

Registered no. 106196
Registered address:
Charter Place 23–27, Seaton Place,
St Helier, Jersey, JE4 OWH
Channel Islands
Tel.: +44 1534 504000
Fax: +44 1534 504444

Head office:
6 Parthenonos, 3rd floor,
3031, Limassol, Cyprus
TIC/VAT 18006773Z

Tel./Fax: +357 25 558090

To whom it may concern

16 May 2023

Dear Madam/Sir

Polymetal International plc (**we, us or the Company**), a Jersey incorporated entity, have received legal advice that none of the actions that are required to implement the Re-domiciliation (as defined in the shareholder circular published on 10 May 2023), nor would the transfer of an existing holding by means of certification or to an alternative nominee or broker or the exercise of voting rights in favour of the Re-domiciliation (subject to certain exceptions) violate (based on current legislation) applicable sanctions imposed by the EU as further described below. We are not subject to EU asset freezing measures. The securities of the Company continue to be cleared through Euroclear.

Background

EU sanctions targeting Russia are set out in two main instruments: Council Regulation (EU) No. 269/2014 of 17 March 2014 and Council Regulation (EU) No. 833/2014 of 31 July 2014, both as amended. Regulation 269 imposes an asset freeze on listed persons and entities and prohibits EU Persons from making available funds and resources to such persons. Regulation 833 introduces sectoral sanctions. EU sanctions are binding on: nationals of an EU member state wherever located; legal entities incorporated within an EU member state; all persons located within the EU; all persons in respect of business done in whole or in part within the EU; and all persons on board of an aircraft and vessels under the jurisdiction of an EU member state (so called EU persons).

Since 23 February 2022, the EU has adopted several new sanctions packages in addition to the restrictive measures already imposed by the EU on Russia since 2014.

The adoption of the ninth sanctions package on 16 December 2022 introduced a prohibition for EU persons on carrying out certain activities as regards the Russian mining and quarrying sector (Article 3a(2) of Regulation 833/2014 as amended). As amended, EU persons are, from that date onwards, prohibited from acquiring new or extending existing participations in any non-EU legal person, entity or body operating in the mining and quarrying sector in Russia.

Application to the Company

As a holding company for, among others, entities operating in the Russian gold mining sector, the sanctions adopted in the ninth package apply to the Company. As a result, shareholders who are EU persons can no longer carry actions falling within the scope of Article 3a(2) of Regulation 833/2014 as amended. We have been advised that whilst EU persons would be restricted from acquiring shares in the Company based on the prohibition set out in Article 3a(2)(a) of Regulation 833 as amended, either as a new participation, or the extension of an existing one, they would however not be prohibited from: (i) holding such existing participation (acquired prior to 16 December 2022) as long as it is not extended or in any way renewed, or (ii) divesting an existing participation to a non-EU Person.

We have advised shareholders that they should consider their respective options in the context of the Re-domiciliation. In our FAQs, we have advised that individual shareholders should consider withdrawing their position from any broker who is unwilling to continue to hold AIFC registered shares following the Re-domiciliation.

- In respect of the certification of shares and a request to a custodian/nominee to transfer a holding of shares directly to an investor in certificated form, we understand from our registrar services provider that the mechanics involve the issuance of share certificates representing the existing shares. Save in the event of a request made to an EU custodian/nominee (who will be obligated to comply with EU sanctions) to issue share certificates to persons who themselves are sanctioned (ie subject to asset freeze measures in the EU (in which case the recipient of the request may not make available certificates to such persons (“certificates representing securities” are included in the definition of funds under the relevant EU Regulation (Article 1(g)(iii) of Regulation 269/2014 as amended))), a transfer of the holding of shares by means of certification should be permitted. This is on the basis that the issuance of such certificates to the underlying individual investor should not be deemed an acquisition of a new or the extension of an existing participation in the Company since there is no transfer of legal ownership as regards the underlying securities; and
- If an investor does nothing, we understand from our registrar services provider that Euroclear will process a “CREST stock withdrawal form” immediately prior to the Re-domiciliation which will result in all holders of record at such point continuing to be holders but in certificated form. Assuming that you, as registered holder, as the case may be, are not sanctioned (ie subject to asset freeze measures in the EU), certification in this way should be permitted.

In addition, save in the case of shareholders who are explicitly designated and therefore subject to asset freezing measures, which we assume you are not, and therefore not permitted to exercise, directly or indirectly, their voting rights in the Company, the exercise of voting rights pertaining to shares in the Company acquired prior to the prohibitions above entered into effect (16 December 2022) would not violate the sanctions currently imposed by the EU.

Alternative sanctions

For completeness, the preliminary advice received by the Company confirms that none of the actions that are required to implement the Re-domiciliation would, on the face of it, violate the Russian Counter-sanctions Regulations, namely the regulatory restrictions and other measures introduced by Russian authorities, which include, among others, capital controls, restrictions on settlements in foreign currencies and securities dealings with certain counterparties and which have been made publicly available and remain in effect as of the date of the shareholder circular published on 10 May 2023.

The advice given to the Company does not take into account the various sanctions regimes that apply to investors specifically or their specific circumstances. The advice that the Company has received is generic to the Company in order to enable the Company to be comfortable that the processes suggested are viable. Any shareholder who is in any doubt as to the sanctions to which it is or they may be subject or who is unaware of the application of such sanctions to the actions of such shareholder in connection with the Re-domiciliation should consult an appropriate legal adviser.

Yours sincerely

Polymetal International plc