



6 June 2018

Dear Petropavlovsk Shareholder,

As you should be aware, the sixteenth Annual General Meeting of Petropavlovsk PLC will be held at the offices of Buchanan, 107 Cheapside, London EC2V 6DN, at 11 a.m. on Friday 29 June 2018.

In addition to the Ordinary Business proposed for your consideration and approval, the Board notes the Requisition received jointly from CABS Platform Limited (CABS) and Slevin Ltd (Slevin) (together the 'Requisitioning Shareholders') to remove the entire Board and replace them with three former Directors. For the reasons provided herein, and in greater detail within the Notice of Meeting, the Independent Board recommends that Shareholders vote **AGAINST RESOLUTIONS 13 TO 23 (INCLUSIVE)**. The Independent Board **UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF RESOLUTIONS 1 TO 12 (INCLUSIVE)**.

Corporate Governance

- The current Board comprises the appropriate mix of independence, expertise and knowledge and has worked well together in continuing the Company's turnaround and has made considerable progress in ensuring its stability. A period of consistency in leadership is now paramount to ensure the continuation of this turnaround in the best interests of ALL shareholders – the Requisition creates unnecessary disruption at a pivotal time for the Company;
- The composition of the current Board is fully compliant with Corporate Governance best practice and an additional independent Director appointment is planned – this showcases continuous improvements compared to previous governance structures and now exceeds expectations of a company of our size;
- Should the Requisitioned Resolutions be approved, the composition of the Board will not adhere to the UK Corporate Governance Code (the 'Code'), nor will the Audit, Remuneration or Nomination Committees. Furthermore, the Company cannot establish whether the Requisitioning Shareholders' candidates for Chairman or Non-Executive Director ('NED') are independent and would be acting in the best interests of ALL shareholders;
- Dr Maslovskiy resigned as CEO after working with the Board for less than one month after the 2017 AGM, with no succession plan in place. The Board has since strengthened the Company through appointing Adrian Coates, as an additional Independent NED, and has found an experienced individual in Roman Deniskin to take on the vacated role of CEO in this time of change;
- The proposed Directors oversaw poor governance structures at the pre-2017 AGM Board, including their assent to the position of Executive Chairman by Peter Hambro – there were no governance improvements made over an extended period until only the threat of the 2017 requisition could force the Board into action – why seek to reinstate the old when it is high time to move forward; and
- The Board has maintained two-way, transparent dialogue with its new and existing shareholder base. Neither of the Requisitioning Shareholders responded to an invitation to meet prior to receipt of the Requisition. Their proposals do not reflect the values enshrined in the UK Code nor that of the UK Stewardship Code, which sets out the principles of effective stewardship by investors.

Performance

- Since June 2017, the Directors have demonstrated that they have the appropriate combination of experience and skills to lead the Company ensuring a successful deliverance of its operational and development targets out of a leadership vacuum left by the departing CEO;

- The stabilising role of the current Board has ensured a steady and efficient performance of the Group. Notwithstanding the departure of the former CEO, the Board successfully delivered the much-needed Bond issuance and achieved all operating targets for 2017;
- The Company's share price has performed on par with its peers; the market's confidence in the Board was evidenced by the successful Bond issue in Q4 2017; and
- The Board has strengthened the Company through appointing a highly respected CEO, and is in the process of recruiting a CFO and an additional Independent NED.
- For the period from 1 May 2013 to 2 May 2017, the previous Board and management presided over an 85% decline in the share price, from 51.03 pence (share price adjusted for the effects of the 157 for 10 rights issue in Q1 2015) to 7.72 pence, significantly underperforming both the Gold PM Fix and the FTSE All Share Mining Index.

Lack of Transparency

- The identity of the person(s) controlling CABS and Slevin is not disclosed. It is impossible to assert that the Requisitioning Shareholders can be acting in the interests of ALL of the Company's shareholders;
- The Requisitioning Shareholders did not accept the Company's invitation to meet prior to sending the requisition.

Total Lack of Rationale

The Requisitioning Shareholders have failed to provide compelling reasons for their resolutions to replace the Board. They have not outlined their strategy or how the proposed appointment of the Nominee Directors, who all have a previous history with the Company, will safeguard shareholders' interests and deliver value.

- During a conference call with CABS and Slevin, neither provided any clear rationale for the requisitions other than that they were disappointed in the share price performance of the Company during the last two quarters; and
- Neither CABS nor Slevin appeared on the share register until March 2018 (just two months prior to requisition), and did not seek a meeting with the Company prior to their investment, so we must question the motivation for seeking wholesale change to the Board at a key time in the Company's implementation of strategy.

FOR THESE REASONS THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE AGAINST RESOLUTIONS 13 TO 23 PROPOSED BY THE REQUISITIONING SHAREHOLDERS.

The Board (excluding Mr Bektas Mukazhanov) believes that Resolutions 1 to 12 (inclusive) to be proposed at the Meeting are in the best interests of the Company and its Shareholders as a whole and, accordingly, UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF RESOLUTIONS 1 TO 12 (INCLUSIVE), as the Directors intend to do in respect of their own beneficial shareholdings in the Company.

Why your vote matters:

As announced by the Company on 18 May 2018, Mr Kenges Rakishev, the beneficial owner of the Company's largest shareholder Fincraft, has given notice that it is his current intention to vote in favour of the resolutions in the requisition notice issued by CABS and Slevin (other than the resolution proposing to remove Mr Bektas Mukazhanov as a director). Since his investment in Petropavlovsk in December 2017, Mr Rakishev has been vocal in the press about the re-appointment of Dr Pavel Maslovskiy as CEO and his desire for the Company to pursue M&A. This has created additional uncertainty at a critical time for the Company and has been detrimental to the Company's share price. The Board is surprised that Mr Rakishev did not seek dialogue with the Board on these matters before making his statements public and question his relationship with the Requisitioning Shareholders.

Mr Rakishev and CABS and Slevin together own or have access to votes in respect of over 30% of the Company's issued share capital. As a result, all votes matter, and the Board urges you to **VOTE AGAINST Resolutions 13 to 23 – YOUR VOTE MATTERS.**

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ian Ashby', written in a cursive style.

Ian Ashby
Petrovavlovsk PLC Non-Executive Chairman