



## СООБЩЕНИЕ ДЛЯ ПРЕССЫ

01 сентября 2021

### Petropavlovsk PLC

#### **Полугодовой отчет за шесть месяцев, закончившихся 30 июня 2021**

Petropavlovsk PLC («Петропавловск», или «Компания», или вместе с дочерними организациями «Группа») сегодня публикует финансовый отчет за период с 1 января 2021 года по 30 июня 2021 года («период» или «первое полугодие»).

#### **Денис Александров, генеральный директор:**

*«Финансовые показатели «Петропавловска» в первом полугодии отражают переходный период, через который мы проходим, переключаясь на переработку все большего количества упорной руды для загрузки нашего инновационного Покровского АГК собственным сырьем. В первой половине года производство на предприятиях Группы продолжило тенденцию к снижению, начавшуюся в 2020 году, однако сейчас мы наблюдаем обратную тенденцию и во второй половине года ожидаем роста добычи благодаря недавнему запуску флотационного комбината Пионер. Поэтому мы подтверждаем наш производственный прогноз на 2021 год на прежнем уровне.*

*Выручка и EBITDA за первое полугодие отражали сокращение производства, и хотя затраты, действительно, выросли, отчасти из-за снижения объемов, я рад сообщить, что общие денежные затраты на добычу собственной руды за период соответствовали наиболее низким показателям нашего прогнозного диапазона. Кроме того, в первом полугодии 2021 года мы получили денежный поток от операционной деятельности до изменений в оборотном капитале в размере 113,7 млн долларов США, а также чистую прибыль в размере 48,9 млн долларов США по сравнению с убытком за тот же период прошлого года.*

*Если говорить о перспективе, во второй половине года пуск флотационного комбината на Пионере позволит раскрыть потенциал запасов упорных руд, и мы увидим, что Покровский АГК будет работать почти на полную мощность. Мы также продолжаем развивать проект по увеличению производственной мощности на Маломыре, который будет завершен в 3 квартале 2022 года, что будет способствовать дальнейшему увеличению наших мощностей по производству флотационного концентрата для Покровского АГК.*

*На Албыне мы по-прежнему работаем с более сложной рудой с Эльгинского месторождения, которая сейчас подается на албынскую фабрику, что ограничивает производительность и извлечение, которых мы можем достичь. Кроме того, исходя из нашего опыта разработки месторождения, мы ожидаем, что в этом году на Эльгинском будет проведено разведочное бурение, чтобы подтвердить, что месторождение содержит больше упорной руды, чем предполагалось ранее. В свете этого, в настоящее время мы изучаем варианты создания на албынском узле флотационных мощностей, которые обеспечат дополнительный источник концентрата для Покровского АГК.*

*В настоящее время мы завершаем операционный аудит, начатый мной и моей командой ранее в этом году. Он включает разработку новой стратегии и плана развития компании, которые помогут нам раскрыть потенциал таких активов как Албын и Эльгинское,*

поддержать будущее производство и повысить доходность для акционеров. Я с нетерпением жду возможности представить этот план заинтересованным сторонам на приближающемся Дне инвестора этой осенью».

## Основные финансовые результаты

|   |           | 1-е пол. <sup>1*</sup><br>2021 | 1-е пол.<br>2020 | % (изм-е) |
|---|-----------|--------------------------------|------------------|-----------|
| Общее производство золота   | тыс.унц.  | 195.0                          | 320.6            | (39%)     |
| Пр-во из собственного сырья   | тыс.унц.  | 158.3                          | 213.7            | (26%)     |
| Пр-во из концентрата 3-х сторон   | тыс.унц.  | 36.7                           | 106.9            | (66%)     |
| Объем продаж золота   | тыс.унц.  | 187.1                          | 312.4            | (40%)     |
| Средняя цена продажи золота*  | US\$/унц. | 1 795                          | 1 640            | 9%        |
| Общие денежные затраты (TCC, собств. сырье)* <sup>2</sup>                                   | US\$/унц. | 906                            | 800              | 13%       |
| Совокупные денежные затраты (AISC)*   | US\$/унц. | 1 404                          | 1 220            | 15%       |
| Выручка группы  | US\$ млн  | 351.9                          | 522.7            | (33%)     |
| Скорректированная EBITDA*   | US\$ млн  | 114.3                          | 192.6            | (41%)     |
| Операционная прибыль <sup>(a)</sup>   | US\$ млн  | 48.3                           | 144.3            | (67%)     |
| Прибыль/(убыток) за период  | US\$ млн  | 48.9                           | (22.0)           | -         |
| Капитальные затраты*  | US\$ млн  | 47.3                           | 59.6             | (21%)     |
| Денежные средства, полученные от операционной деятельности до изменения оборотного капитала | US\$ млн  | 113.7                          | 183.3            | (38%)     |
| Денежные средства, полученные от операционной деятельности                                  | US\$ млн  | 57.1                           | 172.8            | (67%)     |
| Чистый долг*  | US\$ млн  | (535.6)                        | (538.0)          | -         |

(a) Начиная с годового отчета за 2020 год, операционная прибыль представлена с точки зрения операций группы без учета результатов ассоциированной компании IRC. Это стало более репрезентативно для обзора бизнеса после классификации IRC как предназначенной для продажи. Это изменение в классификации также было применено к данным таблицы.

- **Продажи золота** в первом полугодии 2021 года составили 187.1 тысяч унций, что на 40% меньше, чем 312.4 тысяч унций в первом полугодии 2020 года, что соответствует снижению объема производства золота за Период.
- **Средняя цена продажи золота\*** увеличилась на 9% до 1 795 долларов США за унцию, программа хеджирования Компании не оказала влияние на этот показатель.
- **Выручка Группы** составила 351.9 млн долларов США, что на 33% ниже, чем в прошлом году, поскольку снижение объема продаж было частично компенсировано более высокими ценами на золото и увеличением выручки от сервисных подразделений.

\* полугодие

♦ См. Раздел «Использование и применение альтернативных показателей эффективности (APM)» для получения дополнительной информации о наших APM.

- **Скорректированная EBITDA** \* составила 114.3 млн долларов США, снизившись на 41% в связи со снижением объемов продаж, поскольку рост цен на золото был нивелирован увеличением общих денежных затрат в течение периода.
- **Прибыль за период** составила 48.9 млн долларов США или 0.01 доллара США на акцию по сравнению с убытком в размере 22 млн долларов США в предыдущем году, что включало некоторые неденежные статьи.
- **Общие денежные затраты (TCC)\*** для золота, произведенного из собственного сырья, в первом полугодии 2021 года составили 906 долларов США за унцию (на 13% выше, чем в аналогичном периоде прошлого года), что находится в пределах прогнозного диапазона затрат компании на 2021 год, при этом рост в основном обусловлен более низкими содержаниями и извлечениями, а также ростом затрат в рублях по некоторым статьям и более высокими налогами на добычу полезных ископаемых после истечения льготного налогового периода, действовавшего для отдельных предприятий.
- **Совокупные денежные затраты (AISC)\*** были на 15% выше по сравнению с аналогичным периодом прошлого года и составили 1 404 долларов США за унцию, что отражает увеличение TCC, более высокие административные расходы и снижение продаж в первом полугодии 2021 года, это было частично компенсировано снижением капитализируемой вскрыши на Маломыре и Пионере.
- **Капитальные затраты\*** за период составили 47.3 млн долларов США (на 21% меньше по сравнению с 59.6 долларов США в первом полугодии 2020 года), что отражает перенос некоторых расходов на вторую половину года.

## Баланс и ликвидность

- Денежные средства (неаудированные) по состоянию на 30 июня 2021 года составляли 36.5 млн долларов США (31 марта 2021 года: 7.5 млн долларов США, 31 декабря 2020 года: 35.4 млн долларов США), включая 2.1 млн долларов США переводов в пути (см. Примечание 15 к Финансовому отчету).
- непогашенная основная сумма долга на 30 июня 2021 года составляла 573 млн долларов США (31 марта 2021 года: 538 млн долларов США, на 31 декабря 2020 года: 538 млн долларов США), увеличение произошло за счет использования возобновляемой кредитной линии Газпромбанка («ГПБ») для закрытия текущих потребностей в оборотных средствах.
- Компания продолжает поставлять золото в счет авансов, кредиторская задолженность по которым на 30 июня 2021 года составила 37.1 млн долл. США (на 31 марта 2021 года: 53.3 млн долларов США; на 31 декабря 2020 года: 63.8 млн долларов США), за второй квартал задолженность сократилась на 16.2 млн долл., а с начала года – на 26.7 млн долл. Компания планирует полностью погасить эту задолженность до конца года.
- Для замены поставок золота в счет авансов и поддержки повседневных потребностей в ликвидности более гибкими кредитными механизмами, «Петропавловск» получил дополнительный кредитный лимит на сумму около 54 млн долларов США (4 млрд рублей) в рамках возобновляемой кредитной линии (RCF) в Газпромбанке, увеличив ее с ок. 68 млн долл. (5 млрд рублей) до ок. 122 млн долл. (9 млрд рублей), с продлением срока погашения с мая 2022 года на июнь 2026 года. При ставке 2.8- 4.5% RCF значительно ниже стоимости существующих заимствований. Компания намеревается в будущем увеличить эту сумму.
- 10 августа 2021 года дочерняя компания «Петропавловск 2016» (далее - «Эмитент»), полностью принадлежащая Компании, объявила окончательные результаты тендера по оферте на покупку за денежные средства до 200 млн долларов США от общей основной суммы своих облигаций с гарантированной процентной ставкой 8.125% со сроком погашения в 2022 году («Облигации»). Эмитент принял к покупке совокупную основную сумму Облигаций, по которым были поданы заявки на тендере, на общую сумму 135 731 000 долларов США.
- 28 июля 2021 года Группа получила срочный заем в размере 200 млн долларов США (со сроком погашения 30 июня 2023 года), который был использован для выкупа облигаций (общая

сумма выпуска – 500 млн долларов США) на сумму 135 731 000 долларов США в соответствии с тендерным предложением. Процентная ставка по срочному кредиту значительно ниже, чем купонная ставка 8,125%.

### Производственные результаты

- Производство золота в первом полугодии 2021 года составило 195.0 тысяч унций, что на 39% меньше, чем в первом полугодии 2020 года (320.6 тысяч унций).
- **Производство золота из собственного сырья** в первом полугодии 2021 года составило 158.3 тысячи унций (в первом полугодии 2020 года: 213.7 тыс.унций), при этом снижение на 26% по сравнению с аналогичным периодом прошлого года в основном связано с переходом на переработку руды с Эльгинского месторождения на Албыне и подготовкой к запуску флотационной фабрики Пионера, которая включала складирование упорной руды и плановую временную остановку золотоизвлекательной фабрики в апреле.
- **Производство золота из сторонних концентратов** в первом полугодии 2021 года снизилось на 66% до 36.7 тысяч унций (первое полугодие 2020 года: 106.9 тыс.унций) из-за ожидаемого уменьшения объемов концентрата, доступного для покупки, и более низкого содержания в поставляемых концентратах.

#### Производство золота (тыс.унций)

| Предприятие                            | 1-е п-е<br>2021 | 1-е п-е<br>2020 |
|--|-----------------|-----------------|
| Пионер                                 | 46.0            | 60.3            |
| Маломир                                | 70.1            | 81.6            |
| Албын                                  | 42.3            | 71.8            |
| Концентрат 3-х сторон (Покровский АГК) | 36.7            | 106.9           |
| <b>Всего</b>                           | <b>195.0</b>    | <b>320.6</b>    |

*Примечание: общий показатель может отличаться из-за округления*

### Покровский автоклавно-гидрометаллургический комплекс

- Всего в первом полугодии 2021 года Покровский АГК переработал 123 тыс.т флотационного концентрата, в том числе 76 тыс.т концентрата Маломира со средним содержанием 28.5 г/т и 38 тыс.т концентрата сторонних производителей со средним содержанием 30.7 г/т.
- Новый флотационный комбинат «Пионер» поставил на Покровский АГК в мае и июне 8 тысяч тонн концентрата со средним содержанием 21,9 г/т, при этом за Период было извлечено 5,5 тысяч унций золота (коэффициент извлечения 95%).

### План на 2021 год

- Компания подтверждает свой **производственный прогноз** на 2021 год в размере 430 - 470 тысяч унций, включая производство золота из собственного сырья в размере 370 - 390 тысяч унций и производство золота из стороннего концентрата в размере 60 - 80 тысяч унций.
- Ожидается, что **общие денежные затраты** на производство золота из собственного сырья за год будут в пределах диапазона 870–970 долларов США за унцию.
- Ожидается, что капитальные затраты за год составят до 140 млн долларов США, включая капитальные затраты на поддержание и развитие в размере 120 млн долларов США и затраты на геологоразведочные работы в размере около 20 млн долларов США.

## Ответственный бизнес

- В текущем году на предприятиях «Петропавловска» не произошло ни одного несчастного случая со смертельным исходом ни среди сотрудников Группы, ни среди ее подрядчиков (по состоянию на сегодняшний день).
- Увеличение количества зарегистрированных инцидентов и, соответственно, показателя LTIFR в течение периода частично связано с улучшенной методологией отчетности, внедренной в этом году. Тяжесть зарегистрированных травм за отчетный период снизилась, и мы наблюдаем положительную тенденцию в ежемесячном сокращении травм с начала года. Доступность и углубленный анализ надежных данных – это первые шаги на пути к совершенствованию отчетности по охране труда и промышленной безопасности в соответствии с передовой международной практикой.
- Усиленный блок по охране труда и промышленной безопасности, возглавляемый с апреля Романом Дертиновым, главой Департамента охраны труда и промышленной безопасности, привела к разработке нового и улучшенного набора фундаментальных правил безопасности, которые были одобрены Советом директоров и в настоящее время внедряются по всей Группе, чтобы продвигать более безопасные методы работы
- Группа также реализует несколько новых долгосрочных проектов по предотвращению травм, в том числе инициативы, специально направленные на борьбу с падениями с высоты и электробезопасность.
- В первом полугодии 2021 года не было зафиксировано ни одного экологического инцидента.

| Показатель               | Ед.измерения                           | 1-е п-е 2021 | 1-е п-е 2020 |
|--------------------------|--|--------------|--------------|
| LTIFR                    | На миллион отработанных человеко-часов | 1.75         | 1.23         |
| Экологические инциденты* | Кол-во                                 | 0            | 0            |

*Примечание: умеренные или серьезные экологические инциденты*

- В связи с недавним сильным наводнением в Амурской области Компания проводит ежедневный экологический мониторинг местных рек и ручьев. Существенного загрязнения окружающей среды не выявлено.
- Обратите внимание на обновленную информацию в разделе основные риски и неопределенности, представленную далее в этой публикации.

## COVID-19

- Существенных вспышек COVID-19 на наших объектах в этом году не произошло, и Компания продолжает применять строгие карантинные меры и меры безопасности на всех предприятиях.
- Во втором квартале 2021 года Компания запустила программу вакцинации на предприятиях, сопровождаемую информационной кампанией через корпоративные СМИ и социальные сети, а также посредством других каналов коммуникации.
- По состоянию на 23 августа 2021 года 47,3% сотрудников производственных дочерних предприятий Группы были вакцинированы двумя компонентами, а еще у 32,4% выявлены антитела к COVID-19.



- На момент составления отчета цепочки поставок Группы остаются полностью функциональными.

## Развитие и геологоразведка

### Прогресс по проектам развития

- 31 мая 2021 года Компания запустила флотационную фабрику Пионера производственной мощностью 3,6 млн тонн руды в год, тем самым увеличив общую мощность переработки упорной золотосодержащей руды с собственных месторождений вдвое: до 7,2 млн тонн в год (включая действующий флотационный комбинат на Маломыре).
- Ожидается, что флотационный комбинат Пионера произведет в этом году до 60 тыс.т флотационного концентрата и до 100 тыс.т – в 2022 году, что снизит зависимость Покровского АГК от поставок стороннего концентрата.
- Строительство третьей линии флотационной фабрики Маломыра продолжалось в течение первого полугодия 2021 года. Ее пуск в 3 квартале 2022 года добавит дополнительные флотационные мощности, позволяющие перерабатывать 1,8 млн тонн руды в год, в результате чего общая совокупная мощность Группы составит 9,0 млн тонн в год.

### Геологоразведка

- **Пионер.** Проводится анализ запасов с использованием обновленных параметров, которые лучше отражают тенденции цен на золото. В результате ожидается рост в запасах золота, содержащегося в упорной и неупорной руде, как для открытой, так и для подземной добычи.
- **Маломыр.** Работа в первом полугодии 2021 года была сосредоточена на оценке богатых руд в подземных выработках вдоль восточного фланга месторождения Кварцитовое. Отдельные более ранние скважины, пробуренные на этом участке, показали содержание до 20,2-28,4 г / т на 2,1-3,8 м.
- **Осипкан.** Ускоряются геологоразведочные работы на северном, не разграниченном участке месторождения, пригодном для кучного выщелачивания. Наряду с более бедными рудами с содержанием 0,7-1,3 г / т, бурение на целевой площади выявило рудные участки с видимым содержанием золота до 67,05 г / т на 1,7 м.
- **Токур.** Геологоразведочные работы на участке временно приостановлены
- **Албын.** Геологи в настоящее время изучают возможность подземной разработки примерно 30 тонн неразграниченных рудных ресурсов на глубине ниже отработанного карьера Албын.
- **Эльгинское.** Близится к завершению запланированное на этот год разведочное бурение на месторождении. Программа была разработана для более точного разграничения залежи, завершено новое технологическое картирование пробуренной площади. Технологические исследования показали, что руда хорошо поддается переработке методом гравитационной флотации.
- **Унгличиканское.** Завершаются технологические исследования проб для проверки возможности их переработки с использованием гравитационно-флотационной технологии.

## Корпоративные события

- 12 июля 2021 года Совет директоров назначил Евгения Потапова неисполнительным директором. Г-н Потапов был выдвинут Группой компаний «Южуралзолото» (далее

«ЮГК»), крупнейшим акционером Компании, в соответствии с действующим соглашением о взаимоотношениях между Компанией и ЮГК. Евгений Потапов заменил Максима Харина, который ушел из Совета

## Новости IRC

- Петропавловск является основным акционером IRC (31,1%), железорудного производителя, чьи акции торгуются на Гонконгской фондовой бирже. 27 августа 2021 года IRC опубликовала отчет за шесть месяцев, закончившихся 30 июня 2021 года. Материал доступен для просмотра на веб-сайте IRC <http://www.ircgroup.com.hk>.
- Петропавловск продолжает выступать в качестве гаранта по обязательствам «Кимкано-Сутарского ГОКа» (КС ГОК), дочерней компании IRC Limited, по двум кредитным соглашениям с Газпромбанком. IRC продолжает погашение долга в соответствии с графиком погашения. Кроме того, КС ГОК произвела досрочное погашение Газпромбанку в размере 20 млн долларов США в июле и 30 млн долларов США в августе. Таким образом, непогашенная основная сумма кредита на конец августа 2021 года составила около 143,5 млн долларов США.

## Вебтрансляция и конференц-звонок

Генеральный директор компании Денис Александров и финансовый директор Данила Котляров проведут онлайн-трансляцию, после которой состоится сессия вопросов и ответов, чтобы представить финансовые результаты компании сегодня в 09:00 BST / 11:00 Мск. Доступ к веб-трансляции можно получить по следующей ссылке:

<https://webcasting.brrmedia.co.uk/broadcast/6115521dc97de6636c2d913d>

Кроме того, слушать веб-трансляцию и участвовать в сессии вопросов и ответов можно по телефону. Номера для подключения:

Соединенное Королевство +44 (0) 330 336 9105  
Россия +7 495 213 1767

Используйте следующий код подтверждения: 8000181

## О «Петропавловске»

*«Петропавловск» (LSE: POG, MOEX: POGR) – один из крупнейших российских производителей золота с богатой ресурсной базой (19,5 млн унций ресурсов, включая 7,16 млн унций запасов в соответствии с классификацией JORC). После проведения в 2002 году IPO на рынке альтернативных инвестиций Лондонской фондовой биржи «Петропавловск» вышел на основную площадку и сегодня имеет премиальный листинг на Лондонской фондовой бирже, входит в индексы FTSE 250, FTSE 350 и All Share. Акции Компании также торгуются на Московской бирже и входят в состав базы расчета индекса Мосбиржи и индекса РТС.*

*Основные предприятия Компании (Пионер, Маломыр, Албын) и Покровский автоклавно-гидрометаллургический комбинат (ПАГК) находятся в Амурской области на Дальнем Востоке России. С момента создания в 1994 году Компания произвела в общей сложности около 8,5 млн унций золота, «Петропавловск» имеет большой опыт в создании горнодобывающих производств, их развитии и эксплуатации.*

*«Петропавловск» является одним из крупнейших работодателей в Амурской области и вносит вклад в устойчивое социально-экономическое развитие региона.*

## Дополнительная информация

Для получения дополнительной информации, пожалуйста, посетите сайт компании [www.petropavlovskplc.com](http://www.petropavlovskplc.com) или свяжитесь со следующими контактными лицами:

Petropavlovsk PLC

John Mann / Max Zaltsman

Hudson Sandler

Charlie Jack / Katerina Parker / Elfie Kent

+44 (0) 20 7201 8900

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+44 (0) 20 7796 4133

[Petropavlovsk@hudsonsandler.com](mailto:Petropavlovsk@hudsonsandler.com)

### Предупреждение о прогнозных заявлениях

Это сообщение может содержать заявления, которые являются или могут считаться «заявлениями о прогнозах». Эти прогнозных заявления могут быть идентифицированы с использованием прогнозной терминологии, включая термины «верит», «оценки», «планы», «проекты», «ожидает», «ожидает», «намерен», «может», «будет» или «должен» или, в каждом случае, их отрицательные или другие вариации или сопоставимой терминологии, или путем обсуждения стратегии, планов, целей, целей, будущих событий или намерений. Эти прогнозных заявления включают все вопросы, которые не являются историческими фактами. Они появляются в нескольких местах на протяжении всего выпуска и включают, но не ограничиваются ими, заявления относительно намерений, убеждений или текущих ожиданий Группы, касающихся, в частности, будущей цены на золото, результатов деятельности Группы, финансового положения, ликвидности, перспектив, роста, оценки запасов и ресурсов полезных ископаемых и стратегии, а также обменных курсов и ожиданий отрасли. По своей природе прогнозных заявления сопряжены с риском и неопределенностью, поскольку они относятся к будущим событиям и обстоятельствам, не зависящим от Группы. Заявления прогнозного характера не являются гарантией будущих результатов деятельности, и развитие рынков и отрасли, в которой работает Группа, может существенно отличаться от описанных или предполагаемых в любых прогнозных заявлениях, содержащихся в данном выпуске. Кроме того, даже если развитие рынков и отрасли, в которой работает Группа, соответствует прогнозным заявлениям, содержащимся в данном выпуске, эти события могут не свидетельствовать о событиях в последующих периодах. Ряд факторов может привести к тому, что результаты и / или события будут существенно отличаться от тех, которые выражены или подразумеваются в прогнозных заявлениях, включая, помимо прочего, общие экономические и деловые условия, спрос, предложение и цены на золото и другие долгосрочные цены на товары, допущения (и их влияние на сроки и осуществимость будущих проектов и разработок), тенденции в золотодобывающей промышленности и условия на международных рынках золота, конкуренции, действия и бездействия государственных органов (включая изменения в законодательстве, нормативных актах или налогообложении), колебания валютных курсов (в том числе между долларом США и рублем), способность Группы восстанавливать свои резервы или разрабатывать новые резервы, изменения в своей бизнес-стратегии, любые судебные процессы, а также политическую и экономическую неопределенность. За исключением случаев, предусмотренных применимым законодательством, правилом или постановлением (включая Руководство по листингу и раскрытию информации и Правила прозрачности), Группа не берет на себя никаких обязательств по публичному обновлению или пересмотру каких-либо прогнозных заявлений, будь то в результате получения новой информации, будущих событий или иным образом. Прошлые показатели нельзя использовать как руководство к будущим показателям. Содержание веб-сайтов, упомянутых в этом объявлении, не является частью этого объявления.



## Financial Review

Note: Figures may not add up due to rounding

### Financial Highlights

|   |              | H1 2021 | H1 2020 |
|---|--------------|---------|---------|
| Gold sold   | '000oz       | 187.1   | 312.4   |
| Group revenue   | US\$ million | 351.9   | 522.7   |
| Average realised gold price <sup>™</sup>  | US\$/oz      | 1,795   | 1,640   |
| Average LBMA gold price afternoon fixing  | US\$/oz      | 1,806   | 1,645   |
| Total Cash Costs <sup>♦ (a)</sup>   | US\$/oz      | 1,020   | 983     |
| Total Cash Costs from own materials <sup>(a)</sup>                                    | US\$/oz      | 906     | 800     |
| Total Cash Costs from third parties concentrate <sup>(a)</sup>                        | US\$/oz      | 1,639   | 1,380   |
| All-in Sustaining Costs <sup>♦ (b)</sup>  | US\$/oz      | 1,404   | 1,220   |
| All-in Costs <sup>♦ (b)</sup>   | US\$/oz      | 1,514   | 1,325   |
| Underlying EBITDA <sup>♦</sup>  | US\$ million | 114.3   | 192.6   |
| Operating profit <sup>(c)</sup>   | US\$ million | 48.3    | 144.3   |
| Profit before tax   | US\$ million | 69.1    | 16.5    |
| Profit/(loss) for the period  | US\$ million | 48.9    | (22.0)  |
| Profit/(loss) for the period attributable to equity shareholders of Petropavlovsk PLC | US\$ million | 44.5    | (23.9)  |
| Basic profit/(loss) per share   | US\$         | 0.01    | (0.01)  |
| Cash generated from operations before working capital changes                         | US\$ million | 113.7   | 183.3   |
| Net cash from operating activities  | US\$ million | 25.2    | 112.1   |

(a) Calculation of Total Cash Costs<sup>♦</sup> ("TCC") is set out in the section Hard rock mines below.

(b) All-in Sustaining Costs<sup>♦</sup> ("AISC") and All-in Costs<sup>♦</sup> ("AIC") are calculated in accordance with guidelines for reporting All-in Sustaining Costs<sup>♦</sup> and All-in Costs<sup>♦</sup> published by the World Gold Council. Calculation is set out in the section All-in Sustaining Costs<sup>♦</sup> and All-in Costs<sup>♦</sup> below.

(c) Since the 2020 annual report operating profit is presented from the perspective of group operations excluding the results of the associate, IRC. This is more representative of how the business is viewed following the classification of IRC as held for sale and this change in classification also been applied to the comparative period.

|                                  | 30 June 2021<br>US\$ million | 31 December 2020<br>US\$ million |
|----------------------------------|------------------------------|----------------------------------|
| Cash and cash equivalents        | 36.5                         | 35.4                             |
| Notes <sup>(d)</sup>             | (502.6)                      | (502.0)                          |
| Convertible bonds <sup>(e)</sup> | (34.5)                       | (34.0)                           |
| Bank loans <sup>(f)</sup>        | (35.0)                       | -                                |
| Net Debt <sup>♦</sup>            | (535.6)                      | (500.6)                          |

(d) US\$500 million Guaranteed Notes due on 14 November 2022 at amortised cost.

(e) US\$125 million convertible bonds due on 03 July 2024 at amortised cost.

(f) Outstanding principal amount of revolving credit facility with Gazprombank.

### Revenue

|                               | H1 2021<br>US\$ million | H1 2020<br>US\$ million |
|-------------------------------|-------------------------|-------------------------|
| Revenue from hard rock mines  | 335.8                   | 512.3                   |
| Revenue from other operations | 16.2                    | 10.4                    |
|                               | 351.9                   | 522.7                   |

<sup>♦</sup> Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APMs), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.

Group revenue during the period was US\$351.9 million, 33% lower than the US\$522.7 million achieved in H1 2020.

Revenue from hard rock mines during the period was US\$335.8 million, 34% lower than the US\$512.3 million achieved in H1 2020. Gold remains the key commodity produced and sold by the group, comprising 95% of total revenue generated in H1 2021. The physical volume of gold sold from hard rock mines decreased by 40% from 312,354 oz in H1 2020 to 187,064 oz in H1 2021, incl. 26% decrease of own gold production primarily due to the switch to processing ore from the Elginskoye deposit at Albyn and preparations for the launch of the Pioneer flotation plant, which entailed a shift to mining refractory ore for stockpiling and a planned temporary shutdown of the processing plant in April and 66% decrease in 3rd-party gold production to 36.7koz in H1 2021 (H1 2020: 106.9koz) due to expected lower volumes of concentrate available for purchase and lower grades in the concentrates supplied. The average realised gold price<sup>♦</sup> increased by 9% from US\$1,640/oz in H1 2020 to US\$1,795/oz in H1 2021. The average realised gold price<sup>♦</sup> was not affected by hedge arrangements in H1 2021 and H1 2020. There were no sales of silver in H1 2021 and H1 2020.

Revenue generated as a result of third-party work by the group's in-house service companies was US\$16.2 million in H1 2021, a US\$5.8 million increase compared to US\$10.4 million in H1 2020. This revenue is substantially attributable to sales generated by the group's engineering and research institute, Irgiredmet, primarily through engineering services and the procurement of materials, consumables and equipment for third parties, which comprised US\$14.9 million in H1 2021 compared to US\$9.0 million in H1 2020.

### **Cash flow hedge arrangements**

In March 2020 the group has entered into a number of gold option and currency option contracts, in both cases structured as zero cost collars where the company purchased a put option and sold a call option, in order to increase certainty in respect of a proportion of its operating cash flows.

Zero cost collars for the underlying aggregate of US\$42 million (US\$7 million per month) with a RUB:USD exercise price of RUB75.00 for put options and a RUB:USD exercise price in the range of between RUB90.65 and RUB100.00 for call options matured during H1 2021 and resulted in US\$0.6 million net cash settlement received by the group. Zero cost collars for the underlying aggregate of US\$42 million (US\$7 million per month until December 2021) with a RUB:USD exercise price of RUB75.00 for put options and a RUB:USD exercise price in the range between RUB90.65 and RUB100.00 for call options were outstanding as at 30 June 2021.

Zero cost collars for the underlying aggregate of 21,000 oz of gold (3,500 oz of gold per month) with an exercise price of US\$1,600/oz for put options and US\$1,832/oz for call options matured during H1 2021 and resulted in US\$(0.3) million net cash settlement paid by the group. Zero cost collars for the underlying aggregate of 21,000 oz of gold (3,500 oz of gold per month until December 2021) with an exercise price of US\$1,600/oz for put options and US\$1,832/oz for call options were outstanding as at 30 June 2021.

The aforementioned contracts did not qualify for hedge accounting under IFRS 9. Accordingly, there was no adjustment to the average realized gold price in H1 2021 and H1 2020 for the effect of net settlement under these arrangements.

Corresponding fair values for gold and currency option contracts are disclosed in note 16 to the group's consolidated interim financial statements for the six months ended 30 June 2021.

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<sup>♦</sup> Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APMs), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.

|  | Underlying aggregate amount                                  | Put option exercise price | Call option exercise price |
|--|--|---------------------------|----------------------------|
| Option contract matured in H1 2021:              |  |                           |                            |
| Gold option contracts                            | 21,000 oz (3,500 oz of gold per month)                       | US\$1,600/oz              | US\$1,832/oz               |
| Currency option contracts                        | US\$42 million (US\$7 million per month)                     | RUB75.00                  | RUB90.65 - RUB100.00       |
| Option contracts outstanding as at 30 June 2021: |  |                           |                            |
| Gold option contracts                            | 21,000 oz (3,500 oz of gold per month until December 2021)   | US\$1,600/oz              | US\$1,832/oz               |
| Currency option contracts                        | US\$42 million (US\$7 million per month until December 2021) | RUB75.00                  | RUB90.65 - RUB100.00       |

### Underlying EBITDA

|  | H1 2021<br>US\$ million | H1 2020<br>US\$ million |
|--|-------------------------|-------------------------|
| Profit/(loss) for the period   | 48.9                    | (22.0)                  |
| Add/(less):  |                         |                         |
| Net (impairment reversals)/impairment losses on financial instruments  | (1.1)                   | 1.3                     |
| Investment and other finance income  | (3.3)                   | (4.0)                   |
| Interest expense   | 24.3                    | 33.4                    |
| Net other finance (gains)/losses <sup>(a)</sup>  | (4.7)                   | 98.9                    |
| Foreign exchange losses/(gains)  | 0.7                     | (26.7)                  |
| Taxation   | 20.3                    | 38.5                    |
| Depreciation   | 63.0                    | 64.7                    |
| Write-down of inventory to net realisable value  | 0.1                     | -                       |
| Impairment of gold in circuit  | 0.7                     | -                       |
| Reversal of write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell | (34.9)                  | -                       |
| Share of results of associates <sup>(b)</sup>  | 0.3                     | 8.6                     |
| <b>Underlying EBITDA<sup>♦</sup></b>   | <b>114.3</b>            | <b>192.6</b>            |

(a) Including US\$32.0 million fair value gain from re-measurement of the conversion option of the convertible bonds (H1 2020:US\$(122.2) million fair value loss from re-measurement of the conversion option of the convertible bond) and US\$ (31.6) million fair value loss on the agreement for the sale of stake in IRC.

(b) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains/losses, taxation, depreciation and impairment/reversal of impairment recognised by an associate and impairment/reversal of impairment recognised against investment in the associate.

Underlying EBITDA<sup>♦</sup> as contributed by business segments is set out below.

|                                     | H1 2021<br>US\$ million | H1 2020<br>US\$ million |
|-------------------------------------|-------------------------|-------------------------|
| Pioneer                             | 34.4                    | 59.3                    |
| Malomir                             | 67.9                    | 70.9                    |
| Albyn                               | 42.7                    | 75.0                    |
| Total Hard rock mines               | 145.0                   | 205.1                   |
| Corporate and other                 | (32.2)                  | (23.0)                  |
| <b>Underlying EBITDA by segment</b> | <b>112.8</b>            | <b>182.2</b>            |

<sup>♦</sup> Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APMs), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.

|                    |       |       |
|--------------------|-------|-------|
| IRC                | 1.5   | 10.5  |
| Underlying EBITDA* | 114.3 | 192.6 |

## Hard rock mines

During this period, hard rock mines generated Underlying EBITDA\* of US\$145.0 million compared to US\$205.1 million Underlying EBITDA\* in H1 2020.

Total Cash Costs\* for hard rock mines increased from US\$983/oz in H1 2020 to US\$1,020/oz in H1 2021.

The increase in Total Cash Costs from own material from US\$800/oz in H1 2020 to US\$906/oz in H1 2021 primarily reflects the effect of lower grades and recoveries of non-refractory ore processed at Albyn plant as the result of switching to processing of ore from the Elginskoye deposit as the main source of non-refractory ore starting from 2021 which replaced the depleted Albyn pit, as well as the impact of the Pioneer flotation plant launching to produce refractory concentrate for further processing at the POX Hub, lower grades of refractory ore processed at Malomir, lower recoveries of non-refractory ore processed at Pioneer, the impact of inflation of certain Rouble denominated costs, and the effect of mining tax rates as set out below. This effect was partially mitigated by the effect of higher grades of non-refractory ore processed at Pioneer and Malomir, and the effect of higher recoveries of refractory ore processed at Malomir, as well as by the effect of Rouble depreciation.

Total Cash Costs from 3rd parties concentrate increased from US\$1,380/oz in H1 2020 to US\$1,639/oz in H1 2021. Total Cash Costs from 3rd parties concentrate are directly dependent on gold price which has increased in H1 2021.

The decrease in physical ounces sold from 312,354 oz in H1 2020 to 187,064 oz in H1 2021 resulted in US\$(82.3) million decrease in the Underlying EBITDA\*. The increase in TCC\* contributed to a further US\$(6.8) million decrease in the Underlying EBITDA\*. This effect was partly offset by the increase in the average realised gold price\* from US\$1,640/oz in H1 2020 to US\$1,795/oz in H1 2021 with US\$29.0 million effect on Underlying EBITDA\*.

The key components of the operating cash expenses are wages, electricity, diesel, chemical reagents and consumables, as set out in the table below. The key cost drivers affecting the operating cash expenses are production volumes of ore mined and processed, grades of ore processed, recovery rates, cost inflation and fluctuations in the Rouble to US Dollar exchange rate.

The Rouble depreciated against the US Dollar by 7% in H1 2021 compared to H1 2020, with the average exchange rate for the period of 74.31 Roubles per US Dollar in H1 2021 compared to 69.42 Roubles per US Dollar in H1 2020, somewhat mitigating the effect of Rouble denominated costs inflation.

Refinery and transportation costs are variable costs dependent on production volume. Mining tax is also a variable cost dependent on production volume and the gold price realised. The Russian statutory mining tax rate is 6%. Under the Russian Federal Law 144-FZ dated 23 May 2016 that introduced certain amendments to the Russian Tax Code, taxpayers who are participants in Regional Investment Projects ("RIP") have the right to apply the reduced mining tax rate provided certain conditions are met. JSC Pokrovskiy Rudnik and LLC Malomirskiy Rudnik applied full mining tax rate in H1 2021 and H1 2020, LLC Albynskiy Rudnik applied 1.2% mining tax rate in H1 2020 and full mining tax rate in H1 2021, resulting in US\$18.4 million mining tax expense in H1 2021 compared to US\$15.2 million mining tax expense in H1 2020.

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|  | H1 2021      |     | H1 2020      |     |
|--|--------------|-----|--------------|-----|
|  | US\$ million | %   | US\$ million | %   |
| Staff costs <sup>(a)</sup>   | 46.7         | 22  | 40.8         | 15  |
| Materials  | 44.4         | 21  | 40.8         | 15  |
| Flotation concentrate purchased  | 49.2         | 23  | 130.2        | 47  |
| Fuel   | 16.2         | 8   | 17.5         | 6   |
| Electricity  | 15.9         | 7   | 17.7         | 6   |
| Other external services  | 25.7         | 12  | 18.1         | 6   |
| Other operating expenses   | 14.2         | 7   | 12.9         | 5   |
|  | 212.4        | 100 | 278.1        | 100 |
| Movement in ore stockpiles, gold in circuit, bullion in process, limestone and flotation concentrate attributable to gold production | (44.2)       |     | 9.3          |     |
| Total operating cash expenses  | 168.2        |     | 287.4        |     |

(a) Including staff redundancies costs US\$0.3 million in H1 2021 due to enhancing operational governance and improving management structure.

|   | Hard rock mines            |                            |                          | H1 2021                  | H1 2020                  |
|---|----------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|   | Pioneer<br>US\$<br>million | Malomir<br>US\$<br>million | Albyn<br>US\$<br>million | Total<br>US\$<br>million | Total<br>US\$<br>million |
| Revenue   |                            |                            |                          |                          |                          |
| Gold  | 134.7                      | 125.4                      | 75.7                     | 335.8                    | 512.3                    |
| Including:  |                            |                            |                          |                          |                          |
| Gold from own material  | 82.5                       | 125.4                      | 75.7                     | 283.5                    | 353.6                    |
| Gold from 3rd parties concentrate   | 52.3                       | -                          | -                        | 52.3                     | 158.8                    |
| Silver  | -                          | -                          | -                        | -                        | -                        |
|   | 134.7                      | 125.4                      | 75.7                     | 335.8                    | 512.3                    |
| <b>Expenses</b>   |                            |                            |                          |                          |                          |
| Operating cash expenses   | 93.7                       | 47.1                       | 27.4                     | 168.2                    | 287.4                    |
| Refinery and transportation   | 0.1                        | 0.1                        | 0.0                      | 0.3                      | 0.5                      |
| Other taxes   | 1.0                        | 1.9                        | 0.9                      | 3.9                      | 4.1                      |
| Mining tax  | 5.4                        | 8.3                        | 4.6                      | 18.4                     | 15.2                     |
| Depreciation  | 22.7                       | 27.3                       | 11.5                     | 61.5                     | 63.5                     |
| Write-down of inventory to net realisable value                           | -                          | -                          | 0.0                      | 0.0                      | -                        |
| Impairment/(reversal of impairment) of ore stockpiles and gold in circuit | -                          | 0.7                        | -                        | 0.7                      | (0.1)                    |
| <b>Operating expenses</b>   | 123.0                      | 85.4                       | 44.5                     | 253.0                    | 370.7                    |
| <b>Result of precious metals operations</b>                               | 11.7                       | 39.9                       | 31.2                     | 82.8                     | 141.7                    |
| <i>Add/(less):</i>  |                            |                            |                          |                          |                          |
| Depreciation  | 22.7                       | 27.3                       | 11.5                     | 61.5                     | 63.5                     |
| Write-down of inventory to net realisable value                           | -                          | -                          | 0.0                      | 0.0                      | -                        |
| Impairment/(reversal of impairment) of ore stockpiles and gold in circuit | -                          | 0.7                        | -                        | 0.7                      | (0.1)                    |
| <b>Segment EBITDA</b>   | 34.4                       | 67.9                       | 42.7                     | 145.0                    | 205.1                    |
| <i>Physical volume of gold sold, oz</i>                                   | 74,932                     | 69,895                     | 42,238                   | 187,064                  | 312,354                  |
| Including:  |                            |                            |                          |                          |                          |
| Gold sold from own material, oz   | 45,859                     | 69,895                     | 42,238                   | 157,992                  | 213,436                  |
| Gold sold from 3rd parties concentrate,                                   | 29,073                     | -                          | -                        | 29,073                   | 98,919                   |
| Cash costs  |                            |                            |                          |                          |                          |
| Operating cash expenses   | 93.7                       | 47.1                       | 27.4                     | 168.2                    | 287.4                    |
| Refinery and transportation   | 0.1                        | 0.1                        | 0.0                      | 0.3                      | 0.5                      |
| Other taxes   | 1.0                        | 1.9                        | 0.9                      | 3.9                      | 4.1                      |
| Mining tax  | 5.4                        | 8.3                        | 4.6                      | 18.4                     | 15.2                     |



|   |              |             |             |              |       |
|---|--------------|-------------|-------------|--------------|-------|
| Operating cash costs                          | 100.3        | 57.5        | 33.0        | 190.8        | 307.2 |
| Deduct: co-product revenue                    | -            | -           | -           | -            | -     |
| <b>Total Cash Costs*</b>                      | <b>100.3</b> | <b>57.5</b> | <b>33.0</b> | <b>190.8</b> | 307.2 |
| Including:                                    |              |             |             |              |       |
| Total Cash Costs from own material            | 52.6         | 57.5        | 33.0        | 143.1        | 170.7 |
| Total Cash Costs from 3rd parties concentrate | 47.7         | -           | -           | 47.7         | 136.5 |
| TCC*, US\$/oz                                 | 1,339        | 822         | 781         | 1,020        | 983   |
| TCC from own material, US\$/oz                | 1,148        | 822         | 781         | 906          | 800   |
| TCC from 3rd parties concentrate, US\$/oz     | 1,639        | -           | -           | 1,639        | 1,380 |

### All-in Sustaining Costs and All-in Costs

SC\* increased from US\$1,220/oz in H1 2020 to US\$1,404/oz in H1 2021. The increase in AISC\* reflects increase in TCC\* explained above as well as higher central administration expenses and the decrease in physical ounces sold in H1 2021 with an aggregate of sustaining capital and exploration expenditures and sustaining lease remaining at approximately the same level as in H1 2020. This effect was partly offset by the decrease in capitalized stripping expenditure during the period at Malomir and Pioneer.

AIC\* increased from US\$1,325/oz in H1 2020 to US\$1,514/oz in H1 2021, primarily reflecting the increase in AISC\* explained above. The start of operations at the Elginskoye deposit resulted in the decrease of capital expenditure with Elginskoye project being considered as sustaining in 2021. This effect was mainly offset by the decrease in physical ounces sold in H1 2021 with an aggregate of non-sustaining capital expenditures related to Pioneer flotation plant, 3rd flotation line at Malomir, capitalized stripping expenditure in respect of refractory ore at Pioneer and non-sustaining exploration expenditures remaining at approximately the same level as in H1 2020.

c

|   | Hard rock mines            |                            |                          | H1 2021                  | H1 2020                  |
|---|----------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|   | Pioneer<br>US\$<br>million | Malomir<br>US\$<br>million | Albyn<br>US\$<br>million | Total<br>US\$<br>million | Total<br>US\$<br>million |
| Physical volume of gold sold, oz  | 74,932                     | 69,895                     | 42,238                   | 187,064                  | 312,354                  |
| <b>Total Cash Costs*</b>  | <b>100.3</b>               | <b>57.5</b>                | <b>33.0</b>              | <b>190.8</b>             | 307.2                    |
| TCC*, US\$/oz   | 1,339                      | 822                        | 781                      | 1,020                    | 983                      |
| Impairment/(reversal of impairment) of ore stockpiles and gold in circuit | -                          | 0.7                        | -                        | 0.7                      | (0.1)                    |
| Write-down of inventory to net realisable value                           | -                          | -                          | 0.0                      | 0.0                      | -                        |
| Adjusted operating costs  | 100.3                      | 58.2                       | 33.0                     | 191.5                    | 307.1                    |

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|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Central administration expenses <sup>(a)</sup> | 11.8  | 11.1  | 6.7   | 29.6  | 20.7  |
| Capitalised stripping                          | 5.4   | 5.1   | -     | 10.5  | 23.7  |
| Close-down and site restoration                | 0.8   | 0.6   | 0.3   | 1.6   | 0.7   |
| Sustaining exploration expenditure             | 0.1   | -     | 2.9   | 3.0   | 0.5   |
| Sustaining capital expenditure                 | 6.9   | 7.2   | 11.7  | 25.8  | 26.2  |
| Sustaining lease                               | 0.3   | 0.2   | 0.2   | 0.7   | 2.1   |
| All-in Sustaining Costs*                       | 125.7 | 82.4  | 54.7  | 262.7 | 381.0 |
| All-in Sustaining Costs*, US\$/oz              | 1,677 | 1,179 | 1,294 | 1,404 | 1,220 |
| Exploration expenditure                        | -     | 1.5   | -     | 1.5   | 4.6   |
| Capital expenditure                            | 11.4  | 5.7   | -     | 17.1  | 28.2  |
| Capitalised stripping                          | 2.1   | -     | -     | 2.1   | -     |
| All-in Costs*                                  | 139.1 | 89.5  | 54.7  | 283.3 | 413.8 |
| All-in Costs*, US\$/oz                         | 1,856 | 1,281 | 1,294 | 1,514 | 1,325 |

(a) Including staff redundancies costs US\$0.8 million in H1 2021 due to enhancing operational governance and improving management structure.

### Corporate and other

Corporate and other operations contributed US\$(32.2) million to Underlying EBITDA\* in H1 2021 compared to US\$(23.0) million in H1 2020. Corporate and other operations primarily include central administration function, result of in-house service companies and the group's share of results of its associate IRC.

The group has corporate offices in London, Moscow and Blagoveschensk, which together represent the central administration function. Central administration expenses increased by US\$8.9 million from US\$20.7 million in H1 2020 to US\$29.6 million in H1 2021, including staff redundancies costs US\$0.8 million in H1 2021 due to enhancing operational governance and improving management structure.

### Results of associate

The group's share of profit generated by IRC is US\$1.2 million in H1 2021 (H1 2020: US\$1.8 million). Following re-classification of 29.9% interest in IRC as assets held for sale, the group recognised a US\$34.9 million reversal of write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell in H1 2021. IRC contributed US\$1.5 million to the group's Underlying EBITDA\* in H1 2021 (H1 2020: US\$10.5 million).

### Impairment review

#### Impairment of mining assets

As at 30 June 2021 and 30 June 2020, the group undertook a review of impairment indicators of the tangible assets attributable to its gold mining projects and supporting in-house service companies. Detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded no impairment was required as at 30 June 2021 and 30 June 2020.

#### Impairment of exploration and evaluation assets

As at 30 June 2021 and 30 June 2020, the group performed a review of its exploration and evaluation assets and concluded no impairment was required.

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Exploration and evaluation assets in the statement of financial position primarily relate to the areas adjacent to the existing mines.

## Financial income and expenses

### Investment and other finance income

|                                     | H1 2021<br>US\$ million | H1 2020<br>US\$ million |
|-------------------------------------|-------------------------|-------------------------|
| Interest income <sup>(a)</sup>      | 0.2                     | 0.6                     |
| Guarantee fee income <sup>(b)</sup> | 3.1                     | 3.4                     |
|                                     | 3.3                     | 4.0                     |

(a) Interest income on bank deposits.

(b) Guarantee fee income under Gazprombank Guarantee arrangements, as set out in section "Corporate activities" below.

### Interest expense

|                      | H1 2021<br>US\$ million | H1 2020<br>US\$ million |
|----------------------|-------------------------|-------------------------|
| Interest expense     | 25.4                    | 34.0                    |
| Interest capitalised | (1.6)                   | (1.0)                   |
| Other                | 0.4                     | 0.4                     |
|                      | 24.3                    | 33.4                    |

Interest expense for the period comprised of US\$20.9 million of effective interest on the Notes, US\$2.0 million of effective interest on the Convertible Bonds, US\$2.1 million of interest on prepayments on gold sale agreements, US\$0.3 million of interest on finance lease and US\$0.1 million of interest on bank loans (H1 2020: US\$21.0 million of effective interest on the Notes, US\$6.5 million of effective interest on the Convertible Bonds, US\$6.3 million of interest on prepayments on gold sale agreements and US\$0.3 million interest on finance lease).

As the group continued with construction of Pioneer flotation plant, 3rd flotation line at Malomir, these projects met eligibility criteria for borrowing costs capitalization under IAS 23 "Borrowing Costs" with US\$1.6 million of interest expense capitalized within property, plant and equipment (H1 2020: US\$1.0 million of interest expense was capitalized within property, plant and equipment in relation to flotation line at Pioneer).

### Net other finance gains/(losses)

Net other finance gains for the period totalled US\$4.7 million compared to US\$(98.9) million of net other finance losses in H1 2020. Key elements of other finance gains and losses this period include:

- US\$32.0 million fair value non-cash gain from re-measurement of the conversion option of the convertible bonds, reflecting the increase in the underlying share price of the Company;
- US\$3.9 million net fair value gain on gold and currency option contracts;
- US\$0.4 million gains on other items;
- US\$(31.6) million fair value non-cash loss on the agreement for the sale of stake in IRC.

### Net impairment reversals/ (impairment losses) on financial instruments

In H1 2021, the group recognised a US\$0.6 million decrease in the provision for expected credit losses under Gazprombank guarantee arrangements (H1 2020: US\$1.3 million of provision for expected credit losses).

## Taxation

|            | H1 2021<br>US\$ million | H1 2020<br>US\$ million |
|------------|-------------------------|-------------------------|
| Tax charge | 20.3                    | 38.5                    |

The group is subject to corporation tax under the UK, Russia and Cyprus tax legislation. The statutory tax rate for H1 2021 was 19% in the UK and 20% in Russia.

The tax charge for the period primarily related to the group's gold mining operations and is represented by a current tax charge of US\$17.3 million (H1 2020: US\$25.1 million) and a deferred tax charge, which is a non-cash item, of US\$3.0 million (H1 2020: US\$13.4 million). Included in the deferred tax charge in H1 2021 is a US\$3.2 million credit (H1 2020: US\$23.7 million charge) from the effect of foreign exchange which primarily arises because the tax base for a significant portion of the future taxable deductions in relation to the group's property, plant and equipment are denominated in Russian Roubles, whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value.

The effective tax rate was also affected by expenses that are not taxable/deductible for tax purposes which primarily relate to fair value gains/losses on re-measurement of the conversion option of the Convertible Bonds and reversal of write-down/write-up of investment in IRC to fair value less costs to sell, effect of tax losses for which no deferred income tax asset was recognized which primarily related to interest expense incurred in the UK and Russian withholding tax on intercompany dividends.

During the period, the group made corporation tax payments in aggregate of US\$21.2 million in Russia (H1 2020: corporation tax payments in aggregate of US\$28.5 million in Russia).

## Earnings per share

|  | H1 2021          | H1 2020            |
|--|------------------|--------------------|
| Profit/(loss) for the period attributable to equity holders of Petropavlovsk PLC | US\$44.5 million | US\$(23.9) million |
| Weighted average number of Ordinary Shares                                       | 3,957,270,254    | 3,310,369,237      |
| Basic profit/(loss) per ordinary share   | US\$0.01         | US\$(0.01)         |

Basic profit per share for H1 2021 was US\$0.01 compared to US\$(0.01) basic loss per share for H1 2020.

The total number of Ordinary Shares in issue as at 30 June 2021 was 3,957,270,254 (30 June 2020: 3,312,825,822).

## Financial position and cash flows

|                                  | 30 June 2021<br>US\$ million | 31 December 2020<br>US\$ million |
|----------------------------------|------------------------------|----------------------------------|
| Cash and cash equivalents        | 36.5                         | 35.4                             |
| Notes <sup>(a)</sup>             | (502.6)                      | (502.0)                          |
| Convertible bonds <sup>(b)</sup> | (34.5)                       | (34.0)                           |
| Bank loans <sup>(c)</sup>        | (35.0)                       | -                                |
| Net Debt*                        | (535.6)                      | (500.6)                          |

(a) US\$500 million Guaranteed Notes due on 14 November 2022 at amortised cost.

(b) US\$125 million convertible bonds due on 03 July 2024 at amortised cost.

(c) Outstanding principal amount of revolving credit facility with Gazprombank.

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|  | H1 2021<br>US\$ million | H1 2020<br>US\$ million |
|--|-------------------------|-------------------------|
| Net cash from operating activities                   | 25.2                    | 112.1                   |
| Net cash used in investing activities <sup>(d)</sup> | (59.3)                  | (82.7)                  |
| Net cash from/(used in) financing activities         | 34.9                    | (2.0)                   |

<sup>(d)</sup> Including US\$47.3 million Capital Expenditure ♦ (H1 2020: US\$59.6 million).

#### Key movements in cash and Net Debt ♦

|   | Cash<br>US\$ million  | Debt<br>US\$ million | Net Debt ♦<br>US\$ million |
|---|-----------------------|----------------------|----------------------------|
| As at 1 January 2021  | 35.4                  | (536.0)              | (500.6)                    |
| Net cash generated by operating activities before working capital changes | 113.7                 |                      |                            |
| Changes in working capital  | (56.6)                |                      |                            |
| Corporation tax paid  | (21.2)                |                      |                            |
| Capital Expenditure ♦   | (47.3)                |                      |                            |
| Capitalized stripping   | (12.6)                |                      |                            |
| Proceeds from borrowings  | 35.0                  | (35.0)               |                            |
| Interest accrued  |                       | (23.1)               |                            |
| Interest paid   | (24.5) <sup>(e)</sup> | 22.0                 |                            |
| Guarantee fee received  | 13.8                  |                      |                            |
| Interest received   | 0.2                   |                      |                            |
| Other   | 0.6                   |                      |                            |
| As at 30 June 2021  | 36.5                  | (572.1)              | (535.6)                    |

<sup>(e)</sup> Including US\$2.1 million interest paid in relation to advance payments from Gazprombank.

#### Capital Expenditure ♦

The group invested an aggregate of US\$47.3 million in H1 2021 compared to US\$59.6 million in H1 2020. The key areas of focus in this period were on Pioneer and Malomir flotation and development to support the mining at Elginskoye. The group capitalised US\$1.6 million of interest expense incurred in relation to the group's debt into the cost of the Pioneer flotation and Malomir 3rd line flotation (H1 2020: US\$1.0 million of interest expense incurred in relation to the group's debt into the cost of the Pioneer flotation).

|                                  | Exploration<br>expenditure<br>US\$ million | Development<br>and other<br>capital<br>expenditure<br>US\$ million | Total<br>Capital<br>Expenditure ♦<br>US\$ million |
|----------------------------------|--|--|---|
| POX                              | -  | 1.5  | 1.5   |
| Pioneer <sup>(a), (b)</sup>      | 0.1  | 16.7   | 16.8  |
| Malomir <sup>(c), (d), (e)</sup> | 0.8  | 11.3   | 12.0  |
| Albyn <sup>(f)</sup>             | 2.9  | 10.8   | 13.7  |
| Other                            | 0.7  | -  | 0.7   |
| Corporate and in-house services  | -  | 2.6  | 2.6   |
|                                  | 4.4  | 42.9   | 47.3  |

<sup>(a)</sup> Including US\$2.0 million of development expenditure in relation to Pioneer Underground project to be sustaining capital expenditure for the purposes of calculating AISC ♦ and AIC ♦.

♦ Throughout this document, when discussing the group's financial performance, reference is made to a number of financial measures, known as Alternative Performance Measures (APM), which are not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative Performance Measures (APMs)" section for further information on our APMs.



- (b) Including US\$11.4 million development expenditure in relation to the Pioneer Flotation project (US\$10.7 million of expenditure in relation to flotation and US\$0.7 million of expenditure in relation to hydrotechnical storage facilities) to be non-sustaining capital expenditure for the purposes of calculating the AISC♦ and AIC♦.
- (c) Including US\$0.6 million of development expenditure in relation to Malomir Underground project to be sustaining capital expenditure for the purposes of calculating AISC♦ and AIC♦.
- (d) Including US\$2.3 million of development expenditure in relation to Malomir 1st and 2nd lines Flotation (US\$2.3 million of expenditure in relation to hydrotechnical storage facilities) to be sustaining capital expenditure for the purposes of calculating AISC♦ and AIC♦.
- (e) Including US\$5.7 million of development expenditure in relation to Malomir 3rd line Flotation to be non-sustaining capital expenditure for the purposes of calculating AISC♦ and AIC♦.
- (f) Including US\$2.6 million of exploration expenditure in relation to Elginskoye project, US\$0.6 million of development expenditure in relation to road between Elginskoye and Albyn processing facilities and US\$6.0 million of development expenditure in relation to hydrotechnical storage facilities for Elginskoye project to be sustaining capital expenditure for the purposes of calculating AISC♦ and AIC♦.

## Foreign currency exchange differences

The group's principal subsidiaries have a US Dollar functional currency. Foreign exchange differences arise on the translation of monetary assets and liabilities denominated in foreign currencies, which for the principal subsidiaries of the group are the Russian Rouble and GB Pounds Sterling.

The following exchange rates to the US Dollar have been applied to translate monetary assets and liabilities denominated in foreign currencies.

|                                | 30 June 2021 | 31 December 2020 |
|--------------------------------|--------------|------------------|
| GB Pounds Sterling (GBP: US\$) | 0.72         | 0.73             |
| Russian Rouble (RUB: US\$)     | 72.37        | 73.88            |

The Rouble recovered by 2% against the US Dollar during H1 2021, from RUB73.88: US\$1 as at 31 December 2020 to RUB72.37: US\$1 as at 30 June 2021. The average period-on-period depreciation of Rouble against the US Dollar was approximately 7%, with the average exchange rate for H1 2021 being RUB74.31: US\$1 compared to RUB69.42 : US\$1 for H1 2020. The Group recognised foreign exchange losses of US\$0.7 million in H1 2021 (H1 2020: US\$26.7 million gains) arising primarily on Rouble denominated net monetary liabilities (including advance payments received from Gazprombank and Sberbank under gold sales agreements).

## Corporate activities

### Guarantee over IRC's external borrowings

The group historically entered into an arrangement to provide a guarantee over its associate's, IRC, external borrowings, the ICBC Facility ('ICBC Guarantee'). Under the terms of the arrangement the group was entitled to receive an annual fee equal to 1.75% of the outstanding amount.

In March 2019, IRC refinanced the ICBC Facility through entering into a US\$240 million new facility with Gazprombank ('Gazprombank Facility'). The facility was fully drawn down during the year ended 31 December 2019. The outstanding loan principal was US\$194 million as at 30 June 2021. A new guarantee was issued by the group over part of the Gazprombank Facility ('Gazprombank Guarantee'), the guarantee mechanism is implemented through a series of five guarantees that fluctuate in value through the eight-year life of the loan, with the possibility of the initial US\$160 million principal amounts guaranteed reducing to US\$40 million within two to three years, subject to certain conditions being met. For the final two years of the Gazprombank Facility, the guaranteed amounts will increase to US\$120 million to cover the final principal and interest repayments. If certain springing recourse events transpire, including default on a scheduled payment, then full outstanding loan balance is accelerated and subject to the guarantee. Under the Gazprombank Guarantee arrangements, the guarantee fee receivable is determined at each reporting date on an independently determined fair value basis, which for the six months ended 30 June 2021, 30 June 2020 and year ended 31 December 2020 was calculated at the annual rate of 3.07% by reference to the average outstanding principal balance under Gazprombank Facility. The guarantee fee charged for the six months ended 30 June 2021 was US\$3.1 million, with corresponding value of US\$3.4 million after reversal of provision for expected credit losses (30 June 2020: US\$3.4 million, with corresponding value of US\$3.2 million after provision for expected credit losses; 31 December 2020: US\$6.7 million, with corresponding value of US\$6.3 million after provision for expected credit losses).

The following assets and liabilities have been recognised in relation to the ICBC Guarantee and Gazprombank Guarantee as at 30 June 2021 and 31 December 2020:

|   | 30 June 2021<br>US\$ million | 31 December 2020<br>US\$ million |
|---|------------------------------|----------------------------------|
| Other receivables – ICBC Guarantee                                  | -                            | 0.0                              |
| Other receivables – Gazprombank Guarantee                           | 1.5                          | 11.9                             |
| Financial guarantee contract – Gazprombank Guarantee <sup>(a)</sup> | (7.7)                        | (8.2)                            |

(a) Classified as «held for sale» and presented separately in the statement of financial position as at 30 June 2021 and 31 December 2020.

### Potential disposal of interest in IRC

During the period, the group has continued to explore disposal options for the interest in IRC and further engaged with several parties to dispose of the equity holding and release the group's obligation to guarantee IRC's external debt under the Gazprombank Facility (note 21). Following negotiations with several interested parties the directors resolved to approve the potential disposal of 29.9% investment in IRC. In the opinion of the directors it is highly probable this disposal to be completed within 12 months after the reporting date and accordingly, 29.9% investment in IRC together with the financial guarantee contract were considered to be a disposal group held-for sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 30 June 2021.

### Tender offer to purchase up to US\$200 million maximum tender amount of outstanding US\$500 million 8.125 per cent Guaranteed Notes

On 13th July 2021 the Company announced that its wholly-owned subsidiary, Petropavlovsk 2016 Limited announced the launch of its offer to purchase for cash up to US\$200 million aggregate principal amount of its 8.125 per cent Guaranteed Notes due 2022.

Tender offer is financed via Gazprombank loan facility with a total limit of US\$200 million, that was consequently entered in July 2021 with an interest rate significantly lower than the Notes. Gazprombank loan repayment schedule is US\$66 million in December 2022, US\$66 million in March 2023 and remaining balance in June 2023.

On 10 August 2021, Petropavlovsk 2016 Limited announced the final tender results– US\$135,731,000 aggregate principal amount of the Notes were validly tendered.

### Going concern

Please refer to the note 2 to the group's consolidated financial statements for the six months ended 30 June 2021.

### 2021 Outlook

Production outlook is on track to meet the full year target of 430 – 470koz of gold in 2021. The group expects own metal TCC in 2021 to be in the range of US\$870 – US\$970/oz, excluding third-party concentrate as the pricing of concentrate depends on highly volatile gold price.

## Principal Risks and Uncertainties

The Group is exposed to a variety of risks and uncertainties which could significantly affect its business and financial results. A detailed review of the key risks facing the Group is set out in the Principal Risks section on pages 68 to 75 of the 2020 Annual Report, which is available on the Group's website, <http://www.petrodavlovskplc.com>. This also includes a description of the potential impact of such risks on the Group together with measures in place to manage or mitigate against each specific risk where this is within the Group's control.

The nature of the principal risks and uncertainties facing the Group for the remainder of the current financial year remains substantially unchanged. An update on these risks and events in H1 2021 relevant to them, including any new or emerging factors within the context of existing risks, is set out below.

There may be additional risks unknown to the Group and other risks, currently believed to be immaterial, which could turn out to be material. These risks, whether they materialize, individually or simultaneously, could significantly affect the Group's business and financial results. The Group will continue to monitor internal and external areas of uncertainty and threat closely as well as remain vigilant on internal controls and incorporate any further developments as part of the full-year assessment of principal risks and uncertainties. Without limiting the generality of the foregoing, an extensive independent environmental review to be conducted in H2 2021 could potentially uncover additional risks that the Group will need to address.

Below is indication of events relevant to our principal risks that have occurred during the first six months of 2021:

### Operational risks

- 3rd-party concentrate gold production decreased in H1 2021 due to lower volumes and grades of concentrate available for purchase;
- The Pioneer flotation plant was commissioned in May 2021, with an expected capacity of 60kt of concentrate in 2021 and 100kt in 2022.
- Anomalous torrential rains led to flooding in some parts of Amur region causing some logistical issues and interruption to production, all of which were minor in effect.
- Inflation in Russia in June 2021 reached 6.5% per annum, affecting some of the Company's supplies, none of which was critical.

The Company has also identified the risk of lowering production performance due to processing new types of ore as an emerging operational risk for the business. In H1 2021, the Company began processing ore from Elginskoye. The ore mined at Elginskoye is of a lower grade than that previously mined from the Albyn deposit, and, as a result recovery rates and mill grinding capacity may be reduced, resulting in operational under-performance and higher cost. As announced in April 2021, exploration and metallurgical surveys are underway at Elginskoye to complete full-scale mapping of the deposit and may result in updates to the Company's production plans. The Company continues to expect to meet its production forecasts for 2021.

### Financial risks

- The Company completed the partial buy-back of its U.S.\$500m 8.125% guaranteed notes due in 2022, purchasing c.US\$136m of the outstanding U.S.\$500m Notes using the proceeds of a term loan facility with Gazprombank which matures some six months later than and bears interest at a lower rate than that payable in respect of the U.S.\$500m Notes.
- The property insurance previously maintained by the Company in respect of its facilities expired in the first half of 2021 and was not automatically renewed due to concerns that the insurance had not been procured at market rates. The Company is in the course of tendering for the provision of property and other insurances and expects this process to be completed and the real assets insured in September 2021. In the interim, there remains a risk that, in the event that an event occurs at one of the facilities the costs of which might have been expected to be recoverable from its insurers, such costs will be borne by the Company without recourse to insurance. All insurances mandated by law in Russia are in place.

### Country and regional risks

- In June 2021, KPMG LLP published its interim report pursuant to 'Resolution 19' identifying several potential issues with transactions involving the Company with an estimated value of US\$157 million. These issues include transactions with potentially undisclosed related parties and likely conflicts of interest.

**Sustainability risks**

- The Company published its 2020 sustainability report in July 2021, highlighting key sustainability initiatives across the business.
- No fatal accidents and zero environmental incidents were reported in H1 2021. The Group has strengthened its health and safety and environmental teams through the employment of new field specialists aiming to bring best practice and expertise.
- No material COVID-19 outbreaks took place at the Company's operations in H1 2021. As of 30 June 2021, 28% of employees at the Group's operating subsidiaries have been fully vaccinated (47.3% at 23 August 2021). Nonetheless, the risk posed by the Covid-19 pandemic remains high.

The Company continues to monitor its principal risks.

**Director's Responsibilities Statement**

We confirm that to the best of our knowledge:

- The condensed set of consolidated interim financial statements has been prepared in accordance with UK-adopted IAS34 "Interim Financial Reporting" as required by DTR4.2.4R
- The interim management report includes a fair review of the information required by DTR4.2.7R (indication of important events during the first six months and their impact on the condensed set of financial statements and a description of principal risks and uncertainties for the remaining six months of the financial year); and
- The interim management report includes a fair review of the information required on related party transactions as required by DTR4.2.8R

By order of the Board,

Denis Alexandrov  
Chief Executive Officer

Danila Kotlyarov  
Chief Financial Officer

31 August 2021

## **Independent Review Report to Petropavlovsk PLC**

### **Report on the condensed consolidated interim financial statements**

#### **Our conclusion**

We have reviewed Petropavlovsk plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim financial report of Petropavlovsk plc for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

#### **What we have reviewed**

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 June 2021;
- the condensed consolidated statement of profit and loss and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim financial report of Petropavlovsk plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

#### **Responsibilities for the interim financial statements and the review**

##### **Our responsibilities and those of the directors**

The Interim financial report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

#### **MHA MacIntyre Hudson**

Chartered Accountants

London



## Condensed Consolidated Interim Financial Statements and Notes to the Condensed Consolidated Interim Financial Statements

### PETROPAVLOVSK PLC Condensed Consolidated Statement of Profit or Loss Six months ended 30 June 2021

|   | note | Six months ended<br>30 June 2021<br>(unaudited)<br>US\$'000 | Six months ended<br>30 June 2020<br>(unaudited)<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|---|------|---|---|--|
| Group revenue   | 5    | 351,945   | 522,731   | 988,534                                    |
| Operating expenses  | 6    | (303,652)   | (378,440)   | (840,494)                                  |
| <b>Operating profit</b>   |      | <b>48,293</b>   | <b>144,291</b>  | <b>148,040</b>                             |
| Share of results of associate   | 12   | 1,216   | 1,845   | 52,681                                     |
| Reversal of write-down/(write-down) to adjust<br>the carrying value of net assets of disposal group to<br>fair value less costs to sell | 12   | 34,874  | -   | (55,798)                                   |
| Net impairment reversals/(impairment losses) on<br>financial instruments  | 7    | 1,056   | (1,274)   | 1,000                                      |
| Investment and other finance income   | 7    | 3,266   | 3,962   | 7,754                                      |
| Interest expense  | 7    | (24,252)  | (33,383)  | (58,533)                                   |
| Net other finance gains/(losses)  | 7    | 4,683   | (98,893)  | (67,957)                                   |
| <b>Profit before taxation</b>   |      | <b>69,136</b>   | <b>16,548</b>   | <b>27,187</b>                              |
| Taxation  | 8    | (20,257)  | (38,542)  | (76,069)                                   |
| <b>Profit/(loss) for the period</b>   |      | <b>48,879</b>   | <b>(21,994)</b>   | <b>(48,882)</b>                            |
| Attributable to:  |      |   |   |  |
| Equity shareholders of Petropavlovsk PLC  |      | 44,543  | (23,934)  | (45,633)                                   |
| Non-controlling interests   |      | 4,336   | 1,940   | (3,249)                                    |
| <b>Earnings per share</b>   |      |   |   |  |
| Basic profit/(loss) per share   | 9    | US\$0.01  | US\$(0.01)  | US\$(0.01)                                 |
| Diluted profit/(loss) per share   | 9    | US\$0.01  | US\$(0.01)  | US\$(0.01)                                 |

**PETROPAVLOVSK PLC**  
**Condensed Consolidated Statement of Comprehensive Income**  
**Six months ended 30 June 2021**

|   | Six months ended<br>30 June 2021<br>(unaudited)<br>US\$'000 | Six months ended<br>30 June 2020<br>(unaudited)<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|---|---|---|--|
| <b>Profit/(loss) for the period</b>                                   | <b>48,879</b>   | <b>(21,994)</b>   | <b>(48,882)</b>                            |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |   |   |  |
| Exchange differences:   |   |   |  |
| Exchange differences on translating foreign operations                | <b>400</b>  | (2,261)   | (3,029)                                    |
| Share of other comprehensive (loss)/profit of associate               | <b>(75)</b>   | 425   | 902  |
|   | <b>325</b>  | (1,836)   | (2,127)                                    |
| <b>Total comprehensive profit/(loss) for the period</b>               | <b>49,204</b>   | <b>(23,830)</b>   | <b>(51,009)</b>                            |
| Attributable to:  |   |   |  |
| Equity shareholders of Petropavlovsk PLC                              | <b>44,868</b>   | (25,770)  | (47,760)                                   |
| Non-controlling interests   | <b>4,336</b>  | 1,940   | (3,249)                                    |
|   | <b>49,204</b>   | <b>(23,830)</b>   | <b>(51,009)</b>                            |

**PETROPAVLOVSK PLC**  
**Condensed Consolidated Statement of Financial Position**  
**At 30 June 2021**

|  | note | 30 June 2021<br>(unaudited)<br>US\$'000 | 30 June 2020<br>(unaudited)<br>US\$'000 | 31 December 2020<br>US\$'000 |
|--|------|---|---|------------------------------|
| <b>Assets</b>  |      |   |   |                              |
| <b>Non-current assets</b>  |      |   |   |                              |
| Exploration and evaluation assets  | 10   | 14,320                                  | 57,751                                  | 45,182                       |
| Property, plant and equipment  | 11   | 1,231,671                               | 1,219,716                               | 1,204,550                    |
| Investments in associate   | 12   | 5,077                                   | 50,950                                  | 3,936                        |
| Inventories  | 13   | 89,663                                  | 64,556                                  | 86,186                       |
| Trade and other receivables  | 14   | 354                                     | 578                                     | 481                          |
| Derivative financial instruments   | 16   | -                                       | 2,730                                   | -                            |
| Other non-current assets   |      | 892                                     | 763                                     | 893                          |
|  |      | 1,341,977                               | 1,397,044                               | 1,341,228                    |
| <b>Current assets</b>  |      |   |   |                              |
| Inventories  | 13   | 230,895                                 | 221,554                                 | 196,668                      |
| Trade and other receivables  | 14   | 69,485                                  | 86,827                                  | 98,551                       |
| Current tax assets   |      | 18,150                                  | 10,535                                  | 13,312                       |
| Derivative financial instruments   | 16   | 1,397                                   | 37,647                                  | 3,320                        |
| Cash and cash equivalents  | 15   | 36,536                                  | 73,458                                  | 35,404                       |
|  |      | 356,463                                 | 430,021                                 | 347,255                      |
| Assets of disposal group classified as held for sale                             | 12   | 77,403                                  | -                                       | 42,529                       |
|  |      | 433,866                                 | 430,021                                 | 389,784                      |
| <b>Total assets</b>  |      | 1,775,843                               | 1,827,065                               | 1,731,012                    |
| <b>Liabilities</b>   |      |   |   |                              |
| <b>Current liabilities</b>   |      |   |   |                              |
| Trade and other payables   | 17   | (156,127)                               | (229,648)                               | (191,139)                    |
| Current tax liabilities  |      | (433)                                   | (2,138)                                 | (144)                        |
| Borrowings   | 18   | (35,000)                                | -                                       | -                            |
| Derivative financial instruments   | 16   | (32,200)                                | (3,168)                                 | (6,072)                      |
| Provision for close down and restoration costs                                   |      | (34)                                    | -                                       | (34)                         |
| Lease liabilities  |      | (1,428)                                 | (2,473)                                 | (1,895)                      |
|  |      | (225,222)                               | (237,427)                               | (199,284)                    |
| Liabilities of disposal group associated with assets classified as held for sale | 12   | (7,663)                                 | -                                       | (8,232)                      |
|  |      | (232,885)                               | (237,427)                               | (207,516)                    |
| <b>Net current assets</b>  |      | 200,981                                 | 192,594                                 | 182,268                      |
| <b>Non-current liabilities</b>   |      |   |   |                              |
| Borrowings   | 18   | (537,094)                               | (611,436)                               | (536,020)                    |
| Derivative financial instruments   | 16   | (57,095)                                | (171,939)                               | (89,088)                     |
| Deferred tax liabilities   |      | (143,034)                               | (126,045)                               | (140,034)                    |
| Provision for close down and restoration costs                                   |      | (70,948)                                | (36,616)                                | (70,515)                     |
| Financial guarantee contract   | 21   | -                                       | (10,199)                                | -                            |
| Trade and other payables   | 17   | (10,583)                                | (19,473)                                | (13,950)                     |
| Lease liabilities  |      | (3,044)                                 | (2,144)                                 | (2,248)                      |
|  |      | (821,798)                               | (977,852)                               | (851,855)                    |
| <b>Total liabilities</b>   |      | (1,054,683)                             | (1,215,279)                             | (1,059,371)                  |
| <b>Net assets</b>  |      | 721,160                                 | 611,786                                 | 671,641                      |
| <b>Equity</b>  |      |   |   |                              |
| Share capital  | 19   | 57,464                                  | 49,035                                  | 57,464                       |
| Share premium  |      | 596,713                                 | 518,142                                 | 596,713                      |
| Share based payments reserve   |      | 349                                     | -                                       | 34                           |
| Translation reserves   |      | (18,507)                                | (18,139)                                | (18,907)                     |
| Retained earnings  |      | 73,598                                  | 50,352                                  | 29,130                       |
| <b>Equity attributable to the shareholders of Petropavlovsk PLC</b>              |      | 709,617                                 | 599,390                                 | 664,434                      |
| <b>Non-controlling interests</b>   |      | 11,543                                  | 12,396                                  | 7,207                        |
| <b>Total equity</b>  |      | 721,160                                 | 611,786                                 | 671,641                      |

These condensed consolidated financial statements for Petropavlovsk PLC, registered number 4343841, were approved by the Directors on 30 August 2021 and signed on their behalf by

Denis Alexandrov  
Chief Executive Officer

Danila Kotlyarov  
Chief Financial Officer

**PETROPAVLOVSK PLC**  
**Condensed Consolidated Statement of Changes in Equity**  
**Six months ended 30 June 2021**

|  | Total attributable to equity holders of Petropavlovsk PLC |                           |  |                             |                                 |  | Non-controlling interests<br>US\$'000 | Total equity<br>US\$'000 |
|--|---|---------------------------|--|-----------------------------|---------------------------------|--|---------------------------------------|--------------------------|
|  | Share capital<br>US\$'000                                 | Share premium<br>US\$'000 | Share based payments reserve<br>US\$'000 | Hedging reserve<br>US\$'000 | Translation reserve<br>US\$'000 | Retained earnings/(losses)<br>US\$'000 |                                       |                          |
| Balance at 1 January 2020                  | 49,003  | 518,142                   | 199                                      | -                           | (15,878)                        | 73,605                                 | 10,456                                | 635,527                  |
| Total comprehensive (loss)/profit          | -   | -                         | -  | -                           | (2,261)                         | (23,509)                               | 1,940                                 | (23,830)                 |
| Profit/(loss) for the period               | -   | -                         | -  | -                           | -                               | (23,934)                               | 1,940                                 | (21,994)                 |
| Other comprehensive (loss)/profit          | -   | -                         | -  | -                           | (2,261)                         | 425                                    | -                                     | (1,836)                  |
| Deferred share awards                      | 32  | -                         | (199)                                    | -                           | -                               | 256                                    | -                                     | 89                       |
| Balance at 30 June 2020 (unaudited)        | 49,035  | 518,142                   | -  | -                           | (18,139)                        | 50,352                                 | 12,396                                | 611,786                  |
| Total comprehensive loss                   | -   | -                         | -  | -                           | (768)                           | (21,222)                               | (5,189)                               | (27,179)                 |
| Loss for the period                        | -   | -                         | -  | -                           | -                               | (21,699)                               | (5,189)                               | (26,888)                 |
| Other comprehensive (loss)/profit          | -   | -                         | -  | -                           | (768)                           | 477                                    | -                                     | (291)                    |
| Conversion of convertible bonds            | 8,429   | 78,571                    | -  | -                           | -                               | -                                      | -                                     | 87,000                   |
| Deferred share awards                      | -   | -                         | 34                                       | -                           | -                               | -                                      | -                                     | 34                       |
| <b>Balance at 31 December 2020</b>         | <b>57,464</b>   | <b>596,713</b>            | <b>34</b>                                | <b>-</b>                    | <b>(18,907)</b>                 | <b>29,130</b>                          | <b>7,207</b>                          | <b>671,641</b>           |
| Total comprehensive profit                 | -   | -                         | -  | -                           | 400                             | 44,468                                 | 4,336                                 | 49,204                   |
| Profit for the period                      | -   | -                         | -  | -                           | -                               | 44,543                                 | 4,336                                 | 48,879                   |
| Other comprehensive profit/(loss)          | -   | -                         | -  | -                           | 400                             | (75)                                   | -                                     | 325                      |
| Deferred share awards                      | -   | -                         | 315                                      | -                           | -                               | -                                      | -                                     | 315                      |
| <b>Balance at 30 June 2021 (unaudited)</b> | <b>57,464</b>   | <b>596,713</b>            | <b>349</b>                               | <b>-</b>                    | <b>(18,507)</b>                 | <b>73,598</b>                          | <b>11,543</b>                         | <b>721,160</b>           |



ПЕТРОПАВЛОВСК

**PETROPAVLOVSK PLC**  
**Condensed Consolidated Statement of Cash Flows**  
**Six months ended 30 June 2021**

|  | note      | Six months<br>ended<br>30 June 2021<br>(unaudited)<br>US\$'000 | Six months<br>ended<br>30 June 2020<br>(unaudited)<br>US\$'000 | Year ended<br>31 December 2020<br><br>US\$'000 |
|--|-----------|--|--|--|
| <b>Cash flows from operating activities</b>                        |           |  |  |  |
| Cash generated from operations                                     | 20        | 57,134   | 172,758  | 265,860  |
| Interest paid  |           | (24,453)   | (32,149)   | (58,086)                                       |
| Guarantee fee received   | 21        | 13,810   | -  | 5,000  |
| Income tax paid  |           | (21,247)   | (28,513)   | (56,472)                                       |
| <b>Net cash from operating activities</b>                          |           | <b>25,244</b>  | <b>112,096</b>   | <b>156,302</b>                                 |
| <b>Cash flows from investing activities</b>                        |           |  |  |  |
| Purchase of property, plant and equipment                          | 20        | (58,413)   | (78,618)   | (151,503)                                      |
| Expenditure on exploration and evaluation assets                   | 10        | (1,490)  | (4,648)  | (8,829)  |
| Proceeds from disposal of property, plant and equipment            |           | 373  | 57   | 194  |
| Interest received  |           | 215  | 558  | 1,065  |
| <b>Net cash used in investing activities</b>                       |           | <b>(59,315)</b>  | <b>(82,651)</b>  | <b>(159,073)</b>                               |
| <b>Cash flows from financing activities</b>                        |           |  |  |  |
| Exercise of gold options   | 16        | (284)  | -  | (1,525)  |
| Exercise of currency options                                       | 16        | 648  | 677  | 1,389  |
| Exercise of other options  | 16        | -  | (999)  | (999)  |
| Proceeds from borrowings   | 18        | 35,000   | -  | -  |
| Principal elements of lease payments                               |           | (447)  | (1,655)  | (3,493)  |
| Bond solicitation expenses   |           | -  | -  | (1,705)  |
| <b>Net cash from/(used in) financing activities</b>                |           | <b>34,917</b>  | <b>(1,977)</b>   | <b>(6,333)</b>                                 |
| Net increase/(decrease) in cash and cash equivalents in the period |           | <b>846</b>   | <b>27,468</b>  | <b>(9,104)</b>                                 |
| Effect of exchange rates on cash and cash equivalents              |           | <b>286</b>   | <b>(2,163)</b>   | <b>(3,645)</b>                                 |
| Cash and cash equivalents at beginning of period                   | 15        | <b>35,404</b>  | <b>48,153</b>  | <b>48,153</b>                                  |
| <b>Cash and cash equivalents at end of period</b>                  | <b>15</b> | <b>36,536</b>  | <b>73,458</b>  | <b>35,404</b>                                  |



## **PETROPAVLOVSK PLC**

### **Notes to the condensed consolidated interim financial statements**

**Six months ended 30 June 2021**

**(i) 1. General information**

Petropavlovsk PLC (the 'Company') is a company incorporated and registered in England and Wales. The address of the registered office is 11 Grosvenor Place, London SW1X 7HH.

These condensed consolidated interim financial statements are for the six months ended 30 June 2021. The interim financial statements are unaudited.

These condensed interim financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the board of directors on 16 May 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

**(j) 2. Basis of preparation and presentation**

The interim condensed consolidated financial statements of the Company and its subsidiaries (the "group") for the six-month reporting period ended 30 June 2021 have been prepared in accordance with the UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

The condensed consolidated set of financial statements has been prepared using accounting policies consistent with those set out in the annual financial statements for the year ended 31 December 2020, which had been prepared in accordance with both "International Accounting Standards in conformity with the requirements of the Companies Act 2006" and "International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union".

#### **Going concern**

The group monitors and manages its liquidity risk on an ongoing basis to ensure that it has access to sufficient funds to meet its obligations. Cash forecasts are prepared regularly based on a number of inputs including, but not limited to, forecast commodity prices and the impact of hedging arrangements, the group's mining plan, forecast expenditure and debt repayment schedules. Sensitivities are run for different scenarios including, but not limited to, changes in commodity prices, cost inflation, different production rates from the group's producing assets and the timing of expenditure on development projects. This is done to identify risks to liquidity and enable management to develop appropriate and timely mitigation strategies. The group meets its capital requirements through a combination of sources including cash generated from operations, advances received from customers under prepayment arrangements and external debt.

The group performed an assessment of the forecast cash flows for the period of at least 12 months from the date of approval of the 2021 Half-Year Report and Accounts. As at 30 June 2021, the group had sufficient liquidity. The group is also satisfied that it has sufficient headroom under a base case scenario for the period till end of 2022. The group has also performed projections under a layered stressed case that is based on:

- A gold price, which is approximately 10% lower than the upper quartile of the average of the market consensus forecasts;
- Processing of 3rd-party concentrate through POX facilities is approximately 10% lower than projected and oxide gold production from underground operations at Pioneer and Malomir approximately 10% lower than projected;
- Delayed commissioning of the Malomir third flotation line beyond 2022; and
- Russian Rouble : US Dollar exchange rate that is approximately 10% stronger than the average of the market consensus forecasts.

In selecting these scenarios, the directors have also considered the potential impacts of COVID-19. On the basis of the limited impact of Covid-19 on the Company's and IRC's operations in 2020 and comprehensive measures for 2021, management currently doesn't anticipate Covid-19 to be a material risk and hence doesn't stress the Going Concern model for its impact.

This layered stressed case indicates that mitigating actions will be required to be taken in order to ensure sufficient liquidity for the relevant period till end of 2022.

The mitigated downside case includes the following mitigating actions:

- Reduction of group central administrative expenses by US\$6 million in 2022. This estimated reduction has been applied in 2021 budget in the second half of 2021. We assume that a similar saving can be achieved in 2022;
- Postponing capital expenditures from September 2021 beyond the going concern period. This includes exploration, maintenance and third flotation lines at both Malomir and Pioneer. Since the launch of the third Malomir flotation line in the RWC scenario is moved beyond the going concern period, reduction of the relevant capital expenditures does not affect production capacity within the going concern period;
- Postponing mining works planned as deferred stripping in 2022. These do not affect gold production in the going concern period;
- Borrowings of up to US\$25 million using a revolving credit line with a limit of c.US\$116 million.

Having taken into account the aforementioned factors, and after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the group will have adequate resources to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of the 2021 Half-year Report and Accounts. Accordingly, they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

#### Adoption of new and revised standards and interpretations

During the period the group adopted all standards, amendments and interpretations that were effective for annual periods beginning on or after 1 January 2021 (such standards, amendments and interpretations were disclosed in note 2 to the group's consolidated financial statements for the year ended 31 December 2020). These standards, amendments, and interpretations have not had a significant impact on the presentation or disclosure in group's condensed consolidated financial statements for the interim period ended 30 June 2021. No other changes have been made to the group's accounting policies in the period ended 30 June 2021. Additional disclosures with respect to the annual period requirements will be included in the Group's consolidated financial statements for the year ending 31 December 2021.

#### Areas of judgement in applying accounting policies and key sources of estimation uncertainty

When preparing the consolidated financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. Areas of judgement in applying accounting policies and key sources of estimation uncertainty are consistent with those set out in the annual financial statements for the year ended 31 December 2020.

### (k) 3. Foreign currency translation

The following exchange rates to the US dollar have been applied to translate balances and transactions in foreign currencies:

|                                | As at<br>30 June<br>2021 | Average<br>six months<br>ended<br>30 June 2021 | As at<br>30 June<br>2020 | Average<br>six months<br>ended<br>30 June 2020 | As at<br>31 December<br>2020 | Average<br>year ended<br>31 December<br>2020 |
|--------------------------------|--------------------------|--|--------------------------|--|------------------------------|--|
| GB Pounds Sterling (GBP: US\$) | 0.72                     | 0.72   | 0.81                     | 0.79   | 0.73                         | 0.78   |
| Russian Rouble (RUB: US\$)     | 72.37                    | 74.31  | 69.95                    | 69.42  | 73.88                        | 72.18  |

### (l) 4. Segment information

The group's reportable segments under IFRS 8, which are aligned with its operating locations, were determined to be Pioneer, Malomir and Albyn hard rock gold mines which are engaged in gold and silver production as well as field

exploration and mine development. POX Hub facilities are allocated between Pioneer, Malomir and Albyn reportable segments based on the expected use by each segment.

Corporate and Other segment amalgamates corporate administration, in-house geological exploration and construction and engineering expertise, engineering and scientific operations and other supporting in-house functions as well as various gold projects and other activities that do not meet the reportable segment criteria.

Reportable segments are based on the internal reports provided to the Chief Operating Decision Maker ('CODM') to evaluate segment performance, decide how to allocate resources and make other operating decisions and reflect the way the group's businesses are managed and reported.

The financial performance of the segments is principally evaluated with reference to operating profit less foreign exchange impacts.

**Six months ended 30 June 2021**

|  | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Consolidated<br>US\$'000 |
|--|---------------------|---------------------|-------------------|------------------------------------|--------------------------|
| <b>Revenue</b>   |                     |                     |                   |                                    |                          |
| Gold   | 134,742             | 125,360             | 75,681            | -                                  | 335,783                  |
| Silver   | -                   | -                   | -                 | -                                  | -                        |
| Other external revenue   | -                   | -                   | -                 | 16,162                             | 16,162                   |
| Inter segment revenue  | 18,185              | 199                 | 20                | 60,464                             | 78,868                   |
| Intra group eliminations   | (18,185)            | (199)               | (20)              | (60,464)                           | (78,868)                 |
| <b>Total group revenue from external customers</b>   | <b>134,742</b>      | <b>125,360</b>      | <b>75,681</b>     | <b>16,162</b>                      | <b>351,945</b>           |
| <b>Operating expenses and income</b>   |                     |                     |                   |                                    |                          |
| Operating cash costs   | (100,303)           | (57,458)            | (33,002)          | (18,778)                           | (209,541)                |
| Depreciation   | (22,694)            | (27,279)            | (11,495)          | (1,513)                            | (62,981)                 |
| Central administration expenses  | -                   | -                   | -                 | (29,579)                           | (29,579)                 |
| Write-down of inventory to net realisable value  | -                   | -                   | (31)              | (114)                              | (145)                    |
| Impairment of gold in circuit  | -                   | (700)               | -                 | -                                  | (700)                    |
| <b>Total operating expenses <sup>(a)</sup></b>   | <b>(122,997)</b>    | <b>(85,437)</b>     | <b>(44,528)</b>   | <b>(49,984)</b>                    | <b>(302,946)</b>         |
| <b>Segment result</b>  | <b>11,745</b>       | <b>39,923</b>       | <b>31,153</b>     | <b>(33,822)</b>                    | <b>48,999</b>            |
| Foreign exchange losses  |                     |                     |                   |                                    | (706)                    |
| <b>Operating profit</b>  |                     |                     |                   |                                    | <b>48,293</b>            |
| Share of results of associate  |                     |                     |                   |                                    | 1,216                    |
| Reversal of write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell |                     |                     |                   |                                    | 34,874                   |
| Net impairment reversals on financial instruments  |                     |                     |                   |                                    | 1,056                    |
| Investment and other finance income  |                     |                     |                   |                                    | 3,266                    |
| Interest expense   |                     |                     |                   |                                    | (24,252)                 |
| Net other finance gains  |                     |                     |                   |                                    | 4,683                    |
| Taxation   |                     |                     |                   |                                    | (20,257)                 |
| <b>Profit for the period</b>   |                     |                     |                   |                                    | <b>48,879</b>            |
| Segment assets   | 614,805             | 602,269             | 327,199           | 151,820                            | 1,696,093                |
| Unallocated cash   |                     |                     |                   |                                    | 2,347                    |
| <b>Consolidated total assets</b>   |                     |                     |                   |                                    | <b>1,698,440</b>         |

(a) Operating expenses excluding foreign exchange losses (note 6).

**Six months ended 30 June 2020**

|  | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Consolidated<br>US\$'000 |
|--|---------------------|---------------------|-------------------|------------------------------------|--------------------------|
| <b>Revenue</b>                                     |                     |                     |                   |                                    |                          |
| Gold   | 258,378             | 136,404             | 117,553           | -                                  | 512,335                  |
| Silver   | -                   | -                   | -                 | -                                  | -                        |
| Other external revenue                             | -                   | -                   | -                 | 10,396                             | 10,396                   |
| Inter segment revenue                              | 17,169              | 179                 | 6,633             | 71,166                             | 95,147                   |
| Intra group eliminations                           | (17,169)            | (179)               | (6,633)           | (71,166)                           | (95,147)                 |
| <b>Total group revenue from external customers</b> | <b>258,378</b>      | <b>136,404</b>      | <b>117,553</b>    | <b>10,396</b>                      | <b>522,731</b>           |
| <b>Operating expenses and income</b>               |                     |                     |                   |                                    |                          |
| Operating cash costs                               | (199,104)           | (65,529)            | (42,560)          | (12,679)                           | (319,872)                |
| Depreciation                                       | (22,987)            | (23,941)            | (16,607)          | (1,125)                            | (64,660)                 |
| Central administration expenses                    | -                   | -                   | -                 | (20,671)                           | (20,671)                 |
| Reversal of impairment of ore stockpiles           | -                   | 15                  | -                 | -                                  | 15                       |
| Reversal of impairment of gold in circuit          | -                   | 38                  | -                 | -                                  | 38                       |
| <b>Total operating expenses <sup>(b)</sup></b>     | <b>(222,091)</b>    | <b>(89,417)</b>     | <b>(59,167)</b>   | <b>(34,475)</b>                    | <b>(405,150)</b>         |
| <b>Segment result</b>                              | <b>36,287</b>       | <b>46,987</b>       | <b>58,386</b>     | <b>(24,079)</b>                    | <b>117,581</b>           |
| Foreign exchange gains                             |                     |                     |                   |                                    | 26,710                   |
| <b>Operating profit</b>                            |                     |                     |                   |                                    | <b>144,291</b>           |

|  |         |         |         |         |           |
|--|---------|---------|---------|---------|-----------|
| Share of results of associate                  |         |         |         |         | 1,845     |
| Net impairment losses on financial instruments |         |         |         |         | (1,274)   |
| Investment and other finance income            |         |         |         |         | 3,962     |
| Interest expense                               |         |         |         |         | (33,383)  |
| Net other finance losses                       |         |         |         |         | (98,893)  |
| Taxation                                       |         |         |         |         | (38,542)  |
| Loss for the period                            |         |         |         |         | (21,994)  |
| Segment assets                                 | 622,174 | 665,757 | 313,567 | 219,735 | 1,821,233 |
| Unallocated cash                               |         |         |         |         | 5,832     |
| Consolidated total assets                      |         |         |         |         | 1,827,065 |

(b) Operating expenses excluding foreign exchange gains (note 6).

| 2020   | Pioneer   | Malomir   | Albyn     | Corporate and other | Consolidated |
|--|-----------|-----------|-----------|---------------------|--------------|
|  | US\$'000  | US\$'000  | US\$'000  | US\$'000            | US\$'000     |
| Revenue  |           |           |           |                     |              |
| Gold   | 486,207   | 247,921   | 221,244   | -                   | 955,372      |
| Silver   | 338       | 100       | 196       | -                   | 634          |
| Other external revenue   | -         | -         | -         | 32,528              | 32,528       |
| Inter segment revenue  | 32,694    | 380       | 23,104    | 143,425             | 199,603      |
| Intra group eliminations   | (32,694)  | (380)     | (23,104)  | (143,425)           | (199,603)    |
| Total group revenue from external customers  | 486,545   | 248,021   | 221,440   | 32,528              | 988,534      |
| Operating expenses and income  |           |           |           |                     |              |
| Operating cash costs   | (366,677) | (106,959) | (92,307)  | (35,497)            | (601,440)    |
| Depreciation   | (49,824)  | (53,771)  | (27,969)  | (2,515)             | (134,079)    |
| Central administration expenses  | -         | -         | -         | (61,371)            | (61,371)     |
| Impairment of mining assets  | -         | -         | (58,806)  | -                   | (58,806)     |
| Impairment of exploration and evaluation assets  | -         | -         | (16,112)  | -                   | (16,112)     |
| Impairment of gold in circuit  | (77)      | -         | -         | -                   | (77)         |
| Impairment of bullion in process   | (41)      | -         | -         | -                   | (41)         |
| Write-down of inventory to net realisable value  | -         | -         | -         | (1,215)             | (1,215)      |
| Total operating expenses <sup>(c)</sup>  | (416,619) | (160,730) | (195,194) | (100,598)           | (873,141)    |
| Segment result   | 69,926    | 87,291    | 26,246    | (68,070)            | 115,393      |
| Foreign exchange gains   |           |           |           |                     | 32,647       |
| Operating profit   |           |           |           |                     | 148,040      |
| Share of results of associate  |           |           |           |                     | 52,681       |
| Write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell |           |           |           |                     | (55,798)     |
| Net impairment reversals on financial instruments  |           |           |           |                     | 1,000        |
| Investment and other finance income  |           |           |           |                     | 7,754        |
| Interest expense   |           |           |           |                     | (58,533)     |
| Net other finance losses   |           |           |           |                     | (67,957)     |
| Taxation   |           |           |           |                     | (76,069)     |
| Loss for the year  |           |           |           |                     | (48,882)     |
| Segment assets   | 619,004   | 603,684   | 312,678   | 149,698             | 1,685,064    |
| Unallocated cash   |           |           |           |                     | 3,419        |
| Consolidated total assets  |           |           |           |                     | 1,688,483    |

(c) Operating expenses excluding foreign exchange gains (note 6).

## 5. Group revenue

|  | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|--|--|--|--|
| Sales of goods:                        |  |  |  |
| Gold                                   | 335,783                                      | 512,335                                      | 955,372                                    |
| Silver                                 | -  | -  | 634  |
| Other goods                            | 9,837  | 3,976  | 19,664                                     |
| Rendering of services:                 |  |  |  |
| Engineering and construction contracts | 5,087  | 5,036  | 10,390                                     |
| Other services                         | 880  | 1,042  | 1,897                                      |
| Rental income                          | 358  | 342  | 577  |
|  | 351,945                                      | 522,731                                      | 988,534                                    |
| Timing of revenue recognition:         |  |  |  |
| At a point in time                     | 345,620                                      | 516,311                                      | 975,670                                    |
| Over time                              | 6,325  | 6,420  | 12,864                                     |
|  | 351,945                                      | 522,731                                      | 988,534                                    |

## 6. Operating expenses and income

|   | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|---|--|--|--|
| Net operating expenses <sup>(a)</sup>                           | 272,522                                      | 384,532                                      | 735,519                                    |
| Impairment of mining assets and in-house service <sup>(a)</sup> | -  | -  | 58,806                                     |
| Impairment of exploration and evaluation assets <sup>(a)</sup>  | -  | -  | 16,112                                     |
| Write-down of inventory to net realisable value                 | 145  | -  | 1,215                                      |
| Reversal of impairment of ore stockpiles <sup>(a)</sup>         | -  | (15)   | -  |
| Impairment/(reversal of impairment) of gold in circuit          | 700  | (38)   | 77   |
| Impairment of bullion in process                                | -  | -  | 41   |
| Central administration expenses <sup>(a)</sup>                  | 29,579                                       | 20,671                                       | 61,371                                     |
| Foreign exchange losses/(gains)                                 | 706  | (26,710)                                     | (32,647)                                   |
|   | 303,652                                      | 378,440                                      | 840,494                                    |

(a) As set out below.

### Net operating expenses

|   | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|---|--|--|--|
| Depreciation  | 62,981                                       | 64,660                                       | 134,079                                    |
| Staff costs   | 51,179                                       | 45,178                                       | 88,492                                     |
| Materials   | 45,428                                       | 42,277                                       | 88,623                                     |
| Flotation concentrate purchased   | 49,175                                       | 130,175                                      | 201,647                                    |
| Fuel  | 16,360                                       | 17,652                                       | 29,565                                     |
| External services   | 26,698                                       | 18,941                                       | 43,095                                     |
| Mining tax charge   | 18,351                                       | 15,238                                       | 33,796                                     |
| Electricity   | 15,927                                       | 17,779                                       | 33,880                                     |
| Smelting and transportation costs   | 276  | 466  | 777  |
| Movement in ore stockpiles, work in progress, bullion in process, limestone and flotation concentrate attributable to gold production | (44,211)                                     | 9,297  | 29,962                                     |
| Taxes other than income   | 3,975  | 4,238  | 7,962                                      |
| Insurance   | 684  | 2,225  | 3,641                                      |
| Rental fee  | 1,187  | 1,609  | 2,861                                      |
| (Reversal of provision)/provision for impairment of trade and other receivables   | (230)  | (27)   | 650  |
| Bank charges  | 853  | 553  | 1,088                                      |
| Repair and maintenance  | 1,801  | 2,860  | 5,061                                      |
| Security services   | 1,979  | 2,265  | 4,424                                      |
| Travel expenses   | 731  | 606  | 1,284                                      |
| Goods for resale  | 7,856  | 2,673  | 11,068                                     |
| Other operating expenses  | 11,522                                       | 5,867  | 13,564                                     |
|   | 272,522                                      | 384,532                                      | 735,519                                    |

### Central administration expenses

|                          | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|--------------------------|--|--|--|
| Staff costs              | 15,217                                       | 13,217                                       | 29,926                                     |
| Professional fees        | 10,211                                       | 3,662  | 20,615                                     |
| Insurance                | 649  | 415  | 739  |
| Rental fee               | 240  | 193  | 416  |
| Business travel expenses | 415  | 369  | 541  |
| Office costs             | 402  | 383  | 830  |
| Other                    | 2,445  | 2,432  | 8,304                                      |
|                          | 29,579                                       | 20,671                                       | 61,371                                     |

## Impairment charges

### Impairment of mining assets

The group undertook a review of impairment indicators of the tangible assets attributable to its gold mining projects and supporting in-house service companies. Detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded no impairment was required as at 30 June 2021 and 30 June 2020.

As at 31 December 2020, the group recognised a pre-tax impairment of an aggregate of US\$74.9 million (being a post-tax impairment of an aggregate of US\$59.9 million) to the extent that recoverable amounts no longer supported the relevant carrying values of assets that were part of Albyn CGU on the statement of financial position as at 31 December 2020. A pre-tax impairment of US\$58.8 million (US\$47.0 million post-tax) has been recorded against the associated assets within property, plant and equipment and a pre-tax impairment of US\$16.1 million (US\$12.9 million post-tax) has been recorded against the associated exploration and evaluation assets.

### Impairment of exploration and evaluation assets

The group performed a review of its exploration and evaluation assets and concluded no impairment was required as at 30 June 2021 and 30 June 2020. As at 31 December 2020, no impairment except for in relation to exploration and evaluation assets that were part of Albyn CGU was required.

As at 30 June 2021, 30 June 2020 and 31 December 2020, exploration and evaluation assets in the statement of financial position primarily related to the areas adjacent to the existing mines (note 10).

The key assumptions which formed the basis of forecasting future cash flows and the value in use calculation are set out below:

|  | Year ended<br>30 June 2021 | Year ended<br>31 December 2020 |
|--|----------------------------|--------------------------------|
| Long-term real gold price <sup>(a)</sup> | <b>US\$1,464/oz</b>        | US\$1,575/oz                   |
| Discount rate <sup>(b)</sup>             | <b>7.1%</b>                | 6.4%                           |
| RUB : US\$ exchange rate <sup>(c)</sup>  | <b>RUB74.6 : US\$1</b>     | RUB73.6 : US\$1                |

- (a) Being upper 75% range of the analyst forecasts based on Consensus Economics, published in June 2021 and January 2021. Based on experience of analyst forecasts being on a conservative side, it is management's view that the upper 75% range is a more accurate basis on which to base the forecasting of future cash flows for value-in-use calculations.
- (b) Being the post-tax real weighted average cost of capital, an equivalent to a nominal pre-tax discount rate of 9.4% (2020: 8.7%), applied to cash flows prepared on a consistent post-tax real basis.
- (c) Based on Consensus Economics, published in June 2021 (2020: in January 2021).

### Impairment of ore stockpiles

The group assessed the recoverability of the carrying value of ore stockpiles and recorded reversals of impairment/impairment charges as set out below:

|         | Six months ended 30 June 2021                                   |          |  | Six months ended 30 June 2020                                   |          |  | Year ended 31 December 2020                                     |          |  |
|---------|---|----------|--|---|----------|--|---|----------|--|
|         | Pre-tax<br>Impairment<br>charge<br>/(reversal of<br>impairment) | Taxation | Post-tax<br>impairment<br>charge/(reversal of<br>impairment) | Pre-tax<br>Impairment<br>charge<br>/(reversal of<br>impairment) | Taxation | Post-tax<br>impairment<br>charge/(reversal of<br>impairment) | Pre-tax<br>Impairment<br>charge<br>/(reversal of<br>impairment) | Taxation | Post-tax<br>impairment<br>charge/(reversal of<br>impairment) |
|         | US\$'000  | US\$'000 | US\$'000   | US\$'000  | US\$'000 | US\$'000   | US\$'000  | US\$'000 | US\$'000   |
| Pioneer | -   | -        | -  | -   | -        | -  | -   | -        | -  |
| Malomir | -   | -        | -  | (15)  | 3        | (12)   | -   | -        | -  |
| Albyn   | -   | -        | -  | -   | -        | -  | -   | -        | -  |
|         | -   | -        | -  | (15)  | 3        | (12)   | -   | -        | -  |

(m) **7. Financial income and expenses and impairment of financial instruments**

|   | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|---|--|--|--|
| <b>Net impairment reversals/(impairment losses) on financial instruments</b>            |  |  |  |
| Reversal of impairment of financial assets  | 487  | 2  | 309  |
| Financial guarantee contract  | 569  | (1,276)                                      | 691  |
|   | <b>1,056</b>                                 | <b>(1,274)</b>                               | <b>1,000</b>                               |
| <b>Investment and other finance income</b>  |  |  |  |
| Interest income   | 211  | 574  | 1,100                                      |
| Guarantee fee income <sup>(a)</sup>   | 3,055  | 3,388  | 6,654                                      |
|   | <b>3,266</b>                                 | <b>3,962</b>                                 | <b>7,754</b>                               |
| <b>Interest expense</b>   |  |  |  |
| Notes   | (20,935)                                     | (20,986)                                     | (42,238)                                   |
| Convertible bonds   | (2,019)                                      | (6,455)                                      | (9,231)                                    |
| Bank loans  | (124)  | -  | -  |
| Prepayment on gold sale agreements  | (2,063)                                      | (6,295)                                      | (9,938)                                    |
| Lease liabilities   | (283)  | (281)  | (485)                                      |
|   | <b>(25,424)</b>                              | <b>(34,017)</b>                              | <b>(61,892)</b>                            |
| Interest capitalised  | 1,605  | 1,019  | 4,134                                      |
| Unwinding of discount on environmental obligation                                       | (433)  | (385)  | (775)                                      |
|   | <b>(24,252)</b>                              | <b>(33,383)</b>                              | <b>(58,533)</b>                            |
| <b>Net other finance gains/(losses)</b>   |  |  |  |
| Fair value gain/(loss) on the conversion option <sup>(b)</sup>                          | 31,993                                       | (122,248)                                    | (45,775)                                   |
| Loss on Bonds conversion <sup>(c)</sup>   | -  | -  | (9,536)                                    |
| Fair value gain on the guarantee receivable <sup>(d)</sup>                              | -  | 226  | 571  |
| Fair value gain/(loss) on the call option over non-controlling interests <sup>(e)</sup> | -  | 20,558                                       | (11,022)                                   |
| Fair value loss on other derivative financial instruments                               | -  | (733)  | (733)                                      |
| Fair value gain/(loss) on listed equity investments                                     | 127  | (59)   | (92)                                       |
| Gain on lease modification  | 249  | 224  | 224  |
| Fair value gain/(loss) on gold option contracts <sup>(f)</sup>                          | 4,799  | (4,544)                                      | (7,021)                                    |
| Fair value (loss)/gain on currency option contracts <sup>(f)</sup>                      | (902)  | 7,683  | 4,132                                      |
| Fair value loss on the agreement for the sale of stake in IRC <sup>(g)</sup>            | (31,583)                                     | -  | -  |
| Bond solicitation expenses  | -  | -  | (1,705)                                    |
|   | <b>4,683</b>                                 | <b>(98,893)</b>                              | <b>(67,957)</b>                            |

(a) Guarantee fee income under Gazprombank Guarantee arrangements (note 21).

(b) Result of re-measurement of the conversion option to fair value (notes 16 and 18).

(c) Result of Bonds being converted and settled in shares at their nominal value and the carrying value of Convertible Bonds.

(d) Result of re-measurement of receivable from IRC under ICBC Guarantee arrangements to fair value (note 21).

(e) Result of re-measurement of the TEMI option to fair value (notes 16 and 21).

(f) Result of measurement of gold and currency option contracts (note 16).

(g) Results of measurement of value the derivative associated with a transaction undertaken by the Company on 16 March 2020 with Stocken Board AG in connection with the sale of a stake in IRC.



(n) **8. Taxation**

|   | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|---|--|--|--|
| <b>Current tax</b>                                  |  |  |  |
| Russian current tax                                 | 17,261                                       | 25,100                                       | 48,652                                     |
|   | 17,261                                       | 25,100                                       | 48,652                                     |
| <b>Deferred tax</b>                                 |  |  |  |
| Origination of temporary differences <sup>(a)</sup> | 2,996  | 13,442                                       | 27,417                                     |
| <b>Total tax charge <sup>(b)</sup></b>              | <b>20,257</b>                                | <b>38,542</b>                                | <b>76,069</b>                              |

(a) Including effect of foreign exchange movements in respect of deductible temporary differences of US\$(3.2) million (six months ended 30 June 2020: US\$23.7 million, year ended 31 December 2020: US\$33.1 million) which primarily arises as the tax base for a significant portion of the future taxable deductions in relation to the group's property, plant and equipment are denominated in Russian Rouble whilst the future depreciation charges associated with these assets will be based on their US Dollar carrying value and reflects the movements in the Russian Rouble to the US Dollar exchange rate.

(b) Including effect of expenses that are not taxable/deductible for tax purposes which primarily relate to fair value gain/loss on re-measurement of the conversion option of the Convertible Bonds (note 7), effect of tax losses for which no deferred income tax asset was recognised which primarily relate to interest expense incurred in the UK (note 7) and Russian withholding tax on intercompany dividends.

Tax laws, regulations and court practice applicable to the group are complex and subject to frequent change, varying interpretations and inconsistent and selective enforcement. There are a number of practical uncertainties associated with the application of relevant tax legislation and there is a risk of tax authorities making arbitrary judgements of business activities. If a particular treatment, based on management's judgement of the group's business activities, was to be challenged by the tax authorities, the group may be subject to tax claims and exposures. Management has calculated a total exposure (including taxes and respective interest and penalties) estimated to be US\$7.5 million (six months ended 30 June 2020: US\$6.7 million and 2020: US\$7.5 million) of contingent liabilities, including US\$0.2 million (30 June 2020: US\$1.1 million and 31 December 2020: US\$0.2 million) in respect of income tax and US\$7.4 million (30 June 2020: US\$5.6 million and 31 December 2020: US\$7.3 million) in respect of other taxes.

(o) **9. Earnings per share**

|  | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|--|--|--|--|
| Profit/(loss) for the period attributable to equity holders of Petropavlovsk PLC | 44,543                                       | (23,934)                                     | (45,633)                                   |
| Interest expense on convertible bonds  | 2,019  | -(a)   | -(a)                                       |
| Profit/(loss) used to determine diluted earnings per share                       | 46,562                                       | (23,934)                                     | (45,633)                                   |
|  | No of shares                                 | No of shares                                 | No of shares                               |
| Weighted average number of Ordinary Shares                                       | 3,957,270,254                                | 3,310,369,237                                | 3,564,250,949                              |
| Adjustments for dilutive potential Ordinary Shares                               | 281,481,494                                  | -(a)   | -(a)                                       |
| Weighted average number of Ordinary Shares for diluted earnings per share        | 4,238,751,748                                | 3,310,369,237                                | 3,564,250,949                              |
|  | US\$   | US\$   | US\$                                       |
| Basic profit/(loss) per share  | 0.01   | (0.01)                                       | (0.01)                                     |
| Diluted profit/(loss) per share  | 0.01   | (0.01)                                       | (0.01)                                     |

(a) Convertible bonds which could potentially dilute basic profit/(loss) per ordinary share in the future are not included in the calculation of diluted profit/(loss) per share because they were anti-dilutive for the six months ended 30 June 2020 and the year ended 31 December 2020.

(p) **10. Exploration and evaluation assets**

|                   | Flanks of<br>Pioneer<br>US\$'000 | Flanks of<br>Albyn<br>US\$'000 | Other<br>US\$'000 | Total<br>US\$'000 |
|-------------------|----------------------------------|--------------------------------|-------------------|-------------------|
| At 1 January 2021 | 7,544                            | 32,347                         | 5,291             | 45,182            |

|  |       |          |       |          |
|--|-------|----------|-------|----------|
| Additions                                |       |          | 1,485 | 1,485    |
| Transfer to mining assets <sup>(a)</sup> | -     | (32,347) | -     | (32,347) |
| At 30 June 2021                          | 7,544 | -        | 6,776 | 14,320   |

(a) Amount capitalised in respect of Elginskoye.

(q) **11. Property, plant and equipment**

|   | Mining assets <sup>(d)</sup><br>US\$'000 | Non-mining assets <sup>(d)</sup><br>US\$'000 | Capital construction in progress<br>US\$'000 | Total<br>US\$'000 |
|---|--|--|--|-------------------|
| <b>Cost</b>   |  |  |  |                   |
| At 1 January 2021   | 2,613,218                                | 183,475                                      | 98,577                                       | 2,895,270         |
| Additions <sup>(a)</sup>  | 27,585                                   | 9,246  | 28,963                                       | 65,794            |
| Interest capitalised  | -  | -  | 1,605  | 1,605             |
| Transfers from exploration and evaluation assets <sup>(note 10)</sup> | 48,459                                   | -  | -  | 48,459            |
| Transfers from capital construction in progress <sup>(b)</sup>        | 91,446                                   | 320  | (91,766)                                     | -                 |
| Disposals <sup>(c)</sup>  | (31,906)                                 | (16,622)                                     | -  | (48,528)          |
| Reallocation and other transfers                                      | 114                                      | (114)  | -  | -                 |
| Foreign exchange differences  | -  | 487  | 7  | 494               |
| At 30 June 2021 <sup>(f)</sup>  | 2,748,916                                | 176,792                                      | 37,386                                       | 2,963,094         |
| <b>Accumulated depreciation and impairment</b>                        |  |  |  |                   |
| At 1 January 2021   | 1,560,511                                | 130,209                                      | -  | 1,690,720         |
| Charge for the year <sup>(e)</sup>                                    | 61,521                                   | 2,268  | -  | 63,789            |
| Disposals   | (30,633)                                 | (8,962)                                      | -  | (39,595)          |
| Transfers from exploration and evaluation assets <sup>(note 10)</sup> | 16,112                                   | -  | -  | 16,112            |
| Reallocation and other transfers                                      | (1,302)                                  | 1,302  | -  | -                 |
| Foreign exchange differences  | -  | 397  | -  | 397               |
| At 30 June 2021 <sup>(f)</sup>  | 1,606,209                                | 125,214                                      | -  | 1,731,423         |
| <b>Net book value</b>   |  |  |  |                   |
| At 1 January 2021 <sup>(g)</sup>                                      | 1,052,707                                | 53,266                                       | 98,577                                       | 1,204,550         |
| At 30 June 2021 <sup>(g)</sup>  | 1,142,707                                | 51,578                                       | 37,386                                       | 1,231,671         |

- (a) Including US\$13.4 million additions of stripping cost.  
(b) Being costs primarily associated with the Flotation Pioneer and Elginskoye projects.  
(c) Including US\$29.0 million of fully depreciated fleet that is not suitable for future use due to wear and tear, US\$7.0 million disposals of lease modification, US\$6.0 million disposals of mining fleet due to derecognition of the replaced part.  
(d) Mining and Non-mining assets include right-of-use assets.  
(e) Including US\$17.7 million depreciation charge of capitalized stripping cost.  
(f) Including US\$479.5 million of fully depreciated property, plant and equipment (31 December 2020: US\$498.0 million).  
(g) Including US\$52.1 million net book value of capitalized stripping cost (31 December 2020: US\$56.4 million).

(r) **12. Investment in associate and disposal group held for sale**

|                                    | 30 June 2021<br>US\$'000 | 30 June 2020<br>US\$'000 | 31 December 2020<br>US\$'000 |
|------------------------------------|--------------------------|--------------------------|------------------------------|
| IRC Limited ('IRC') <sup>(a)</sup> | 5,077                    | 50,950                   | 3,936                        |
|                                    | 5,077                    | 50,950                   | 3,936                        |

- (a) 1.2% interest in IRC, with 29.9% interest in IRC re-classified as assets held for sale as set out below (30 June 2020: 31.1%, 31 December 2020: 1.2% with 29.9% interest in IRC re-classified as assets held for sale).

Summarised financial information for IRC and its subsidiaries is set out below.

|                                   | IRC<br>30 June 2021<br>US\$'000 | IRC<br>30 June 2020<br>US\$'000 | IRC<br>31 December 2020<br>US\$'000 |
|-----------------------------------|---------------------------------|---------------------------------|-------------------------------------|
| <b>Non-current assets</b>         |                                 |                                 |                                     |
| Exploration and evaluation assets | 20,303                          | 20,035                          | 20,165                              |
| Property, plant and equipment     | 566,866                         | 512,652                         | 573,041                             |
| Other non-current assets          | 13,836                          | 14,840                          | 14,481                              |
|                                   | 601,005                         | 547,527                         | 607,687                             |

|                                |                  |                  |                  |
|--------------------------------|------------------|------------------|------------------|
| <b>Current assets</b>          |                  |                  |                  |
| Cash and cash equivalents      | 67,019           | 4,980            | 20,371           |
| Other current assets           | 93,810           | 52,065           | 53,063           |
|                                | <b>160,829</b>   | <b>57,045</b>    | <b>73,434</b>    |
| <b>Current liabilities</b>     |                  |                  |                  |
| Borrowings <sup>(a)</sup>      | (19,476)         | (19,869)         | (20,082)         |
| Other current liabilities      | (77,884)         | (82,781)         | (77,898)         |
|                                | <b>(97,360)</b>  | <b>(102,650)</b> | <b>(97,980)</b>  |
| <b>Non-current liabilities</b> |                  |                  |                  |
| Borrowings <sup>(a)</sup>      | (172,843)        | (191,981)        | (181,998)        |
| Other non-current liabilities  | (17,416)         | (24,181)         | (18,857)         |
|                                | <b>(190,259)</b> | <b>(216,162)</b> | <b>(200,855)</b> |
| <b>Net assets</b>              | <b>474,215</b>   | <b>285,760</b>   | <b>382,286</b>   |

(a) On 18 December 2018, IRC entered into two facility agreements for a loan in aggregate of US\$240 million (the "Gazprombank Facility"). The Gazprombank Facility will mature in 2026 and consists of two tranches. The principal under the first tranche amounts to US\$160 million with interest being charged at the London Inter-bank Offer Rate ("LIBOR") + 5.7% per annum and is repayable in equal quarterly payments during the term of the Gazprombank Facility, the final payment in December 2026. The principal under the second tranche amounts to US\$80 million with interest being charged at LIBOR + 7.7% per annum and is repayable in full at the end of the term, in December 2026. Interest charged on the drawn down amounts under the two tranches is payable in equal quarterly payments during the term of the Gazprombank Facility. As at 30 June 2021, 30 June 2020 and 31 December 2020, the entire facility amount of US\$240 million has been fully drawn down.

The Gazprombank Facility is secured by (i) IRC's property, plant and equipment with net book value of US\$52 million, (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK and (iii) a guarantee from the Company. Please refer to the note 21 for the details on the guarantee arrangements. The Gazprombank Facility is also subject to certain financial covenants and requirements.

|  | IRC<br>Six months ended<br>30 June 2021<br>US\$'000 | IRC<br>Six months ended<br>30 June 2020<br>US\$'000 | IRC<br>Year ended<br>31 December 2020<br>US\$'000 |
|--|---|---|---|
| Revenue  | 217,170   | 106,173   | 224,591   |
| Net operating expenses                             | (108,374)   | (86,489)  | (97,366)  |
| including  |   |   |   |
| Depreciation                                       | (11,904)  | (13,465)  | (28,818)  |
| Impairment losses under expected credit loss model | (2,054)   | (5,176)   | (7,115)   |
| Reversal of impairment of mining assets            | -   | -   | 75,832  |
| Foreign exchange (losses)/gains                    | (585)   | 4,690   | 6,934   |
| Investment income                                  | 15  | 26  | 44  |
| Interest expense                                   | (10,847)  | (13,338)  | (25,157)  |
| Taxation   | 266   | (440)   | (1,602)   |
| Profit for the period                              | 98,230  | 5,932   | 100,510   |
| Other comprehensive (loss)/profit                  | (6,352)   | 1,368   | 2,902   |
| Total comprehensive profit                         | 91,878  | 7,300   | 103,412   |
| Group's share %                                    | 1.2%  | 31.1%   | 31.1%   |
| Group's share in profit for the period             | 1,216   | 1,845   | 31,257  |
| Reversal of impairment of investment in associate  | -   | -   | 21,424  |
| Share of results of associate                      | 1,216   | 1,845   | 52,681  |

#### Impairment of investment in associate

As at 30 June 2021, the group identified no impairment indicators or indicators of impairment reversal in relation to its investment in IRC (30 June 2020: no impairment indicators and 31 December 2020: detailed calculations of recoverable amounts, which are value-in-use calculations based on discounted cash flows, were prepared which concluded a US\$21.4 million reversal impairment was required and recorded accordingly).

Following negotiations with several interested parties the directors resolved to approve the potential disposal of 29.9% investment in IRC (note 3.1). This disposal is expected to be completed within 12 months after the reporting date and accordingly investment in IRC has been classified as "held for sale" and presented separately in the statement of financial position as at 31 December 2020.

The following assets and liabilities re-classified as held for sale are set out below.

|   | 30 June 2021   | 31 December 2020            |  |
|---|--|-----------------------------|--|
|   | Fair value less costs to sell <sup>(a)</sup><br>US\$'000 | Carrying amount<br>US\$'000 | Fair value less costs to sell <sup>(a)</sup><br>US\$'000 |
| Investment in associate <sup>(b)</sup>  | 77,403   | 98,327                      | 42,529   |
| Total assets of disposal group classified as held for sale  | 77,403   | 98,327                      | 42,529   |
| Financial guarantee contract  | (7,663)  | (8,232)                     | (8,232)  |
| Total liabilities of disposal group associated with assets classified as held for sale  | (7,663)  | (8,232)                     | (8,232)  |
| Net assets of disposal group classified as held for sale  | 69,740   | 90,095                      | 34,297   |
| Reversal of write-down/(write-down) to adjust the carrying value of net assets of disposal group to fair value less costs to sell | 34,874   |                             | (55,798)   |

(a) Based on market share price of HK\$0.27 per IRC share as at 30 June 2021 (31 December 2020: HK\$0.14), less estimated transaction costs, and fair value of Gazprombank Guarantee of US\$nil (31 December 2020: US\$nil).

A decrease/ increase of 10% in IRC's share price would result in US\$7.3 million additional write-down/ reversal of write-down adjustment (31 December 2020: US\$3.8 million).

(b) 29.9% interest in IRC Limited (31 December 2020: 29.9%)

### (s) 13. Inventories

|                                   | 30 June 2021<br>US\$'000 | 30 June 2020<br>US\$'000 | 31 December 2020<br>US\$'000 |
|-----------------------------------|--------------------------|--------------------------|------------------------------|
| <b>Current</b>                    |                          |                          |                              |
| Construction materials            | 8,300                    | 9,652                    | 9,060                        |
| Stores and spares                 | 89,012                   | 81,956                   | 84,309                       |
| Ore in stockpiles                 | 56,288                   | 59,945                   | 29,901                       |
| Gold in circuit <sup>(a)</sup>    | 28,160                   | 10,055                   | 26,567                       |
| Bullion in process <sup>(a)</sup> | 21,179                   | 17,936                   | 9,284                        |
| Flotation concentrate             | 13,782                   | 33,068                   | 32,801                       |
| Other                             | 14,174                   | 8,942                    | 4,746                        |
|                                   | 230,895                  | 221,554                  | 196,668                      |
| <b>Non-current</b>                |                          |                          |                              |
| Ore in stockpiles <sup>(b)</sup>  | 77,621                   | 64,556                   | 75,605                       |
| Other <sup>(c)</sup>              | 12,042                   | -                        | 10,581                       |
|                                   | 89,663                   | 64,556                   | 86,186                       |

(a) As at 30 June 2021, there were no bullion in process (30 June 2020: US\$nil, 31 December 2020: US\$0.2 million) carried at net realisable value and there were US\$0.6 million of gold in circuit (30 June 2020: US\$nil, 31 December 2020: US\$3.4 million) carried at net realisable value (note 6).

(b) Ore in stockpiles that is not planned to be processed within twelve months after the reporting period.

(c) As at 30 June 2021 there were US\$12 million goods for resale at Irgiredmet planned to be realised more than one year after the reporting period (30 June 2020: US\$nil, 31 December 2020: US\$10.6 million).

### (t) 14. Trade and other receivables

|   | 30 June 2021<br>US\$'000 | 30 June 2020<br>US\$'000 | 31 December 2020<br>US\$'000 |
|---|--------------------------|--------------------------|------------------------------|
| <b>Current</b>                                |                          |                          |                              |
| VAT recoverable                               | 31,051                   | 33,756                   | 37,959                       |
| Advances to suppliers                         | 13,617                   | 13,329                   | 17,800                       |
| Prepayments for property, plant and equipment | 3,168                    | 5,411                    | 5,753                        |
| Trade receivables                             | 7,085                    | 5,467                    | 8,547                        |
| Contract assets                               | 1,472                    | 1,211                    | 827                          |
| Guarantee fee receivable <sup>(a)</sup>       | 1,482                    | 13,041                   | 11,926                       |
| Other debtors                                 | 11,610                   | 14,612                   | 15,739                       |
|   | 69,485                   | 86,827                   | 98,551                       |

|                    |            |     |     |
|--------------------|------------|-----|-----|
| <b>Non-current</b> |            |     |     |
| Other              | <b>354</b> | 578 | 481 |
|                    | <b>354</b> | 578 | 481 |

(a) Please refer to 12 and 21 for the details of ICBC and Gazprombank guarantee arrangements.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

(u) **15. Cash and cash equivalents**

|                          | 30 June<br>2021 | 30 June<br>2020 | 31 December<br>2020 |
|--------------------------|-----------------|-----------------|---------------------|
|                          | US\$'000        | US\$'000        | US\$'000            |
| Cash at bank and in hand | 15,947          | 20,540          | 7,862               |
| Short-term bank deposits | 18,489          | 52,918          | 27,542              |
| Cash in transit          | 2,100           | -               | -                   |
|                          | 36,536          | 73,458          | 35,404              |

(v) **16. Derivative financial instruments**

|   | 30 June 2021 |             | 30 June 2020 |             | 31 December 2020 |             |
|---|--------------|-------------|--------------|-------------|------------------|-------------|
|   | Assets       | Liabilities | Assets       | Liabilities | Assets           | Liabilities |
|   | US\$'000     | US\$'000    | US\$'000     | US\$'000    | US\$'000         | US\$'000    |
| <b>Current</b>  |              |             |              |             |                  |             |
| Gold option contracts (a), (c)                                    | 192          | (604)       | 1,119        | (2,936)     | 172              | (5,668)     |
| Currency option contracts (b), (c)                                | 1,205        | (13)        | 4,948        | (232)       | 3,148            | (404)       |
|   | -            | -           | 31,580       | -           | -                | -           |
| Call option over non-controlling interests                        | -            | -           | 0            | -           | -                | -           |
| Financial liability on agreement for the sale of stake in IRC (d) | -            | (31,583)    | -            | -           | -                | -           |
|   | 1,397        | (32,200)    | 37,647       | (3,168)     | 3,320            | (6,072)     |
| <b>Non-current</b>  |              |             |              |             |                  |             |
| Gold option contracts (a), (c)                                    | -            | -           | 72           | (2,799)     | -                | -           |
| Currency option contracts (b), (c)                                | -            | -           | 2,658        | (579)       | -                | -           |
|   | -            | -           |              | (168,561)   |                  | (89,088)    |
| Conversion option (e), (f)  | -            | (57,095)    |              |             | -                |             |
|   | -            | (57,095)    | 2,730        | (171,939)   | -                | (89,088)    |

- (a) Gold option contracts with an exercise price of US\$1,600/oz for purchased put options and US\$1,832/oz for issued call options for an aggregate of 21,000 ounces of gold maturing over a period until December 2021.
- (b) Currency option contracts with an exercise price of RUB75.00 for purchased put options and in the range between RUB90.65 and RUB100.00 for issued call options for an aggregate of US\$42 million maturing over a period until December 2021.
- (c) Measured at fair value and considered as Level 2 of the fair value hierarchy which valuation incorporates the following inputs:
- Historic gold price / RUB: USD exchange rates volatility;
  - Exercise price;
  - Time to maturity; and
  - Risk free rate.
- (d) The derivative associated with a transaction undertaken by the Company on 16 March 2020 with Stocken Board AG in connection with the sale of a stake in IRC measured at fair value and considered as level 3 of the fair value hierarchy and includes the following inputs:
- IRC share price;
  - Historic volatility of IRC share price;
  - Time to maturity;
  - Implied sale price;
  - Occurrence of certain events specified in the contract; and
  - Discount for lack of marketability of the contract.
- (e) Note 18.
- (f) Measured at fair value and considered as Level 3 of the fair value hierarchy which valuation incorporates the following inputs:
- The group's credit risk and implied credit spreads (Level 3);
  - Historic share price volatility;
  - The conversion price;
  - Time to maturity; and
  - Risk free rate.

(w) **17.Trade and other payables**

|   | 30 June<br>2021 | 30 June<br>2020 | 31 December<br>2020 |
|---|-----------------|-----------------|---------------------|
|   | US\$'000        | US\$'000        | US\$'000            |
| <b>Current</b>  |                 |                 |                     |
| Trade payables <sup>(a)</sup>   | 33,904          | 64,217          | 48,604              |
| Payables for property, plant and equipment  | 5,441           | 3,865           | 9,244               |
| Contract liabilities - advances from customers under gold sales agreements <sup>(b)</sup> | 37,134          | 101,547         | 63,787              |
| Other contract liabilities <sup>(c)</sup>   | 17,213          | 14,743          | 7,371               |
| Accruals and other payables   | 62,435          | 45,276          | 62,133              |
|   | 156,127         | 229,648         | 191,139             |
| <b>Non-current</b>  |                 |                 |                     |
| Contract liabilities - advances from customers under gold sales agreements <sup>(b)</sup> | -               | 19,473          | -                   |
| Other contract liabilities <sup>(c)</sup>   | 10,363          | -               | 13,288              |
| Accruals and other payables   | 220             | -               | 662                 |
|   | 10,583          | 19,473          | 13,950              |

(a) The trade payables as at 30 June 2021 include US\$9.2 million payable for flotation concentrate purchased (30 June 2020: US\$28.5 million, 31 December 2020: US\$23.1 million).

(b) Include US\$37.1 million (30 June 2020: US\$121.0 million, 31 December 2020: US\$63.8 million) Russian Rouble denominated advance payments received from Gazprombank under gold sales agreements. Advance payments are to be settled against physical delivery of gold produced by the group in regular intervals over the period of up to twelve months from the reporting date based on the sales price prevailing at delivery that is determined with reference to LBMA fixing. Contractual interest charged on the advances received as at 30 June 2021 is in the range 8.0 - 8.32% and is payable monthly (30 June 2020: in the range of 8.0 – 8.9% for Russian Rouble denominated advances payable monthly, 31 December 2020: in the range of 8.0 - 8.32% for Russian Rouble denominated advances payable monthly). The table below sets out reconciliation of opening and closing balances, including revenue recognised in the period (note 5) that was included in the contract liability balance at the beginning of the period.

|   | Six months<br>ended<br>30 June 2021 | Six months<br>ended 30 June<br>2020 | Year ended<br>31 December<br>2020 |
|---|-------------------------------------|-------------------------------------|-----------------------------------|
|   | US\$'000                            | US\$'000                            | US\$'000                          |
| At the beginning of the period  | 63,787                              | 187,433                             | 187,433                           |
| New contract liabilities  | -                                   | 45,414                              | 71,222                            |
| Revenue recognised in the period that was included in the contract liability balance at the beginning of the period | (27,334)                            | (93,161)                            | (163,043)                         |
| Revenue recognised in the period against new contract liabilities   | -                                   | -                                   | (7,107)                           |
| Interest accrued (note 7)   | 2,063                               | 6,295                               | 9,938                             |
| Interest paid (note 7)  | (2,063)                             | (6,295)                             | (9,938)                           |
| Foreign exchange difference   | 681                                 | (18,666)                            | (24,718)                          |
| At the end of the period  | 37,134                              | 121,020                             | 63,787                            |

(c) Being primarily advances received under re-sale contracts in connection with services performed by the group's subsidiary, Irgiredmet, in its activity to procure materials such as reagents, consumables and equipment for third parties.

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

(x)

(y)

(z)

(aa) **18. Borrowings**

|  | 30 June<br>2021<br>US\$'000 | 30 June<br>2020<br>US\$'000 | 31 December<br>2020<br>US\$'000 |
|--|-----------------------------|-----------------------------|---------------------------------|
| <b>Borrowings at amortised cost</b>        |                             |                             |                                 |
| Notes <sup>(a)</sup>                       | 502,613                     | 501,051                     | 501,990                         |
| Convertible Bonds <sup>(b)</sup>           | 34,481                      | 110,385                     | 34,030                          |
| Bank loans <sup>(c)</sup>                  | 35,000                      | -                           | -                               |
|  | <b>572,094</b>              | <b>611,436</b>              | <b>536,020</b>                  |
| Amount due for settlement within 12 months | 35,000                      | -                           | -                               |
| Amount due for settlement after 12 months  | 537,094                     | 611,436                     | 536,020                         |
|  | <b>572,094</b>              | <b>611,436</b>              | <b>536,020</b>                  |

(a) US\$500 million Guaranteed Notes due for repayment on 14 November 2022 (the "Notes"), measured at amortised cost. The Notes were issued by the group's wholly owned subsidiary Petropavlovsk 2016 Limited and are guaranteed by the Company and its subsidiaries JSC Pokrovskiy Rudnik, LLC Albynskiy Rudnik and LLC Malomirskiy Rudnik. The Notes have been admitted to the official list of the Irish Stock Exchange and to trading on the Global Exchange Market of the Irish Stock Exchange on 14 November 2017. The Notes carry a coupon of 8.125% payable semi-annually in arrears. The interest charged was calculated by applying an effective interest rate of 8.35%.

(b) Debt component of the US\$125 million Convertible Bonds due on 03 July 2024 measured at amortised cost and not revalued. As at 30 June 2021, the outstanding principal amount of the Convertible Bonds was US\$38 million (30 June 2020: US\$125 million, 31 December 2020: US\$38 million). The bonds were issued by the Group's wholly owned subsidiary Petropavlovsk 2010 Limited (the "Issuer") on 03 July 2019 and are guaranteed by the Company. The bonds carry a coupon of 8.25% per annum, payable quarterly in arrears. The bonds are, subject to certain conditions, convertible into fully paid ordinary shares of the Company with an initial exchange price of US\$0.1350 subject to customary adjustment provisions. The interest charged was calculated by applying an effective interest rate of 12.08%.

During the year ended 31 December 2020, the Company has received Conversion Notices in respect of the exercise of conversion rights under the US\$125 million Convertible Bonds. The principal amount of the Convertible Bonds in respect of which the Conversion Notices have been served amounted to an aggregate of US\$87 million, which, at a fixed exchange price of US\$0.1350 per ordinary share, resulted in the issue and allotment of an aggregate of 644,444,432 new ordinary shares.

The conversion option of the convertible bonds represents the fair value of the embedded option for the bondholders to convert into the equity of the Company (the "Conversion Right"). As the Company can elect to pay the cash value in lieu of delivering the Ordinary Shares following the exercise of the Conversion Right the conversion option is a derivative liability. Accordingly, the conversion option is measured at fair value and is presented separately within derivative financial liabilities (note 16) which the fair value loss is included in the net other finance (losses)/ gains (note 7).

As at 30 June 2021, the fair value of debt component of the convertible bonds, considered as Level 3 of the fair value hierarchy, amounted to US\$ 39.0 million (30 June 2020: US\$124.7 million, 31 December 2020: US\$36.8 million), with the carrying value of US\$34.5 million (30 June 2020: US\$110.4 million, 31 December 2020: US\$34.0 million). Valuation incorporates the following inputs: the group's credit risk and implied credit spreads, time to maturity and risk free rate.

As at 30 June 2021, the fair value of the convertible bonds, considered as Level 1 of the fair value hierarchy and calculated by applying the market traded price to the convertible bonds outstanding, amounted to US\$96.1 million (30 June 2020: US\$293.3 million, 31 December 2020: US\$125.9 million).

(c) In April 2021, the group signed RUB5 billion (an equivalent of approximately US\$67 million) revolving credit facility with Gazprombank valid until May 2022. As at 30 June 2021, the outstanding principal amount were US\$35 million, US\$10 million, bearing 3.7% interest and repayable until April 2022, US\$7 million, bearing 2.9% interest and repayable until October 2021 and US\$18 million, bearing 2.8% interest and repayable until December 2021.

(bb) **19. Share capital**

|                                    | 30 June 2021         |               | 30 June 2020         |               | 31 December 2020     |               |
|------------------------------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|
|                                    | No of shares         | US\$'000      | No of shares         | US\$'000      | No of shares         | US\$'000      |
| Allotted, called up and fully paid |                      |               |                      |               |                      |               |
| At the beginning of the period     | 3,957,270,254        | 57,464        | 3,310,210,281        | 49,003        | 3,310,210,281        | 49,003        |
| Issued during the period           | -                    | -             | 2,615,541            | 32            | 647,059,973          | 8,461         |
| At the end of the period           | <b>3,957,270,254</b> | <b>57,464</b> | <b>3,312,825,822</b> | <b>49,035</b> | <b>3,957,270,254</b> | <b>57,464</b> |



(cc) **20. Notes to the cash flow statement**

*Reconciliation of profit before tax to operating cash flow*

|   | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|---|--|--|--|
| Profit before tax   | 69,136                                       | 16,548                                       | 27,187                                     |
| Adjustments for:  |  |  |  |
| Share of results of associate   | (1,216)                                      | (1,845)                                      | (52,681)                                   |
| Net (impairment reversals)/ impairment losses on financial instruments  | (1,056)                                      | 1,274  | (1,000)                                    |
| Investment and other finance income   | (3,266)                                      | (3,962)                                      | (7,754)                                    |
| Interest expense  | 24,252                                       | 33,383                                       | 58,533                                     |
| Net other finance (gains)/losses  | (4,683)                                      | 98,893                                       | 67,957                                     |
| Share based payments  | 315  | 89   | 123  |
| Depreciation  | 62,981                                       | 64,660                                       | 134,079                                    |
| Impairment/(reversal of impairment) of mining assets and in-house service   | -  | -  | 58,806                                     |
| Impairment of exploration and evaluation assets   | -  | -  | 16,112                                     |
| Write-down of inventory to net realisable value   | 145  | -  | 1,215                                      |
| Reversal of impairment of ore stockpiles  | -  | (15)   | -  |
| Effect of processing previously impaired stockpiles   | -  | (502)  | (517)                                      |
| Impairment/(reversal of impairment) of gold in circuit  | 700  | (38)   | 77   |
| Effect of processing previously impaired gold in circuit  | (77)   | (206)  | (244)                                      |
| Impairment of bullion in process  | -  | -  | 41   |
| (Reversal of provision)/provision for impairment of trade and other receivables   | (896)  | (21)   | 1,339                                      |
| Loss on disposals of property, plant and equipment  | 1,272  | 663  | 1,451                                      |
| (Reversal of write-down)/write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell | (34,874)                                     | -  | 55,798                                     |
| Foreign exchange losses/(gains)   | 706  | (26,710)                                     | (32,647)                                   |
| Other non-cash items  | 263  | 999  | 645  |
| Changes in working capital:   |  |  |  |
| Decrease/(increase) in trade and other receivables  | 17,515                                       | 13,045                                       | (5,149)                                    |
| (Increase)/decrease in inventories  | (37,554)                                     | 82,129                                       | 85,512                                     |
| Decrease in trade and other payables  | (36,529)                                     | (105,626)                                    | (143,023)                                  |
| Net cash generated from operations  | 57,134                                       | 172,758                                      | 265,860                                    |

*Reconciliation of cash flows used to purchase property, plant and equipment*

|   | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|---|--|--|--|
| Additions to property, plant and equipment                        | 65,794                                       | 83,121                                       | 163,368                                    |
| Non-cash additions to property, plant and equipment:              |  |  |  |
| Transfer from materials   | 370  | 50   | 2,120                                      |
| Capitalised depreciation  | (808)  | (430)  | (3,818)                                    |
| Right-of-use assets additions                                     | (7,953)                                      | (1,735)                                      | (3,410)                                    |
|   | 57,403                                       | 81,006                                       | 158,260                                    |
| Associated cash flows:  |  |  |  |
| Purchase of property, plant and equipment                         | 58,413                                       | 78,618                                       | 151,503                                    |
| Decrease in prepayments for property, plant and equipment         | 2,585  | 3,804  | 3,480                                      |
| (Decrease)/increase in payables for property, plant and equipment | (3,803)                                      | (1,945)                                      | 3,434                                      |
| Cash movements presented in other cash flow lines:                |  |  |  |
| Changes in working capital  | 208  | 529  | (157)                                      |
|   | 57,403                                       | 81,006                                       | 158,260                                    |

**Non-cash transactions**

There were no significant non-cash transactions during the six months ended 30 June 2021 and 30 June 2020. An equivalent of US\$0.1 million of VAT recoverable was offset against profit tax during the year ended 31 December 2020 and US\$1 million of provision of profit tax relating to Albyn, was accrued as at 31 December 2020.

## (dd) 21. Related parties

### Related parties the group entered into transactions with during the reporting period

The Petropavlovsk Foundation for Social Investment (the 'Petropavlovsk Foundation') is considered to be a related party due to the participation of the key management of the group in the board of directors of the Petropavlovsk Foundation.

IRC Limited and its subsidiaries are associates to the group and hence are related parties since 7 August 2015.

The Uzhuralzoloto Group of Companies that holds over 20% of the Company's shares is substantial shareholder and hence is related party.

Transactions with related parties the group entered into during the six months ended 30 June 2021, 30 June 2020 and the year ended 31 December 2020 are set out below.

### Trading Transactions

Related party transactions the group entered into that relate to the day-to-day operation of the business are set out below.

|  | Sales to related parties                  |   |   | Purchases from related parties            |   |   |
|--|---|---|---|---|---|---|
|  | Six months ended 30 June 2021<br>US\$'000 | Six months ended 30 June 2020<br>US\$'000 | Year ended 31 December 2020<br>US\$'000 | Six months ended 30 June 2021<br>US\$'000 | Six months ended 30 June 2020<br>US\$'000 | Year ended 31 December 2020<br>US\$'000 |
| Close family members of key management personnel | -   | -   | -                                       | -   | 195                                       | 256                                     |
| IRC Limited and its subsidiaries                 | -   | 58  | 85                                      | 56  | 58  | 111                                     |
|  | -   | 58  | 85                                      | 56  | 253                                       | 367                                     |

During the six months ended 30 June 2021, the group made US\$nil million charitable donations to the Petropavlovsk Foundation (six months ended 30 June 2020: US\$0.2 million; year ended 31 December 2020: US\$0.3 million).

The outstanding balances with related parties at 30 June 2021, 30 June 2020 and 31 December 2020 are set out below.

|                                  | Amounts owed by related parties |                          |                              | Amounts owed to related parties |                          |                              |
|----------------------------------|---------------------------------|--------------------------|------------------------------|---------------------------------|--------------------------|------------------------------|
|                                  | 30 June 2021<br>US\$'000        | 30 June 2020<br>US\$'000 | 31 December 2020<br>US\$'000 | 30 June 2021<br>US\$'000        | 30 June 2020<br>US\$'000 | 31 December 2020<br>US\$'000 |
| Substantial shareholders         | -                               | -                        | -                            | 27                              | -                        | -                            |
| IRC Limited and its subsidiaries | 2,034                           | 3,622                    | 3,604                        | 1,122                           | 1,166                    | 1,100                        |
|                                  | 2,034                           | 3,622                    | 3,604                        | 1,149                           | 1,166                    | 1,100                        |

### Financing transactions

#### Guarantee over IRC's external borrowings

The group historically entered into an arrangement to provide a guarantee over its associate's, IRC, external borrowings, the ICBC Facility ('ICBC Guarantee'). As at 30 June 2021, there was no outstanding contractual guarantee fee (30 June 2020: outstanding contractual guarantee fee of US\$5.0 million with corresponding fair value after provision for credit losses of US\$4.7 million; 31 December 2020: outstanding contractual guarantee fee of US\$0.01 million with corresponding fair value after provision for credit losses of US\$0.01 million).

In March 2019, IRC has refinanced the ICBC Facility through entering into a US\$240 million new facility with Gazprombank ('Gazprombank Facility'). The facility was fully drawn down during the year ended 31 December 2019.

A new guarantee was issued by the group over part of the Gazprombank Facility ('Gazprombank Guarantee'), the guarantee mechanism is implemented through a series of five guarantees that fluctuate in value through the eight-year life of the loan, with the possibility of the initial US\$160 million principal amounts guaranteed reducing to US\$40 million within two to three years, subject to certain conditions being met. For the final two years of the Gazprombank Facility, the guaranteed amounts will increase to US\$120 million to cover the final principal and interest repayments. If certain springing recourse events transpire, including default on a scheduled payment, then full outstanding loan balance is accelerated and subject to the guarantee. The outstanding loan principal was US\$194 million as at 30 June 2021 (30 June 2020: US\$214 million; 31 December 2020: US\$204 million). Under the Gazprombank Guarantee arrangements, the guarantee fee receivable is determined at each reporting date on an independently determined fair value basis, which for the six months ended 30 June 2021 was at the annual rate of 3.07% by reference to the average outstanding principal balance under Gazprombank Facility (six months ended 30 June 2020: 3.07%; year ended 31 December 2020: 3.07%). The guarantee fee charged for the six months ended 30 June 2021 was US\$3.1 million, with corresponding value of US\$3.4 million after reversal of provision for expected credit losses (30 June 2020: US\$3.4 million, with corresponding value of US\$3.2 million after provision for expected credit losses; 31 December 2020: US\$6.7 million, with corresponding value of US\$6.3 million after provision for expected credit losses). As at 30 June 2021 the remaining outstanding contractual guarantee fee was US\$1.5 million, with corresponding value of US\$1.5 million after provision for expected credit losses (30 June 2020: US\$9.0 million, with corresponding value of US\$8.4 million after provision for expected credit losses; 31 December 2020: US\$12.3 million, with corresponding value of US\$11.9 million after provision for expected credit losses).

The following assets and liabilities have been recognised in relation to the ICBC Guarantee and Gazprombank Guarantee as at 30 June 2021, 30 June 2020 and 31 December 2020:

|  | 30 June<br>2021<br>US\$'000 | 30 June<br>2020<br>US\$'000 | 31 December<br>2020<br>US\$'000 |
|--|-----------------------------|-----------------------------|---------------------------------|
| Other receivables – ICBC Guarantee <sup>(a)</sup>                        | -                           | 4,662                       | 7                               |
| Other receivables – Gazprombank Guarantee <sup>(b)</sup>                 | 1,482                       | 8,380                       | 11,919                          |
| Financial guarantee contract – Gazprombank Guarantee <sup>(c), (d)</sup> | 7,663                       | 10,199                      | 8,232                           |

- a) *The fair value of the receivable, comprising billed fee receivable, less provision for credit losses. Considered Level 3 of the fair value hierarchy which valuation incorporates the following inputs:*  
- Assessment of the credit standing of IRC and implied credit spread;  
- Share price and share price volatility of IRC as at 30 June 2021, 30 June 2020 and 31 December 2020.
- b) *Amounts of guarantee fee that are expected to be received from IRC and calculated by applying annual rate of 3.07% for six month ended 30 June 2021 and 2020 and year ended 31 December 2020 by reference to the average outstanding principal balance under Gazprombank Facility for the relevant period, less provision for ECL.*
- c) *Measured in accordance with ECL model: the amount of the loss allowance equals to 12-month ECL as it has been concluded that the credit risk on the financial guarantee contract has not increased significantly since initial recognition.*
- d) *Classified as "held for sale" and presented separately in the statement of financial position as at 30 June 2021 and 31 December 2020.*

The results from relevant re-measurements of the aforementioned assets and liabilities were recognised within Other finance gains and losses and impairments of financial instruments (note 7).

#### Other financing transactions

In March 2018, the group entered into a loan agreement with Dr. Pavel Maslovskiy. The loan principal outstanding amounted to an equivalent of US\$0.2 million, with corresponding value of US\$0.2 million after provision for expected credit losses, as at 30 June 2020 and US\$0.1 million, with corresponding value of US\$nil after provision for expected credit losses, as at 31 December 2020. The loan together with accrued interest was fully repaid as at 30 June 2021. Interest charged during the six months ended 30 June 2021 comprised an equivalent of US\$0.01 million (six month ended 30 June 2020: US\$0.01 million, year ended 31 December 2020: US\$0.01 million). At 10 August 2020, Dr. Pavel Maslovskiy ceased to be a related party.

In April 2019, the group entered into a loan agreement with Dr. Alya Samokhvalova. The loan principal outstanding amounted to an equivalent of US\$0.4 million, with corresponding value of US\$0.4 million after provision for expected credit losses, as at 30 June 2020 and US\$0.3 million, with corresponding value of US\$nil after provision for expected credit losses, as at 31 December 2020. The loan together with accrued interest was fully repaid as at 30 June 2021. Interest charged during the six month ended 30 June 2021 comprised an equivalent of US\$0.01 million (six month ended 30 June 2020: US\$0.01 million, year ended 31 December 2020: US\$0.03 million). At 12 October 2020, Dr. Alya Samokhvalova ceased to be a related party.

#### Key management compensation

Key management personnel, comprising a group of 10 individuals during the period (six months ended 30 June 2020: 17 and year ended 31 December 2020: 11), including Executive and Non-Executive Directors of the Company and

members of senior management, are those having authority and responsibility for planning, directing and controlling the activities of the group.

|                          | Six months ended<br>30 June 2021<br>US\$'000 | Six months ended<br>30 June 2020<br>US\$'000 | Year ended<br>31 December 2020<br>US\$'000 |
|--------------------------|--|--|--|
| Wages and salaries       | 4,049  | 2,255  | 4,228                                      |
| Pension costs            | 30   | 38   | 47   |
| Share-based compensation | 315  | 91   | 33   |
|                          | 4,394  | 2,384  | 4,308                                      |

(ee) **22. Analysis of Net Debt**

|                                  | At 1 January 2021<br>US\$'000 | Net cash<br>movement<br>US\$'000 | Exchange<br>movement<br>US\$'000 | Non-cash<br>changes<br>US\$'000 | At 30 June<br>2021<br>US\$'000 |
|----------------------------------|-------------------------------|----------------------------------|----------------------------------|---------------------------------|--------------------------------|
| Cash and cash equivalents        | 35,404                        | 846                              | 286                              | -                               | 36,536                         |
| Borrowings                       | (536,020)                     | (12,996) <sup>(a)</sup>          | -                                | (23,078) <sup>(b)</sup>         | (572,094)                      |
| <b>Net Debt*</b>                 | <b>(500,616)</b>              | <b>(12,150)</b>                  | <b>286</b>                       | <b>(23,078)</b>                 | <b>(535,558)</b>               |
| Lease liabilities                | (4,143)                       | 713                              | (370)                            | (672)                           | (4,472)                        |
| Conversion option <sup>(c)</sup> | (89,088)                      | -                                | -                                | 31,993                          | (57,095)                       |
|                                  | (593,847)                     | (11,437)                         | (84)                             | 8,243                           | (597,125)                      |

(a) Being US\$22.0 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows and US\$35.0 million proceeds from borrowings.

(b) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7).

(c) Notes 16, 18.

|                                  | At 1 January 2020<br>US\$'000 | Net cash<br>movement<br>US\$'000 | Exchange<br>movement<br>US\$'000 | Non-cash<br>changes<br>US\$'000 | At 30 June<br>2020<br>US\$'000 |
|----------------------------------|-------------------------------|----------------------------------|----------------------------------|---------------------------------|--------------------------------|
| Cash and cash equivalents        | 48,153                        | 27,468                           | (2,163)                          | -                               | 73,458                         |
| Borrowings                       | (609,463)                     | 25,468 <sup>(d)</sup>            | -                                | (27,441) <sup>(e)</sup>         | (611,436)                      |
| <b>Net Debt*</b>                 | <b>(561,310)</b>              | <b>52,936</b>                    | <b>(2,163)</b>                   | <b>(27,441)</b>                 | <b>(537,978)</b>               |
| Lease liabilities                | (13,178)                      | 2,053                            | 769                              | 5,739                           | (4,617)                        |
| Conversion option <sup>(f)</sup> | (46,313)                      | -                                | -                                | (122,248)                       | (168,561)                      |
|                                  | (620,801)                     | 54,989                           | (1,394)                          | (143,950)                       | (711,156)                      |

(d) Being US\$25.5 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows.

(e) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7).

(f) Notes 16, 18.

|                                  | At 1 January<br>2020<br>US\$'000 | Net cash<br>movement<br>US\$'000 | Exchange<br>movement<br>US\$'000 | Non-cash<br>changes<br>US\$'000 | At 31 December<br>2020<br>US\$'000 |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|------------------------------------|
| Cash and cash equivalents        | 48,153                           | (9,104)                          | (3,645)                          | -                               | 35,404                             |
| Borrowings                       | (609,463)                        | 47,447 <sup>(g)</sup>            | -                                | 25,996 <sup>(h)</sup>           | (536,020)                          |
| <b>Net Debt*</b>                 | <b>(561,310)</b>                 | <b>38,343</b>                    | <b>(3,645)</b>                   | <b>25,996</b>                   | <b>(500,616)</b>                   |
| Lease liabilities                | (13,178)                         | 4,153                            | 1,022                            | 3,860                           | (4,143)                            |
| Conversion option <sup>(i)</sup> | (46,313)                         | -                                | -                                | (42,775)                        | (89,088)                           |
|                                  | (620,801)                        | 42,496                           | (2,623)                          | (12,919)                        | (593,847)                          |

(g) Being US\$47.4 million interest paid on borrowings, which is presented as operating cash flows in the Statement of cash flows.

(h) Being principally accrued interest expense which is presented as operating cash flows in the Statement of cash flows when paid (note 7) and US\$77.5 million of Bonds conversion into share.

(i) Notes 16, 18.

\* Net debt is an Alternative Performance Measure (APM), which is not defined or calculated in accordance with IFRS. Go to "The Use and Application of Alternative performance Measures (APMs)" section for further information about our APMs.

(ff) **23. Commitments and contingencies**

(gg)

(hh) **Capital commitments**

At 30 June 2021, the group had entered into contractual commitments in relation to the acquisition of property, plant and equipment amounting to US\$21.4 million (30 June 2020: US\$9.7million, 31 December 2020: US\$3.5 million) including US\$15.6 million in relation to Malomir Flotation project (30 June 2020: US\$1.2 million, 31 December 2020: US\$0.9 million) and US\$4.5 million in relation to Pioneer Flotation project (30 June 2020: US\$5.8 million, 31 December 2020: US\$2.0 million).

(ii) **Contingencies**

On 24 June 2021, the Company announced that KPMG LLP had published an Interim Reporting regarding its forensic investigation into certain transactions undertaken by the Company and its subsidiaries, and IRC Ltd and its subsidiaries, in the three years to August 2020.

The Interim Report has identified a number of potential issues with transactions involving the Company with an estimated value of US\$157 million. These issues include potentially undisclosed related parties and likely conflicts of interest. KPMG intends to focus on these transactions, amongst a number of other potential issues, during its ongoing investigation. As KPMG's work is ongoing, KPMG and the Company are not able to draw or disclose firm conclusions at this stage.

The group may be exposed to the risk of civil, criminal or regulatory actions and liabilities (including fines and penalties) may accrue to the group if it becomes apparent that transactions have been entered into with related parties of the Group without proper processes having been followed, including proper approvals obtained and/or disclosures made.

At the current time the existence, timing and quantum of potential future liability (if any) including fines, penalties, damages or other consequences arising from any such transactions or failures to obtain all proper approvals or make proper disclosures cannot be determined or measured. As a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as at 30 June 2021 and 31 December 2020.

(jj) **24. Subsequent events**

On 13th July 2021 the Company announced that its wholly-owned subsidiary, Petropavlovsk 2016 Limited announced the launch of its offer to purchase for cash up to US\$200 million aggregate principal amount of its 8.125 per cent Guaranteed Notes due 2022. Tender offer is financed via Gazprombank loan facility with a total limit of US\$200 million, that was consequently entered in July 2021 with an interest rate significantly lower than the Notes. Gazprombank loan repayment schedule is US\$66 million in December 2022, US\$66 million in March 2023 and remaining balance in June 2023.

On 10 August 2021 Petropavlovsk 2016 Limited announced the final tender results, US\$135,731,000 aggregate principal amount of the Notes were validly tendered.

## The Use and Application of Alternative Performance Measures (APMs)

Throughout this Half Year Report, when discussing the group's financial performance, reference is made to APMs.

Each of the APMs is defined and calculated by the group and as such they are non-IFRS measures because they may include or exclude certain items that an IFRS measure ordinarily would or would not take into account. APMs should not be regarded as an alternative or substitute for the equivalent measures calculated and presented in accordance with IFRS but instead should be seen as additional information provided to investors to enable the comparison of information between different reporting periods of the group.

Although the APMs used by the group may be calculated in a different manner and defined differently by other peers in the precious metals mining sector (despite being similar in title), they are nonetheless relevant and commonly used measures for the industry in which Petropavlovsk operates. These and similar measures are used widely by certain investors, analysts and other interested parties as supplemental measures of financial performance.

Some of the APMs form part of the group's Key Performance Indicators (KPIs), which are used to monitor progress and performance against strategic objectives and to benchmark the performance of the business each year.

A discussion of the relevance of each APM as well as a description of how they are calculated is set out below, with reconciliation to IFRS equivalents from the consolidated IFRS financial statements (Consolidated Statement of Profit or Loss (SPL), Consolidated Statement of Financial Position (SFP), Consolidated Statement of Cash Flows (SCF) and the notes to the consolidated IFRS financial statements).

### Total Cash Costs (TCC)

#### Definition

The total cash cost per ounce is the cost of producing and selling an ounce of gold from the group's three hard-rock operations and processing and selling an ounce of gold by treatment of third party sourced refractory concentrate at the POX Hub.

#### Calculation

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

Operating cash costs are defined by the group as operating cash expenses plus refinery and transportation costs, other taxes and mining tax. This also equates to the group's segment result as reported under IFRS plus each segment's loss/gain on disposal of subsidiaries, impairment of ore stockpiles, gold in circuit, bullion in process and flotation concentrate, impairment of exploration and evaluation assets, impairment of mining assets, write-down of inventory to net realizable value, central administration expenses, depreciation minus each segment's revenue from external customers, bullion in process and flotation concentrate, reversal of impairment of mining assets and in-house service. Operating cash costs are presented on a segment basis.

Operating cash expenses are defined by the group as the total of staff costs, materials, fuel, electricity, other external services, other operating expenses, and the movement in ore stockpiles, work in progress, bullion in process and flotation concentrate attributable to gold production. The main cost drivers affecting operating cash expenses are stripping ratios, production volumes of ore mined / processed, recovery rates, cost inflation and fluctuations in the ruble to US dollar exchange rate.

Other companies may calculate this measure differently.

## Relevance

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

## Reconciliation

The tables below provide a reconciliation between operating expenses and total cash costs to calculate the cash cost per ounce sold for relevant periods.

| H1 2021   |         |                     |                     |                   |                                    |                   |
|---|---------|---------------------|---------------------|-------------------|------------------------------------|-------------------|
|   | Ref     | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
| <b>Operating expenses</b>                       | SPL     |                     |                     |                   |                                    | 303,652           |
| Deduct:   |         |                     |                     |                   |                                    |                   |
| Foreign exchange losses                         | note 6  |                     |                     |                   |                                    | (706)             |
| Depreciation                                    | note 6  |                     |                     |                   |                                    | (62,981)          |
| Write-down of inventory to net realisable value | note 6  |                     |                     |                   |                                    | (145)             |
| Impairment of gold in circuit                   | note 6  |                     |                     |                   |                                    | (700)             |
| Central administration expenses                 | note 6  |                     |                     |                   |                                    | (29,579)          |
| <b>Operating cash costs</b>                     | note 4  | 100,303             | 57,458              | 33,002            | 18,778                             | 209,541           |
| Deduct:   |         |                     |                     |                   |                                    |                   |
| Corporate and other segment                     | note 4  |                     |                     |                   | (18,778)                           | (18,778)          |
| Deduct: silver revenue                          | note 4  | -                   | -                   | -                 | -                                  | -                 |
| <b>Total Cash Costs</b>                         |         | 100,303             | 57,458              | 33,002            | -                                  | 190,763           |
| Total ounces sold                               | oz      | 74,932              | 69,895              | 42,238            |                                    | 187,064           |
| <b>Total Cash Cost per ounce sold</b>           | US\$/oz | 1,339               | 822                 | 781               |                                    | 1,020             |

  

| H1 2020                                   |         |                     |                     |                   |                                    |                   |
|---|---------|---------------------|---------------------|-------------------|------------------------------------|-------------------|
|   | Ref     | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
| <b>Operating expenses</b>                 | SPL     |                     |                     |                   |                                    | 378,440           |
| Deduct:                                   |         |                     |                     |                   |                                    |                   |
| Foreign exchange gains                    | note 6  |                     |                     |                   |                                    | 26,710            |
| Depreciation                              | note 6  |                     |                     |                   |                                    | (64,660)          |
| Reversal of impairment of ore stockpiles  | note 6  |                     |                     |                   |                                    | 15                |
| Reversal of impairment of gold in circuit | note 6  |                     |                     |                   |                                    | 38                |
| Central administration expenses           | note 6  |                     |                     |                   |                                    | (20,671)          |
| <b>Operating cash costs</b>               | note 4  | 199,104             | 65,529              | 42,560            | 12,679                             | 319,872           |
| Deduct:                                   |         |                     |                     |                   |                                    |                   |
| Corporate and other segment               | note 4  |                     |                     |                   | (12,679)                           | (12,679)          |
| Deduct: silver revenue                    | note 4  | -                   | -                   | -                 | -                                  | -                 |
| <b>Total Cash Costs</b>                   |         | 199,104             | 65,529              | 42,560            | -                                  | 307,193           |
| Total ounces sold                         | oz      | 158,844             | 81,726              | 71,785            |                                    | 312,354           |
| <b>Total Cash Cost per ounce sold</b>     | US\$/oz | 1,253               | 802                 | 593               |                                    | 983               |

  

| FY2020  |         |                     |                     |                   |                                    |                   |
|---|---------|---------------------|---------------------|-------------------|------------------------------------|-------------------|
|   | Ref     | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
| <b>Operating expenses</b>                       | SPL     |                     |                     |                   |                                    | 840,494           |
| Deduct:   |         |                     |                     |                   |                                    |                   |
| Foreign exchange gains                          | note 6  |                     |                     |                   |                                    | 32,647            |
| Depreciation                                    | note 6  |                     |                     |                   |                                    | (134,079)         |
| Impairment of mining assets                     | note 6  |                     |                     |                   |                                    | (58,806)          |
| Impairment of exploration and evaluation assets | note 6  |                     |                     |                   |                                    | (16,112)          |
| Write-down of inventory to net realisable value | note 6  |                     |                     |                   |                                    | (1,215)           |
| Impairment of gold in circuit                   | note 6  |                     |                     |                   |                                    | (77)              |
| Impairment of bullion in process                | note 6  |                     |                     |                   |                                    | (41)              |
| Central administration expenses                 | note 6  |                     |                     |                   |                                    | (61,371)          |
| <b>Operating cash costs</b>                     | note 4  | 366,677             | 106,959             | 92,307            | 35,497                             | 601,440           |
| Deduct:   |         |                     |                     |                   |                                    |                   |
| Corporate and other segment                     | note 4  |                     |                     |                   | (35,497)                           | (35,497)          |
| Deduct: silver revenue                          | note 4  | (338)               | (100)               | (196)             | -                                  | (634)             |
| <b>Total Cash Costs</b>                         |         | 366,339             | 106,859             | 92,111            | -                                  | 565,309           |
| Total ounces sold                               | oz      | 279,364             | 140,436             | 126,658           | -                                  | 546,458           |
| <b>Total Cash Cost per ounce sold</b>           | US\$/oz | 1,311               | 761                 | 727               | -                                  | 1,034             |

## All-in Sustaining Costs (AISC)

### Definition

AISC includes both operating and capital costs required to sustain gold production on an ongoing basis, over and above the direct mining and selling costs shown by TCC.

### Calculation

AISC are calculated by the group as TCC plus/(minus) impairment/(reversal of impairment) of ore stockpiles, gold in circuit, bullion in process and flotation concentrate, central administration expenses, plus sustaining capitalized stripping, close-down and site restoration, sustaining capital and exploration expenditure and payments under sustaining leases. This is then divided by the ounces of gold sold. AISC are presented on a segment basis.

AISC are calculated in accordance with guidelines for reporting AISC as published by the World Gold Council in June 2013. Other companies may calculate this measure differently.

### Relevance

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

### Reconciliation

The tables below provide a reconciliation between total cash costs and all-in sustaining costs to calculate all-in sustaining cost per ounce sold for relevant periods.

#### H1 2021

|   | Ref     | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
|---|---------|---------------------|---------------------|-------------------|------------------------------------|-------------------|
| <b>Total Cash Costs</b>                         |         | <b>100,303</b>      | <b>57,458</b>       | <b>33,002</b>     | -                                  | <b>190,763</b>    |
| Impairment of gold in circuit                   | note 6  | -                   | 700                 | -                 | -                                  | 700               |
| Write-down of inventory to net realisable value | note 6  | -                   | -                   | 31                | -                                  | 31                |
| Central administration expenses                 | note 6  | 11,849              | 11,051              | 6,679             | -                                  | 29,579            |
| Capitalised stripping                           |         | 5,375               | 5,138               | -                 | -                                  | 10,513            |
| Close-down and site restoration                 |         | 792                 | 601                 | 250               | -                                  | 1,643             |
| Sustaining exploration expenditure              |         | 71                  | -                   | 2,891             | -                                  | 2,962             |
| Sustaining capital expenditure                  |         | 6,948               | 7,225               | 11,663            | -                                  | 25,836            |
| Sustaining lease                                |         | 318                 | 204                 | 155               | -                                  | 677               |
| <b>All-in Sustaining Costs</b>                  |         | <b>125,656</b>      | <b>82,377</b>       | <b>54,671</b>     | -                                  | <b>262,704</b>    |
| Total ounces sold                               | oz      | 74,932              | 69,895              | 42,238            |                                    | 187,064           |
| <b>All-in Sustaining Costs per ounce sold</b>   | US\$/oz | <b>1,677</b>        | <b>1,179</b>        | <b>1,294</b>      | -                                  | <b>1,404</b>      |

#### H1 2020

|   | Ref     | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
|---|---------|---------------------|---------------------|-------------------|------------------------------------|-------------------|
| <b>Total Cash Costs</b>                       |         | 199,104             | 65,529              | 42,560            | -                                  | 307,193           |
| Add:  |         |                     |                     |                   |                                    |                   |
| Reversal of impairment of ore stockpiles      | note 6  | -                   | (15)                | -                 | -                                  | (15)              |
| Reversal of impairment of gold in circuit     | note 6  | -                   | (38)                | -                 | -                                  | (38)              |
| Central administration expense                | note 6  | 10,512              | 5,409               | 4,750             | -                                  | 20,671            |
| Capitalised stripping                         |         | 12,995              | 10,713              | -                 | -                                  | 23,708            |
| Close-down and site restoration               |         | 629                 | -                   | 57                | -                                  | 686               |
| Sustaining exploration expenditure            |         | 362                 | -                   | 158               | -                                  | 520               |
| Sustaining capital expenditure                |         | 12,393              | 10,645              | 3,174             | -                                  | 26,212            |
| Sustaining lease                              |         | 149                 | 1,047               | 857               | -                                  | 2,053             |
| <b>All-in Sustaining Costs</b>                |         | <b>236,144</b>      | <b>93,290</b>       | <b>51,556</b>     | -                                  | <b>380,990</b>    |
| Total ounces sold                             | oz      | 158,844             | 81,726              | 71,785            |                                    | 312,354           |
| <b>All-in Sustaining Costs per ounce sold</b> | US\$/oz | <b>1,487</b>        | <b>1,141</b>        | <b>718</b>        | -                                  | <b>1,220</b>      |

#### FY2020

|                                  | Ref    | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
|----------------------------------|--------|---------------------|---------------------|-------------------|------------------------------------|-------------------|
| <b>Total Cash Costs</b>          |        | 366,339             | 106,859             | 92,111            | -                                  | 565,309           |
| Add:                             |        |                     |                     |                   |                                    |                   |
| Impairment of gold in circuit    | note 6 | 77                  | -                   | -                 | -                                  | 77                |
| Impairment of bullion in process | note 6 | 41                  | -                   | -                 | -                                  | 41                |
| Central administration expenses  | note 6 | 31,374              | 15,772              | 14,225            | -                                  | 61,371            |
| Capitalised stripping            |        | 11,227              | 22,593              | -                 | -                                  | 33,820            |
| Close-down and site restoration  |        | 1,264               | 465                 | 114               | -                                  | 1,843             |



|   |         |                |                |                |          |                |
|---|---------|----------------|----------------|----------------|----------|----------------|
| Sustaining exploration expenditure            |         | 539            | -              | 391            |          | 930            |
| Sustaining capital expenditure                |         | 25,143         | 18,094         | 6,004          | -        | 49,241         |
| Sustaining lease                              |         | 384            | 2,116          | 1,653          | -        | 4,153          |
| <b>All-in Sustaining Costs</b>                |         | <b>436,388</b> | <b>165,899</b> | <b>114,498</b> | <b>-</b> | <b>716,785</b> |
| Total ounces sold                             | oz      | 279,364        | 140,436        | 126,658        | -        | 546,458        |
| <b>All-in Sustaining Costs per ounce sold</b> | US\$/oz | <b>1,562</b>   | <b>1,181</b>   | <b>904</b>     | <b>-</b> | <b>1,312</b>   |

## All-in Costs (AIC)

### Definition

AIC comprises of AISC as well as capital expenditure for major growth projects or enhancement capital for significant improvements at existing operations.

### Calculation

AIC are calculated by the group as AISC plus non-sustaining capitalized stripping (when the resulting ore production phase is more than five years), non-sustaining exploration and capital expenditures, (reversal of impairment)/impairment of refractory ore stockpiles and payments under non-sustaining leases. This is then divided by the ounces of gold sold. AIC are presented on a segment basis.

AIC is calculated in accordance with guidelines for reporting AIC as published by the World Gold Council in June 2013. Other companies may calculate this measure differently.

### Relevance

AIC reflect the costs of producing gold over the life-cycle of a mine.

### Reconciliation

The tables below provide a reconciliation between all-in sustaining costs and all-in costs to calculate all-in cost per ounce sold for relevant periods.

| H1 2021                            |         |                     |                     |                   |                                    |                   |
|------------------------------------|---------|---------------------|---------------------|-------------------|------------------------------------|-------------------|
|                                    | Ref     | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
| All-in Sustaining Costs            |         | 125,656             | 82,377              | 54,671            | -                                  | 262,704           |
| Add:                               |         |                     |                     |                   |                                    |                   |
| Capitalised stripping              |         | 2,050               | -                   | -                 | -                                  | 2,050             |
| Exploration expenditure            |         | -                   | 1,480               | -                 | -                                  | 1,480             |
| Capital expenditure                |         | 11,374              | 5,688               | -                 | -                                  | 17,062            |
| <b>All-in Costs</b>                |         | <b>139,080</b>      | <b>89,545</b>       | <b>54,671</b>     | <b>-</b>                           | <b>283,296</b>    |
| Total ounces sold                  | oz      | 74,932              | 69,895              | 42,238            | -                                  | 187,064           |
| <b>All-in Costs per ounce sold</b> | US\$/oz | <b>1,856</b>        | <b>1,281</b>        | <b>1,294</b>      | <b>-</b>                           | <b>1,514</b>      |
| H1 2020                            |         |                     |                     |                   |                                    |                   |
|                                    | Ref     | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
| All-in Sustaining Costs            |         | 236,144             | 93,290              | 51,556            | -                                  | 380,990           |
| Add:                               |         |                     |                     |                   |                                    |                   |
| Exploration expenditure            |         | -                   | 1,289               | 3,359             | -                                  | 4,648             |
| Capital expenditure                |         | 16,075              | -                   | 12,103            | -                                  | 28,178            |
| <b>All-in Costs</b>                |         | <b>252,219</b>      | <b>94,579</b>       | <b>67,018</b>     | <b>-</b>                           | <b>413,816</b>    |
| Total ounces sold                  | oz      | 158,844             | 81,726              | 71,785            | -                                  | 312,354           |
| <b>All-in Costs per ounce sold</b> | US\$/oz | <b>1,588</b>        | <b>1,157</b>        | <b>934</b>        | <b>-</b>                           | <b>1,325</b>      |
| 2020                               |         |                     |                     |                   |                                    |                   |
|                                    | Ref     | Pioneer<br>US\$'000 | Malomir<br>US\$'000 | Albyn<br>US\$'000 | Corporate<br>and other<br>US\$'000 | Total<br>US\$'000 |
| All-in Sustaining Costs            |         | 436,388             | 165,899             | 114,498           | -                                  | 716,785           |
| Add:                               |         |                     |                     |                   |                                    |                   |
| Capitalised stripping              |         | 8,717               | -                   | -                 | -                                  | 8,717             |
| Exploration expenditure            |         | -                   | 3,109               | 5,707             | -                                  | 8,816             |
| Capital expenditure                |         | 23,133              | 3,507               | 32,168            | -                                  | 58,808            |
| <b>All-in Costs</b>                |         | <b>468,238</b>      | <b>172,515</b>      | <b>152,373</b>    | <b>-</b>                           | <b>793,126</b>    |
| Total ounces sold                  | oz      | 279,364             | 140,436             | 126,658           | -                                  | 546,458           |
| <b>All-in Costs per ounce sold</b> | US\$/oz | <b>1,676</b>        | <b>1,228</b>        | <b>1,203</b>      | <b>-</b>                           | <b>1,451</b>      |

## Average Realised Gold Sales Price

### Definition

The average realized gold sales price is the mean price at which the group sold its gold production output throughout the reporting period, including the realized effect of cash flow hedge contracts during the period.

### Calculation

The average realized gold sales price is calculated by dividing total revenue received from gold sales (including the realized effect of any hedging contracts) by the total quantity of gold sold during the period. Other companies may calculate this measure differently.

### Relevance

As gold is the key commodity produced and sold by the group, the average realized gold sales price is a key driver behind the group's revenues and profitability.

### Reconciliation

The average realized gold price has been calculated as set out in the table below.

|                             | Ref    |          | H1 2021 | H1 2020 | FY2020  |
|-----------------------------|--------|----------|---------|---------|---------|
| Gold revenue                | note 4 | US\$'000 | 335,783 | 512,335 | 955,372 |
| Gold sold                   |        | ounces   | 187,064 | 312,354 | 546,458 |
| Average realized gold price |        | US\$/oz  | 1,795   | 1,640   | 1,748   |

## Capital Expenditure (CAPEX)

### Definition

CAPEX is the investment required by the group to explore and develop its gold assets and keep current plants and other equipment at its gold mines in good working order.

### Calculation

CAPEX represents cash flows used in investing activities, namely Purchases of property, plant and equipment and Expenditure of exploration and evaluation assets.

### Relevance

Capital expenditure is necessary in order not only to maintain but also to develop and grow the business. Capex requirements need to be balanced in line with the group's strategy and provide an optimal allocation of the group's funds.

### Reconciliation

The table below provides a reconciliation between capital expenditure and cash flows used in investing activities.

|  | Ref | H1 2021  | H1 2020  | FY2020   |
|--|-----|----------|----------|----------|
|  |     | US\$'000 | US\$'000 | US\$'000 |
| Purchase of property, plant and equipment        | SCF | 58,413   | 78,618   | 151,503  |
| Expenditure on exploration and evaluation assets | SCF | 1,490    | 4,648    | 8,829    |
| Less:  |     |          |          |          |
| Capitalised stripping                            |     | (12,563) | (23,708) | (42,537) |
| Total Capital Expenditure                        |     | 47,340   | 59,558   | 117,795  |

## Net Debt

### Definition

Net Debt shows how indebted a company is after total debt and any cash (or its equivalent) are netted off against each other.

#### **Calculation**

Net Debt is calculated as the sum of current borrowings and non-current borrowings less cash and cash equivalents. Other companies may calculate this measure differently.

#### **Relevance**

Management considers Net Debt a key measure of the Company's leverage and its ability to repay debt as well showing what progress is being made in strengthening the statement of financial position. The measure is also widely used by various stakeholders.

#### **Reconciliation**

The table below provides calculation of net debt at relevant reporting dates.

|                           | Ref | 30 June 2021<br>US\$'000 | 31 December 2020<br>US\$'000 |
|---------------------------|-----|--------------------------|------------------------------|
| Cash and cash equivalents | SFP | 36,536                   | 35,404                       |
| Borrowings                | SFP | (572,094)                | (536,020)                    |
| Net debt                  |     | (535,558)                | (500,616)                    |

## Underlying EBITDA

### Definition

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

### Calculation

Underlying EBITDA is calculated as profit/(loss) for the period before financial income, financial expenses, foreign exchange gains and losses, fair value changes, taxation, depreciation, impairment charges/reversal of impairment. Other companies may calculate this measure differently.

### Relevance

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

### Reconciliation

The tables below provide reconciliations between net profit and Underlying EBITDA as well as reconciliation between operating profit and Underlying EBITDA for relevant periods.

|   | Ref     | H1 2021<br>US\$'000 | H1 2020<br>US\$'000 | FY2020<br>US\$'000 |
|---|---------|---------------------|---------------------|--------------------|
| <b>Profit/(loss) for the period</b>   | SPL     | <b>48,879</b>       | (21,994)            | (48,882)           |
| Add/(less):   |         |                     |                     |                    |
| Net (impairment reversals)/impairment losses on financial instruments   | SPL     | (1,056)             | 1,274               | (1,000)            |
| Investment and other finance income   | SPL     | (3,266)             | (3,962)             | (7,754)            |
| Interest expense  | SPL     | 24,252              | 33,383              | 58,533             |
| Net other finance (gains)/losses  | SPL     | (4,683)             | 98,893              | 67,957             |
| Foreign exchange losses/(gains)   | note 6  | 706                 | (26,710)            | (32,647)           |
| Taxation  | SPL     | 20,257              | 38,542              | 76,069             |
| Depreciation  | note 6  | 62,981              | 64,660              | 134,079            |
| Impairment of mining assets and in-house service  | note 6  | -                   | -                   | 58,806             |
| Impairment of exploration and evaluation assets   | note 6  | -                   | -                   | 16,112             |
| Write-down of inventory to net realizable value   | note 6  | 145                 | -                   | 1,215              |
| Reversal of impairment of ore stockpiles  | note 6  | -                   | (15)                | -                  |
| Impairment/(reversal of impairment) of gold in circuit  | note 6  | 700                 | (38)                | 77                 |
| Impairment of bullion in process  | note 6  | -                   | -                   | 41                 |
| (Reversal of write-down)/write-down to adjust the carrying value of net assets of disposal group to fair value less costs to sell | note 12 | (34,874)            | -                   | 55,798             |
| Share of results of associate <sup>(a)</sup>  | note 12 | 281                 | 8,615               | (27,680)           |
| <b>Underlying EBITDA</b>  |         | <b>114,322</b>      | 192,648             | 350,724            |

| H1 2021   |           | Pioneer       | Malomir       | Albyn         | Corporate and other | Consolidated   |
|---|-----------|---------------|---------------|---------------|---------------------|----------------|
|   | Ref       | US\$'000      | US\$'000      | US\$'000      | US\$'000            | US\$'000       |
| <b>Operating profit</b>                         | SPL       |               |               |               |                     | <b>48,293</b>  |
| Foreign exchange losses                         | note 6    |               |               |               |                     | 706            |
| <b>Segment result</b>                           | note 4    | <b>11,745</b> | <b>39,923</b> | <b>31,153</b> | <b>(33,822)</b>     | <b>48,999</b>  |
| Add/ (less):                                    |           |               |               |               |                     |                |
| Depreciation                                    | notes 4,6 | 22,694        | 27,279        | 11,495        | 1,513               | 62,981         |
| Write-down of inventory to net realizable value | notes 4,6 | -             | -             | 31            | 114                 | 145            |
| Impairment of gold in circuit                   | notes 4,6 | -             | 700           | -             | -                   | 700            |
| <b>Underlying EBITDA by segment</b>             |           | <b>34,439</b> | <b>67,902</b> | <b>42,679</b> | <b>(32,195)</b>     | <b>112,825</b> |
| Share of results of associate                   | note 12   |               |               |               |                     | 1,216          |
| Share of results of associate <sup>(a)</sup>    | note 12   |               |               |               |                     | 281            |
| <b>Underlying EBITDA</b>                        |           |               |               |               |                     | <b>114,322</b> |

| H1 2020                 |        | Pioneer       | Malomir       | Albyn         | Corporate and other | Consolidated   |
|-------------------------|--------|---------------|---------------|---------------|---------------------|----------------|
|                         | Ref    | US\$'000      | US\$'000      | US\$'000      | US\$'000            | US\$'000       |
| <b>Operating profit</b> | SPL    |               |               |               |                     | 144,291        |
| Foreign exchange gains  | note 6 |               |               |               |                     | (26,710)       |
| <b>Segment result</b>   | note 4 | <b>36,287</b> | <b>46,987</b> | <b>58,386</b> | <b>(24,079)</b>     | <b>117,581</b> |
| Add/ (less):            |        |               |               |               |                     |                |

|   |           |               |               |               |                 |                |
|---|-----------|---------------|---------------|---------------|-----------------|----------------|
| Depreciation                              | notes 4,6 | 22,987        | 23,941        | 16,607        | 1,125           | 64,660         |
| Reversal of impairment of ore stockpiles  | notes 4,6 | -             | (15)          | -             | -               | (15)           |
| Reversal of impairment of gold in circuit | notes 4,6 | -             | (38)          | -             | -               | (38)           |
| <b>Underlying EBITDA by segment</b>       |           | <b>59,274</b> | <b>70,875</b> | <b>74,993</b> | <b>(22,954)</b> | <b>182,188</b> |
| Share of results of associate             | note 12   |               |               |               |                 | 1,845          |

| <b>FY2020</b>                                   |           | <b>Pioneer<br/>US\$'000</b> | <b>Malomir<br/>US\$'000</b> | <b>Albyn<br/>US\$'000</b> | <b>Corporate<br/>and other<br/>US\$'000</b> | <b>Consolidated<br/>US\$'000</b> |
|---|-----------|-----------------------------|-----------------------------|---------------------------|---|----------------------------------|
| <b>Operating profit</b>                         | SPL       |                             |                             |                           |   | 148,040                          |
| Foreign exchange gains                          | note 6    |                             |                             |                           |   | (32,647)                         |
| <b>Segment result</b>                           | note 4    | 69,926                      | 87,291                      | 26,246                    | (68,070)                                    | 115,393                          |
| Add/ (less):                                    |           |                             |                             |                           |   |                                  |
| Depreciation                                    | notes 4,6 | 49,824                      | 53,771                      | 27,969                    | 2,515                                       | 134,079                          |
| Impairment of mining assets                     | notes 4,6 | -                           | -                           | 58,806                    | -   | 58,806                           |
| Impairment of exploration and evaluation assets | notes 4,6 | -                           | -                           | 16,112                    | -   | 16,112                           |
| Impairment of bullion in process                | notes 4,6 | 41                          | -                           | -                         | -   | 41                               |
| Impairment of gold in circuit                   | notes 4,6 | 77                          | -                           | -                         | -   | 77                               |
| Write-down of inventory to net realizable value | notes 4,6 | -                           | -                           | -                         | 1,215                                       | 1,215                            |
| <b>Underlying EBITDA by segment</b>             |           | <b>119,868</b>              | <b>141,062</b>              | <b>129,133</b>            | <b>(64,340)</b>                             | <b>325,723</b>                   |
| Share in results of associates                  | note 12   |                             |                             |                           |   | 52,681                           |
| Share in results of associates <sup>(a)</sup>   | note 12   |                             |                             |                           |   | (27,680)                         |
| <b>Underlying EBITDA</b>                        |           |                             |                             |                           |   | <b>350,724</b>                   |
| Share of results of associate <sup>(a)</sup>    | note 12   |                             |                             |                           |   | 8,615                            |
| <b>Underlying EBITDA</b>                        |           |                             |                             |                           |   | <b>192,648</b>                   |

(a) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognized by an associate and impairment/reversal of impairment recognized against investment in the associate.

(a) Group's share of interest expense, investment income, other finance gains and losses, foreign exchange gains and losses, taxation, depreciation and impairment/reversal of impairment recognized by an associate and impairment/reversal of impairment recognized against investment in the associate.