



PRESS RELEASE

25 March 2020

Petropavlovsk PLC
(“Petropavlovsk”, the “Group”, or the “Company”)

Amendment of Option Agreement to Purchase 25% of TEMI LLC (“TEMI”)

Smaller Related Party Transaction

In the Company’s half year report issued on 10 September 2019 and in a separate announcement by the Company on 23 September 2019, Petropavlovsk disclosed that it had entered into an option agreement with Agestinia Trading Limited (“Agestinia”) on 22 May 2019 (the “Option Agreement”). Agestinia holds a 25% interest in TEMI, a 75% owned subsidiary of Petropavlovsk. The Option grants the Company a discretionary right to purchase Agestinia’s shares in TEMI (the “Option”).

TEMI holds licenses relating to a substantial amount of non-refractory as well as refractory reserves and resources confined within the Elginskoye, Unglichikanskoye and the smaller Afanasevskoye deposits neighboring Albyn, one of the Company’s principle mines. Non-refractory reserves are expected to be suitable for processing via the existing Albyn processing plant and will become the main feeding source for it. The first production from Elginskoye is expected in the second half of 2020.

The exercise period for the Option is 730 days from 22 May 2019 with an exercise price of US\$60m (the “Exercise Price”) or US\$53.5m (the “Reduced Exercise Price”) if the Company exercises the Option on or before 20 May 2020. The Exercise Price or the Reduced Exercise Price of the Option may be paid in cash or in whole or in part in Petropavlovsk Ordinary Shares at the discretion of Petropavlovsk.

In the current period of significant market volatility, in order to fix the dilution for Petropavlovsk shareholders in the event it exercises the option, an Amendment Agreement has been agreed. However, to be effective, it must be executed in front of a notary and notarised in Russia which has created logistical challenges in light of the current Covid-19 pandemic. Accordingly, Petropavlovsk today entered into a supplemental agreement agreeing to attend the notary on 72 hours’ notice to execute the Amendment Agreement, fixing the price at which any Petropavlovsk shares will be issued on exercise of the option and the exchange rate when Agestinia can make arrangements to attend a notary, which it has agreed to use its reasonable endeavours to do.

Following execution and notarisation of the Amendment Agreement, if the Company exercises the Option and decides to pay the consideration in whole or in part in Petropavlovsk Ordinary Shares, the new Ordinary Shares would be set at a price of £0.179 per new Ordinary Share using an agreed exchange rate of GBP:USD 1:1.3206 (vs. current exchange rate of 1.1774 as at 24 March 2020). The agreed exchange rate reflects levels at the beginning of January 2020. Applying the agreed exchange rate, as opposed to the current exchange rate, means that c.28m fewer shares will be issued to Agestinia.

The price of £0.179 per new Ordinary Share represents a 7.2% premium to the volume weighted average price for an Ordinary Share over a 90-day period ending on 24 March 2020.

As Agestinia is a substantial shareholder in a subsidiary undertaking of Petropavlovsk, it is considered a related party of the Company for the purposes of Listing Rule 11.1. Entry into the supplemental agreement, pursuant to which Petropavlovsk has agreed to enter into the Amendment Agreement when required to do so on notice from Agestinia, is a transaction which falls within Listing Rule 11.1.10R

(modified requirements for smaller related party transactions) and this announcement is made in accordance with Listing Rule 11.1.10R(c). The consideration for entering into the supplemental agreement is a nominal value of £1. Petropavlovsk intends to exercise the option during the period in which the Reduced Exercise Price applies. It is likely that the transaction would constitute a Related Party Transaction under Listing Rule 11.1 and, if it does, it will require approval by Shareholders as a related party transaction. A Circular is being prepared to seek such authority and will be sent to Shareholders in due course.

Commenting on the amended Agreement, Dr Pavel Maslovskiy, Chief Executive Officer, said:

“Taking 100% ownership of the TEMI license is an accretive step for Petropavlovsk in securing a long-life asset and extending the mine life of Albyn by a minimum of 19 years. Exercising our option at £0.179 per share under the amended agreement before 20 May 2020 and receiving the requisite shareholder approvals, will reduce the consideration payable to US\$53.5m for the remaining 25% stake and secures a premium to the recent average share price, which is important during the current period of significant market volatility.

Furthermore, the ongoing re-rating of Petropavlovsk's equity since signing the option agreement on 22 May 2019 has led to a considerable reduction in the number of shares that will be issued to consolidate our interest in TEMI. Securing 100% ownership of this highly prospective asset with known reserves of 1.9Moz and resources of 4.0Moz of largely non-refractory gold and further exploration potential would make this a particularly low cost acquisition for Petropavlovsk.

From the middle of this year, the Elginskoye deposit will enter production and will replace the Albyn pit as the primary source of feed for the Albyn plant. Given the scale of the TEMI assets, spanning over 1,013km², much of which remains underexplored despite the presence of significant alluvial gold occurrences within the license, there remains considerable opportunity to extend the life of mine even further.

We also welcome Agestia as a new shareholder, with an interest of approximately 6.4% post completion of the acquisition”.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

About Petropavlovsk

With a Premium Listing on the London Stock Exchange, Petropavlovsk (LSE: POG) is a major integrated Russian gold producer with JORC Resources of 20.52Moz Au which include Reserves of 8.21Moz Au.

The Company's key operating mines (Pioneer, Malomir and Albyn) are in the Amur Region in the Russian Far East and the Company has produced a total of c.7.6Moz of gold since operations began in 1994. Petropavlovsk has a strong track record of mine development, expansion and asset optimisation.

The Group recently entered a new era of growth following the successful commissioning and start-up of its flagship asset, the Pressure Oxidation (POX) Hub at Pokrovskiy, which enables the processing of the Company's abundant refractory reserves and resources.

Petropavlovsk is committed to implementing international best practices across all areas of sustainable development and is one of the region's largest employers and contributors to the local economy.

For More Information

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