulfil this purchase because of the estimated return to creditors of 100p in the £.
- *The source (to be named) and date of the administrator’s initial introduction.* – JHA introduced the company to this firm on 12 June 2022.
- *The extent of the administrator’s (and that of their firm, and/or any associates) involvement prior to appointment. It must be made clear who the insolvency practitioner was advising and in what context, e.g. restructuring, sale. State when the involvement commenced.* – The proposed Administrators have been advising the directors of the company with regard to the proposed administration and assisting the directors and the instructed solicitors.
- *The alternative options considered, both prior to and within formal insolvency by the IP and the company, and on appointment the administrator with an explanation of the possible outcomes.* – All alternatives stated below in the “Alternative course of action considered” section.
- *Any marketing activities conducted by the company and/or the administrator. How was the marketing undertaken and what were the results? Reference should be made to the marketing essentials above. Any divergence from these essentials is to be drawn to the creditors’ attention, with the reasons for such divergence, together with an explanation as to why the administrator relied upon the marketing undertaken. Give details of any offers received for the business or assets.* – The marketing activities and process is detailed above, and resulted in 3 offers being received from interested parties, as stated below:

- GeoProMining & Roman Trotsenko - \$750m
- NMMC - \$792m
- UMMC - \$625m

The offer from NMMC was the largest offer received. However, the transaction could not be progressed with once further details were provided to NMMC and were made aware of the regulations restricting this purchase.

GeoProMining also provided an offer, however no proof of funding and FAS approval was received. Therefore this offer could not be progressed.

Therefore, the only valid offer to proceed with was from UMMC.

- *Any valuations obtained of the business and the underlying assets. Disclose amounts attributed to*

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either the business as a whole or to individual classes of assets. Where assets are difficult to value reliably, e.g. goodwill, it may be possible to demonstrate that best value has been obtained by exposing them to the market. – High valuation provided of \$621m provided by Kroll for the value of the subsidiaries held by the company. Therefore, the offer of \$619m is in the region of this valuation. The previous valuation was received on 2 May 2022 for the Company prior to Opus' involvement. Further clarity and confirmation was received from Kroll on 1 July 2022 in an email that an updated valuation would value the shares at significantly less than the above valuation provided. It was requested that this confirmation was provided on Koll's letter headed paper, but this was not provided. Opus Pear Tree Ltd ("OPT") were engaged to conduct due diligence on the methodology and valuation that Kroll carried out. OPT agreed with the methodology but stated there were a number of errors that did not result in material difference of the valuation. A result of an understatement of \$25m for the valuation, that equates to a materiality level of 5%. OPT advised that their valuation range would be \$394m to \$614m.

- *A summary of the basis of valuation adopted by the administrator or his valuers/advisors together with the rationale for the basis of the valuations obtained and an explanation of the sale of the assets compared to those valuations.* – Valuation stated above in the "Summary of Assets" section.
- *If no valuation has been obtained, the reason for not having done so and how the administrator was satisfied as to the value of the assets.* – N/A
- *The names and professional qualifications of the valuers/advisors and confirmation that they have confirmed their independence and carry adequate professional indemnity insurance. In the unlikely event that valuers and/or advisors who do not meet these criteria have been employed, the reasons for doing so explained.* – Hannam is authorised and regulated by the FCA and has valid PI Insurance cover and qualifications and experience.
- *Why it was not appropriate to trade the business, and offer it for sale as a going concern, during the administration.* – Could not trade, because of the reasons stated in the below section "Why it is not appropriate to trade the business" and in the above section "What is the statutory purpose being pursued and provide an explanation that the proposed sale achieves this."
- *Details of requests made to potential funders to fund working capital requirements. Disclose any attempts to obtain further funding from lenders or shareholders.* – Funding requests were disused with the major creditor, and former bank, with Hannam discuss the potential purchase of the assets with a number of shareholders that could have potentially purchased the assets. No funding was received or agreed. In our initial meeting with the board of directors, the challenges surrounding obtaining new finance for the company were laid out in detail. I concluded from these discussions that the prospect of sourcing new finance under the Groups particular circumstances would have been extremely challenging in the time available.
- *Whether efforts were made to consult with major or representative creditors and the outcome of any consultations. If no consultation took place, the administrator should explain the reasons.* – Major creditor was consulted and who is the purchaser as well.
- *Details of registered charges with dates of creation.* – N/A
- *If the business or business assets have been acquired from an insolvency practitioner within the previous 24 months, or longer if the administrator deems that relevant to creditors' understanding, the administrator should disclose both the details of that transaction and whether the administrator, administrator's firm or associates were involved.* – N/A

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- *The date of the transaction - TBC*
- Details of the assets involved and the nature of the transaction. *Where there is a multi-company group structure assets should be attributed to each separate entity where the profile of creditors within the group differs. Where a material amount of the business sold comprises goodwill, give an indication as to why this has value attributed to it.* – The assets involved are the subsidiaries listed below:
 - 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

A breakdown of the Balance Sheet for all of the direct and indirect subsidiaries has been received and reviewed confirming the financial position of the subsidiaries.

The breakdown of the consideration paid for the subsidiaries part of the transaction is confirmed in Schedule 1A of the SPA. The breakdown of the subsidiaries intercompany balances are confirmed in Schedule 2 of the SPA.

- The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration. *Provide detail or rationale as to the apportionment of sale consideration between asset categories. Where there is an element of deferred or conditional consideration, disclose the full terms of the arrangement and any security obtained by the Insolvency Practitioner for payment.* – The total sale consideration is \$619m. This total consideration is made up as follows:
 - the Adjusted Cash Consideration; - 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 Administration Fund; - \$20m
 - the Administration Top Up Fund; - \$10m
 - the Contingency Fund; - \$6m
 - 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).

There is no security being provided to the Administration as part of this sale, however part of the SPA provides that the purchaser will be required to provide additional funds required to cover Administration costs.

If the completion of the sale and transfer of shares cannot complete, then the SPA provides clauses to allow the sale to be unwound if required. Sufficient legal advice has been received on this matter

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and agreed with the proposed Administrators. Such causes of the share transfer to not complete, include each bond and share identified by the purchaser for the proposed purchase and transfer will need to be reviewed in full by the Administrators who will need to be fully comfortable that all of the checks completed regarding any possible sanction or regulatory risks on transferring the shares are confirmed as passed and a clean transfer can take place. If the Administrators has not been provided sufficient evidence to prove that there will be no risk associated to the transferring of the bond and share, the Administrators have the power to reject this proposed transfer.

The Adjusted Cash Consideration, Administration Fund and the Contingency Fund shall become payable and shall be dealt with as set out in clause 6 of the SPA. For ease, these funds 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, in a position, to be transferred to the purchaser.

The 2022 Note Consideration Amount shall become payable and shall be dealt with as set out in clause 7. For ease, at least 6 business days prior to completion date the buyer will provide all details relating to the Buyer 2022 Notes to the Seller. The Seller will, within 2 business days of receiving this evidence, confirm if the Notes are agreed and clean. The Buyer shall, within 3 business days of completion, provide the funds due for all of the Seller's agreed Notes.

The Term Loan Consideration shall become payable and shall be dealt with as set out in clause 10. For ease, following successful transfer date, there will be an agreed Set Off date with the Seller and Buyer. On this date, there will be a set off of the outstanding Term Loan against the Term Loan Consideration, which will be payable on the Set Off date.

- *The sale consideration disclosed under broad asset valuation categories and split between fixed and floating charge realisations (where applicable) and the method by which this allocation of consideration was applied.* – All asset realisations will fall in the Floating Charge Asset category.
- *The terms of payment of the consideration and any condition of the contract that could materially affect the consideration.* – As stated above regarding the sale consideration and timing.
- *Any options, buy-back agreements, deferred consideration or other conditions attached to the transaction.* – As stated above. There are clauses included in the SPA that allow for any dividends that may have been paid by the subsidiaries in the next 12 months are to be paid to the Administration. In accordance with the SPA and paragraph 2.4, this is confirmed further below:

During the period of 12 months from the date of this deed, the Buyer 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 \$50 million, then any portion of that sum that is reasonably attributable to the period preceding the Transfer Success Date shall be paid by the Buyer to the Seller. Any sum paid hereunder will not be subject to being refunded to the Buyer under clause 10.1 or otherwise.

Part of the conditions of the transaction also requires an extended longstop date for the completion of the transaction of 60 days from the date the agreement is signed, as part of the SPA. This period has been introduced to allow sufficient time 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 of the subsidiaries share transfers to the purchaser, that will be required within each separate jurisdiction of the subsidiaries.

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- *Details of any security taken by the administrator in respect of any deferred consideration. Where no such security has been taken, the administrator’s reasons for this and the basis for the decision that none was required. – N/A*
- *If the sale is part of a wider transaction, a description of the other aspects of the transaction. N/A*
- The identity of the purchaser. *Where the individuals concerned with a purchasing corporate entity are connected to the directors or shareholders of the insolvent company this should be disclosed.* - Joint Stock Company “UMMC-INVEST”, Petrova street, bldg.1 B, room 14, Verkhnyaya Pyshma, Sverdlovsk region, Russia, 624092. Checks have been made on any connections between the company, the directors, and the subsidiaries, and the purchaser and no connections have been found.
- *Any connection between the purchaser and the directors, shareholders or secured creditors of the company or their associates.* – The Buyer, UMMC, is the majority creditor but not secured, nor is there common ownership. UMMC paid off the debt of the bank of the company, GPB in the sum of \$200m and become the majority creditor. Information and details of this transaction has been requested from UMMC. However, only redacted information has been confirmed as to be provided. Further requests have been made for the full details and documentation under a confidentiality agreement. UMMC has confirmed that GPB will need to provide further confirmation to provide full evidence of the transaction. To date, redacted information and evidence has been received. This has been confirmed as sufficient evidence of the transaction by our solicitor.
- *The names of any directors, or former directors (or their associates), of the company who are involved in the management, financing or ownership of the purchaser, or of any other entity into which any of the assets are transferred.* – N/A
- In transactions impacting on more than one related company (e.g. a group transaction) the administrator should ensure the disclosure is sufficient to enable a transparent explanation (for instance, allocation of consideration paid). – Full disclosure of the group structure and parties involved in transaction and being transferred are listed in Sch 1 of the SPA. The direct subsidiaries being transferred are listed above. There are 2 further subsidiaries that are not included in the transfer and sale, because the purchaser did not wish to purchase them. They are Petropavlovsk 2010 Limited and Petropavlovsk 2016 Limited.
- Whether any directors had given guarantees for amounts due from the company to a prior financier, and whether that financier is financing the new business. *Where directors have given guarantees for amounts due from the company to a prior financier, it is important to provide details, in order for creditors to properly understand the nature of the transaction.* – N/A

Marketing results, bidding process and offers. Specify how many enquiries received, information packs despatched, non-disclosure agreements sent out, bidding process, any offers received for the business and assets. If directors or associates/connected parties are highest bidder, confirm whether any under bidders were reverted to. [SIP16]

As detailed above, we have requested further information and clarification about the marketing process from Hannam. Below is the information received.

Enquiries Received 29 potentially interested parties were contacted and provided initial teasers. Initial letters were sent on 20 April 2022 to 2 parties that signed and returned NDA’s, detailing the process and

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requesting indicative offers by 29 April 2022. Following this date, a further letter stating the process of Stage 2 following receipt of the indicative offers were sent to these interested parties on 4 May 2022 providing further detailed company information to review and request a final offer by 16 May 2022.

Information Packs Despatched

Sales Teasers and initial information packs were sent out to 29 potential interested parties.

Non-disclosure Agreements Issued

NDA's were sent to 2 interested parties and were signed and returned.

Bidding Process

There was an initial Indicative Bidding process as stated above, where proof of funding was required. Then a second Final Bidding process as also stated above was requested for full binding offers following due diligence process and review and further company information.

Offers Received For the Business and Assets

The preferred bidder, UMMC, provided the only credible bid (and their due diligence was facilitated by them having been in negotiations with the Company about a share sale in 2021). All this work was undertaken by Hannam.

There were two higher offers that was received from GeoProMining & Roman Trotsenko and NMMC as stated above. However, no proof of funding or FSA approval was received from GeoProMining and NMMC could not progress with the purchase due to the changes in regulations enforced. Therefore, these offers were disregarded.

A further offer has recently been received on 7 July 2022 from the majority shareholder UGC who owns 29% of the shareholding. However, due to the last minute receipt of this offer, it is yet to be fully reviewed with evidence of funding and due diligence on the proposed transaction completed. Therefore, a further SIP16 disclosure will be prepared if this offer is accepted and progressed with because of the purchaser being a connected party.

This initial offer from UGC is as follows:

Full immediate repayment of outstanding amounts (including accrued interest) under:

- (a) term loan between the Company and UMMC-Invest (formerly GPB); and
- (b) revolving credit facilities between the Company's Russian subsidiaries and Nordic LLC (formerly GPB).

Buy-out of the remaining minority shareholders of the Company at a current (preceding to announcement of this proposal) trading price of the Shares.

Transfer and subsequent restructuring and repayment of debt under:

- (a) a USD 500,000,000 note due 14 November 2022, issued by Petropavlovsk 2016 Limited; and
- (b) a USD 125,000,000 convertible bond due in 2024, issued by Petropavlovsk 2010 Limited, to a subsidiary of the Shareholders incorporated in the jurisdiction outside of UK, EU, US and Russia (SPV) with termination of the Company's guarantee.

Immediate repayment of other outstanding indebtedness incurred by the Company in the ordinary course of business (including salaries, professional fees, administrative expenses etc).

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Prior to any sale, if more than one formal offer is received, we will instruct an independent party to consider all offers and provide advice as to which offer should be accepted.

The alternative courses of action that were considered, with an explanation of possible financial outcomes. [SIP16]

Non-statutory solutions

Non-statutory solutions have no formal basis in the legislation which makes them a more flexible and less costly solution to the PLC's problems, but because they are not defined in legislation they may not be binding on all parties, and they tend to result in a higher level of risk for the PLC and its directors.

Do nothing

The PLC could continue to operate as a holding company; however the directors have a duty to not continue to trade when the PLC is insolvent and doing so may leave the directors personally liable for any losses that the PLC suffers when they knew or ought to have known that the PLC was insolvent. In addition to any personal liability, if the PLC subsequently enters a formal insolvency procedure the directors may be disqualified from acting as a director for up to 15 years if they traded when they knew or ought to have known that the PLC was insolvent.

Informal agreement

When a Company is experiencing only short-term difficulties and the directors consider that it is only technically insolvent, they may be able to take steps to reach an informal agreement with creditors to postpone or re-structure debts and give the PLC time to recover. As with the "do nothing" option above, this could lead to personal liability or disqualification if the PLC subsequently enters a formal insolvency procedure, so it is only usually an option when a specific re-financing package or alternative solution has been identified and the outcome is fairly certain.

Re-financing

There is no prospect of a re-financing solution being available, given the current sanctions regime.

Sale

A marketing exercise has been carried out and the only offer available is for the shares of certain of the Company's subsidiaries.

Statutory solutions

There are a variety of solutions set out in the legislation, primarily the Insolvency Act 1986. These solutions are generally binding on the parties involved and there is a body of case law to assist with resolving any disputes. By entering into a statutory insolvency solution as soon as they become aware that a Company is insolvent, directors are usually protected from personal liability for the PLC's losses, although there are still circumstances where their prior conduct could leave them liable financially and/or subject to disqualification proceedings.

Moratorium

Should the PLC require a breathing space and have sufficient working capital to meet ongoing liabilities, it may be appropriate to seek a moratorium which will provide protection from creditor action whilst a restructuring process is undertaken. In this instance, a moratorium is unlikely to provide any benefit to the estate, as the objective detailed above is to facilitate a sale of the PLC's Shares.

Administration

An Administration (ADM) is designed to protect a business while plans are formed either to put in place a financial restructuring to rescue the PLC, or to sell the business and assets to produce a better result for creditors than a Liquidation.

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<p>Once Joint Administrators are appointed, they take over the running of the PLC from the directors and are responsible for any decision to continue or discontinue trading and have control over how the PLC and/or its assets are disposed of. The ability to continue trading depends on the availability of funds for working capital.</p> <p>In light of the discussions and the proposed offer for the Shares, entering into administration in order to facilitate the sale as detailed above, appears to provide the best mechanism for a streamlined sale, enabling value to be enhanced for the estate.</p> <p><u>Company Voluntary Arrangement</u> A Company Voluntary Arrangement (CVA) is a procedure which enables an insolvent Company to reach an agreement with its creditors to delay or compromise the payment of its debts.</p> <p>Given the sanctions environment and the PLC’s particular circumstances, a CVA does not appear to be a viable option in this instance.</p> <p><u>Creditors’ Voluntary Liquidation</u> Creditors’ Voluntary Liquidation (CVL) is the process where the directors of an insolvent company can voluntarily take steps to wind up the PLC. The directors call a meeting of the PLC’s shareholders to consider resolutions to wind up the PLC and to appoint a Liquidator, although the creditors may decide to appoint an alternative insolvency practitioner as Liquidator.</p> <p>Once appointed, the Liquidator takes control of the PLC from the directors and although a short period of trading may take place to complete outstanding contracts, it is more common for the PLC to cease trading and its assets are sold to repay the costs of the liquidation with any surplus being paid to creditors in priority set out in the legislation.</p> <p><u>Compulsory Liquidation</u> Compulsory Liquidation (WUC) is the process where the court orders that the PLC is wound up. The Official Receiver is initially appointed Liquidator although he may subsequently be replaced by an insolvency practitioner.</p> <p>Once appointed, the Liquidator takes control of the PLC from the directors and continued trading is highly unlikely as the effect of the winding-up order is to terminate all employment contracts. Thus, on the granting of the winding-up order (if not earlier), the PLC 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.</p>
<p>Why it is not appropriate to trade the business, and offer it for sale as a going concern, during the administration. [SIP16]</p>
<p>Revert to trading checklist.</p> <p>Due to the recent offer received from UGC, a decision has been taken to trade for a short period of time. However, no detailed follow-up offer was received from UGC.</p>
<p>Details of requests made to potential funders to fund working capital requirements. Disclose any attempts to obtain further funding from lenders or shareholders. [SIP16]</p>
<p>Not applicable, on the basis that there are Russian connections and this UK company needs to divest its</p>

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Russian interests. There is no possibility of the Company continuing to trade beyond the very short-term. Further details are provided on the funding and refinancing attempts by the company in the above sections of this checklist.

Whether efforts have been made to consult with major creditors, and if none, why. Details of creditors' views, if sought. Provide full list of creditors showing amounts outstanding. If this is not available provide details of the largest creditors [SIP16]

UMMC, the proposed purchaser, are the major creditor as they have bought the Bank's debt (previously held by Gazprombank "GPB"). Although GPB is subject to sanction, this purchase occurred during the licence window during which British firms were given the opportunity to divest themselves of their Russian assets, so the transfer was not against sanctions. UMMC are aware and are in negotiations to purchase the shares in the subsidiaries. The transaction paperwork for the transaction of UMMC purchasing the debt off GPB has been reviewed by JHA and confirmed to be valid. Therefore, we are in continued contact with UMMC and their solicitors.

UMMC are the only major creditor that has been consulted because the proposed sale will result in all creditors being paid in full. Therefore, there is no other options or process that could provide a better result to creditors, and therefore no further consultation with creditors was required.

A number of shareholders were included in the marketing process and enquired if they would be interested in a potential sale of the assets of the company. However, the shareholders or the bondholders were not consulted further.

Please find attached a list of the Company's creditors as well as a table of liabilities with a breakdown of the intercompany balances for completeness.

If the business or business assets have been acquired from an insolvency practitioner within the previous 24 months, or longer if the administrator deems that relevant to creditors' understanding, the administrator should disclose both the details of that transaction and whether the administrator, administrator's firm or associates were involved [SIP16]

Not applicable.

Details of the assets involved and the nature of the transaction. Where there is a multi-company group structure assets should be attributed to each separate entity where the profile of creditors within the group differs. Where a material amount of the business to be sold comprises goodwill, give an indication as to why this has value attributed to it. [SIP16]

The purchase price will include, as detailed in the Interpretation section of the SPA:

- (a) the Adjusted Cash Consideration;
- (b) the Administration Fund;
- (c) the Contingency Fund;
- (d) the 2022 Note Consideration Amount; and
- (e) the Term Loan Consideration.

The purchase price will also include all the active subsidiaries of the company listed below and detailed in schedule 1A of the SPA.

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- 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 is set out in the SPA and is as follows:

An amount sufficient to repay all the Company's liabilities in full and pay the costs and expenses of the Administration (and any subsequent insolvency process – eg Scheme, CVL, etc).

The funding for the Administration and the payment of all liabilities forms part of the agreement and is detailed in the current liabilities attached to this checklist.

The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration. Provide detail or rationale as to the apportionment of sale consideration between asset categories. Where there is an element of deferred or conditional consideration, disclose the full terms of the arrangement and any security obtained by the Insolvency Practitioner for payment. Where no security for deferred consideration has been sought, explain why [SIP16]

The below has been summarised from para 5.2 to 5.6 of the SPA. Detail of the consideration paid for each subsidiary is confirmed in Schedule 1A of the SPA, and also detailed above.

- The Seller shall, five Business Days prior to the Completion Date, provide to the Buyer in writing an estimate to the nearest USD 1,000,000 of the anticipated aggregate cash of the Seller on hand or at bank on the Completion Date. The Buyer shall, three Business Days prior to the Completion Date, provide to the Seller in writing details of the Buyer 2022 Notes, of its proposed calculation of the Adjusted Cash Consideration, the Administration Fund (taking account of the Seller's anticipated aggregate cash on hand or at bank on the Completion Date in accordance with clause 12.3) and the 2022 Note Consideration Amount in accordance with the terms of this deed, and evidence of the Buyer's ownership of the Buyer 2022 Notes.
- In advance of the Completion Date, the Seller shall request that:
 - (a) JSC Pokrovskiy Mine assigns its claim for c. [USD 48,200,000] (plus any additional accrued interest) against the Seller (the "JSC Assigned Debt") to Petropavlovsk Mining Treasury UK Limited, in consideration for which Petropavlovsk Mining Treasury UK Limited shall owe JSC Pokrovskiy Mine an intercompany debt of the equivalent amount;
 - (b) Petropavlovsk 2010 Limited assigns its claim for c. USD [369,100,000] (plus any additional accrued interest) against Petropavlovsk Mining Treasury UK Limited (the "UK Assigned Debt") to the Seller, in consideration for which the intercompany debt owed by the Seller to Petropavlovsk 2010 Limited shall be increased in an equivalent amount;

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- (c) Petropavlovsk Mining Treasury UK Limited and the Seller shall set off their mutual debts (including JSC Assigned Debt the and UK Assigned Debt) resulting in a net debt owed by Petropavlovsk Mining Treasury UK Limited to the Seller of c. USD [755,400,000], adjusted for any interest, (the "Interim Net Receivable"), and such Interim Net Receivable shall be evidenced by way of issuance of an unilateral instrument from Petropavlovsk Mining Treasury UK Limited to the Seller; and
- (d) Petropavlovsk (Cyprus) Limited repays the USD 25,000,000 intercompany loan owed to the Seller (the "Cyprus Intercompany"), provided that Petropavlovsk (Cyprus) Limited has received such funds from the Bank of Cyprus before the Completion Date. If the Bank of Cyprus returns funds directly to an account of the Seller on behalf of Petropavlovsk (Cyprus) Limited prior to Completion, such that the funds are never paid to Petropavlovsk (Cyprus) Limited, the Cyprus Intercompany shall be discharged by such payment.

- Once the steps set out in clause 5.3(a) to 5.3(c) have been completed and, in any event, in advance of the Completion Date, the Seller shall waive all accrued interest and such amount of principal owing under the Interim Net Receivable as will leave a total of c. USD [93,000,000] interest free outstanding from Petropavlovsk Mining Treasury UK Limited to the Seller (the "Final Net Receivable"), such Final Net Receivable shall be evidenced by way of issuance of a unilateral instrument from Petropavlovsk Mining Treasury UK Limited to the Seller or amendment of the unilateral instrument issued pursuant to clause 5.3(c).

- Prior to the Completion Date, the Buyer shall not assert, threaten or bring any claim, action or proceeding, including the submission of proof in any insolvency proceedings, or instruct any other party to take any such action, in any jurisdiction or forum whatsoever against the Seller or any guarantor, in respect of the Term Loan.

- If the transfer of the Adjusted Cash Consideration, the Contingency Fund, the Administration Fund or the Buyer 2022 Notes has not completed and been received by the Seller on the agreed Completion Date, the parties agree that the Completion Date and the remaining Completion steps will take place on the date on which the Seller receives the Adjusted Cash Consideration, the Contingency Fund, the Administration Fund and the Buyer 2022 Notes, or such other date as the parties agree.

This has all been detailed above but, for ease of reference, the total sale consideration is \$619m. This total consideration is made up as follows:

- the Adjusted Cash Consideration; - The surplus amount of \$375m 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 Administration Fund; - \$15m
- the Contingency Fund; - £4m
- 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 (\$200m) from time to time (save for any statutory interest payable in respect of the Term Loan).

The Adjusted Cash Consideration, Administration Fund and the Contingency Fund shall become payable and shall be dealt with as set out in clause 6 of the SPA. For ease, these funds will be received from the purchaser on or prior to the completion date that is to be decided and agreed

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by both parties, once the shares transfers have been prepared and in a position to be transferred to the purchaser.

The 2022 Note Consideration Amount shall become payable and shall be dealt with as set out in clause 7. For ease, at least 6 business days prior to completion date the buyer will provide all details relating to the Buyer 2022 Notes to the Seller. The Seller will, within 2 business days of receiving this evidence, confirm if the Notes are agreed and clean. The Buyer shall, within 3 business days of completion, provide the funds due for all of the Seller’s agreed Notes.

The Term Loan Consideration shall become payable and shall be dealt with as set out in clause 10. For ease, following successful transfer date, there will be an agreed Set Off date with the Seller and Buyer. On this date, there will be a set off of the outstanding Term Loan against the Term Loan Consideration, which will be payable on the Set Off date.

The sale consideration disclosed under broad asset valuation categories and split between fixed and floating charge realisations [SIP16]

N/A – all floating assets. No Fixed Charge Holder.

If the sale is part of a wider transaction, a description of the other aspects of the transaction [SIP16]

The assets involved are the subsidiaries listed below:

- 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

There are also chattel assets etc that will be dealt with as well as a review of the leases but these do not fall part of the sale.

The identity of the purchaser. Any connection between the purchaser and the directors, shareholders or secured creditors of the company or its associates. [SIP16]. Details of advice given to any connected purchaser to obtain a qualified report from an evaluator. In addition, confirm that the purchaser has been made aware that a viability review may provide additional confidence to creditors. Provide details of any viability statement and a copy or confirmation of the request for a copy [SIP16].

The names of the directors, or former directors (or their associates), of the company who are involved in the management, financing or ownership of the purchasing entity into which any of the assets are transferred.

Joint Stock Company “UMMC-Invest”. No connection with directors, shareholders or secured creditors of


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<p>the company or its associates or subsidiaries.</p> <p>Opus Peartree have carried out a forensic investigation into possible links between the Company and the Purchaser and have not found any positive results, as well as an internal AML search and report completed.</p>
<p>If it is Sale to a connected person, include a copy of the authenticated qualifying report by the evaluator provided by the connected person to the administrator. Note this should be included within the SIP 16 statement unless the proposal is being sent to creditors at the same time as the SIP 16 statement.</p>
<p>Not connected party transactions, however the purchaser is the majority creditor.</p> <p>As stated above, following the recent receipt of the offer from the majority shareholder, if this offer can be confirmed as valid and is accepted, then this transaction will be to a connected party because it will be with the majority shareholder UGC. A further SIP16 disclosure will be prepared on this basis, and an evaluator's report will be prepared.</p>
<p>Confirm that the evaluator has adequate PI Insurance in place and has the sufficient knowledge and expertise to make the report. In addition, confirm that the qualifying report includes the required content set out in Section 7 of the Regulations.</p>
<p>N/A</p>
<p>Viability Statement</p> <p>A viability review can be drawn by a connected party wishing to make a pre-packed purchase, stating how the purchasing entity will survive for at least 12 months from the date of the proposed purchase. The connected party should consider providing a short narrative detailing what the purchasing entity will do differently in order that the business will not fail ("the viability statement").</p> <p>The administrator should request that the connected party considering a pre-packaged purchase provide a copy of their viability statement.</p> <ul style="list-style-type: none">• If provided, it should be attached to the SIP 16 statement.• If the viability statement has been requested but not provided, the administrator should notify creditors of this in the SIP 16 statement.
<p>If the recent offer received from UGC is accepted and progressed with, then it will be recommended to them that a viability statement is prepared, as they will be purchasing as a connected party being the majority shareholder.</p>
<p>In transactions impacting on more than one related company (e.g. a group transaction) provide sufficient information to enable a transparent explanation (for instance, allocation of the consideration paid).</p>
<p>The considerations will be paid towards the shares of the subsidiaries under the company. See above.</p>

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The names of any directors, or former directors, of the company who are involved in the management or ownership of the purchaser, or of any other entity into which any of the assets are transferred. [SIP16]
N/A
Whether any directors had given guarantees for amounts due from the company to a prior financier, and whether that financier is financing the new business. Where directors have given guarantees for amounts due from the company to a prior financier, it is important to provide details, in order for creditors to properly understand the nature of the transaction. [SIP16]
N/A
Any options, buy-back arrangements or similar conditions attached to the contract of sale. Disclose details of any conditional consideration or options obtained. [SIP16]
<p>Should the amount of cash consideration being offered not be sufficient to cover all the Company's liabilities and the costs of Administration, then the Purchaser is required to provide additional funding.</p> <p>Should the Purchase consideration turn out to be more than the liabilities and costs, then the Purchaser will be entitled to a refund.</p> <p>There are certain trigger points for additional consideration or refunds of consideration contained within the SPA.</p>
The date of the transaction / the time frame for the proposed pre-pack sale [SIP16]
<p>To be confirmed.</p> <p>On or around 11 July 2022 it is hoped that a court application will be filed for an urgent hearing, that it should be heard during the week commencing 18 July. If granted, the appointment should commence that week and the pre-pack transaction occur on the same day, or shortly after. There is also a period, detailed in the SPA, as to the timing between the sale and final completion due to the transfers of the shares to the Purchaser and the process required to complete this, which can be quite lengthy in some jurisdictions. Further detail is confirmed in the above sections of this checklist.</p>
<p>Completed by (signature): </p> <p>Name: Ben Ekbery</p> <p>Date: 18/07/22</p>

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<p>Reviewed by (signature): </p> <p>Name: Allister Manson</p> <p>Date: 27 July 2022</p>
<p>Reviewed by Non-Appointment taking Partner (signature):</p> <p>Name:</p> <p>Date:</p>