

**THIS DOCUMENT IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION**

If you are in any doubt about the contents of this document or the action you should take, you are recommended to take advice from a person authorised under the Financial Services and Markets Act 2000 who specialises in advising in connection with shares and other securities.

If you have sold or otherwise transferred all of your shares in Petropavlovsk PLC (Petropavlovsk or the Company) please send this document, together with the accompanying form of proxy, to the purchaser or transferee or to the stockbroker, bank, or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of shares in Petropavlovsk PLC you should retain this document and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.



PETROPAVLOVSK

PETROPAVLOVSK PLC

(incorporated in England and Wales with Registered No. 4343841)

**AN IMPORTANT MESSAGE FOR OUR
SHAREHOLDERS WHO HOLD THEIR SHARES
THROUGH A BROKER**

The Board recommends Shareholders to

VOTE IN FAVOUR OF
RESOLUTIONS 1 TO 5 (INCLUSIVE)
AND 10 TO 18 (INCLUSIVE)

AND

TO VOTE AGAINST RESOLUTIONS
6 TO 9

TO BE PROPOSED AT THE COMPANY'S ANNUAL
GENERAL MEETING TO BE HELD ON THURSDAY
22 JUNE 2017 AT 2.30 P.M.

Further information and the notice of the meeting is set out in the AGM Circular dated 30 May 2017 and which is available on the Company's website at www.petrovavlovsk.net or which can be obtained from the Company on 020 7201 8900. You should read the AGM Circular before taking any decision. This letter does not contain information on all of the resolutions set out in the notice of meeting and should not be regarded as a substitute for reading the full AGM circular.



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Petropavlovsk PLC

Chairman's Letter to Shareholders

2 June 2017

Dear Fellow Shareholder,

I am writing to you in connection with the Company's 15th Annual General Meeting to be held at 3 More London Riverside, London SE1 2AQ at 2.30 p.m. on Thursday 22nd June 2017, which promises to be one of the most important in our history. Full details of the meeting are available in the AGM circular which was issued on 30 May 2017 and is available at http://www.petropavlovsk.net/images/stories/Pressreleases/2017/Petropavlovsk_Notice_of_Meeting.pdf. I am writing this short letter to you to summarise the situation in relation to the Board proposals and stressing the importance of both the AGM and your vote. This letter details action that you need to take if you wish to exercise your right to vote.

Background

In the past two years Petropavlovsk has come a long way. The Company has survived the fall in the gold price, rebuilt its capital base, renegotiated its remaining borrowings and restarted its investment programme. More importantly, having returned to profit for the first time since 2011, the Company is poised to deliver the potential locked up in its refractory reserves of gold by implementing the pressure oxidation programme, delivering higher grade ore from the new underground operations and developing its new gold discoveries.

Board changes

As previously announced, I have agreed with the Board that, after 23 years, I should step down as Chairman of Petropavlovsk and be replaced by Andrew Vickerman, currently an independent Non-Executive Director of the Company, as Non-Executive Chairman. I would remain an Executive Director to continue the work on the Company's turnaround and to ensure an orderly succession process. The Board has determined that this is the best course of action to maintain the Company's stability and progress. Mr Vickerman's appointment is intended to be for an interim period pending conclusion of an already initiated process for appointing a permanent independent Non-Executive Chairman of Petropavlovsk. The Board has engaged recruitment specialists to assist in this process.

Unfortunately these proposals are at risk of being blocked by the actions of three shareholders, Renova Asset Holding Ltd. (**Renova**), Sothic Capital European Opportunities Master Fund Limited (**Sothic**) and M&G Debt Opportunities Fund II Limited (**M&G**) (together the **Requisitioning Shareholders**). Rather than support the Board's succession plans, the Requisitioning Shareholders have indicated they intend to vote against my reappointment to the Board and also against our three existing independent Non-Executive Directors and have tabled their own resolutions to appoint four directors of their own choosing in our place.

Board response

The Board has considered these requisitions carefully and is opposed to them. It believes that the simultaneous removal of the existing three independent Non-Executives and their replacement with these investors' own nominees would be a significant backward step in the Company's corporate governance.

The Board recognises the wish of Renova, the Company's largest shareholder, to have Board representation and notes that Mr Egorov, one of the two proposed new Directors put forward by Renova is an employee of their group. While the Board is supportive in principle of the appointment of a Renova representative to the Board, the Directors do not feel that they can recommend to Shareholders that they vote in favour of the new Directors proposed by Renova where the requisitions for their appointment appear to form part of a concerted exercise to replace a majority of the Board.

In addition the Board believes that Messrs Ashby, Buck and Soden, who have been proposed as directors, are all connected with the Requisitioning Shareholders by reasons of their relationship and/or engagement with other companies with which the Requisitioning Shareholders are associated. Accordingly their suitability as Independent Directors is in doubt.

Perhaps more importantly the Directors consider that it would threaten the smooth running of the Board and the Company at a time when our turnaround is not yet complete and we have an ambitious programme of investment and development ahead of us.

The Board considers that the actions of the Requisitioning Shareholders, in seeking to replace a majority of the Board, might be viewed as an attempt to gain effective control of the Company. We believe this would not be in the best interests of the Company or of its shareholders as a whole. This would have been done without paying a control premium, which shareholders might reasonably expect when a takeover offer is made in the ordinary way.

Recommendation

Your Board believes that resolutions 1 to 5 (inclusive) and 10 to 18 (inclusive) as set out in the Notice of AGM to be proposed at the AGM are in the best interests of the Company and its shareholders as a whole and, accordingly, **unanimously recommends that shareholders vote IN FAVOUR of resolutions 1 to 5 (inclusive) and 10 to 18 (inclusive)**, as the Directors intend to do in respect of their own beneficial shareholdings in the Company.

For the reasons set out in this letter and in the AGM Circular, your Board believes that resolutions 6 to 9 (inclusive) will not promote the success of, and are not in the best interests of, the Company and its shareholders as a whole. Your Board therefore **unanimously recommends that you VOTE AGAINST the Requisitioning Shareholders' resolutions (Resolutions 6-9 as set out in the Notice of AGM)** as the Directors intend to do in respect of their own beneficial shareholdings in the Company.

The results of voting on all of the Resolutions will be announced via the Regulatory News Service and published on the Company's website as soon as possible after the end of the AGM.

Action to be taken

As you hold your shares through a broker, you can only exercise your right to vote by contacting the relevant broker and requesting that they submit a vote on your behalf. Your broker may have already have contacted you by phone or email to see if you wish to vote, or may have provided a website in order for you to participate. However, if this is not the case please contact your broker and ask to speak to someone in the “corporate actions” or “proxy voting” department and ask them how you can vote (be aware that you may need to amend your broker service in order to do so).

Include if applicable: [We are including a Letter of Instruction for your completion to confirm how you wish to vote. Please follow the instructions on this letter to ensure that your votes are included.]

Thank you for your continued support.

With kind regards,

Peter Hambro
Chairman