

## Strategic Committee

### TERMS OF REFERENCE

#### 1. Purpose

The Strategic Committee is responsible for development of the main direction and focus of the Company's strategy by formulating strategic criteria for review by the Company's Executive Committee who will then make appropriate recommendations to the Board of Directors for approval. The Strategic Committee is responsible for the constant review of these strategic criteria in accordance with the latest changes in the world economic systems and market situation. The Strategic Committee is responsible for ensuring that all strategic decisions taken by the Group within the strategic criteria are approved by the Executive Committee and by the Board.

#### 2. Main responsibilities

- To develop and monitor acquisition strategy
- Exploration target generation
- Report on competitor activity
- Monitor and react to market trends

#### 3. Status

The Strategic Committee is a stand-alone committee, comprising of both non-directors and Executive Directors.

#### 4. Membership

- 4.1 Committee membership shall comprise of the Committee Chairman and at least three other members. The Committee shall comprise of Executive Directors and key operational staff.
- 4.2 The Committee Chairman shall be appointed by the Board. The Committee Chairman shall be an Executive Director and shall not at any stage be the Chairman of the Board. The Committee may recommend to the Board the appointment of one of its members as Committee Chairman.
- 4.3 The Committee Chairman will recommend changes in Committee membership to the Board for its approval.

- 4.4 If the Committee Chairman is unable to act due to absence, illness or any other cause, the Committee members shall elect one of their number to act as temporary Committee Chairman.
- 4.5 If a member of the Committee is unable to act due to absence, illness or any other cause, he may, with the agreement of the Committee Chairman, appoint his deputy or an Executive Director to serve as an alternate member.
- 4.6 Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited by the Committee Chairman to attend all or part of any meeting, as and when appropriate.

## **5. Secretary**

The Secretary of the Committee shall be appointed by the Committee Chairman. Should the Secretary be absent due to illness or any other reason, he should nominate a suitably-qualified person to act as Committee Secretary.

## **6. Quorum**

The quorum necessary for the transaction of business shall be the Committee Chairman and at least two other Committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise any of the Committee's duties.

## **7. Frequency of Meetings**

The Committee shall meet at such times as the Chairman of the Committee shall require, but normally not less than monthly.

## **8. Notice of Meetings**

- 8.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chairman of the Committee.
- 8.2 Unless otherwise agreed, notice of each meeting, together with an agenda of items to be discussed, shall be forwarded in advance of a Committee meeting to each member of the Committee and to any other person required by the Committee to attend a Committee meeting. A copy of the papers should also be sent to the Company Secretary of Petropavlovsk PLC who will maintain a central record of papers.

## **9. Minutes of Meetings**

- 9.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings.
- 9.2 Minutes of Committee meetings shall be circulated to the Chairman and all members of the Committee and, once agreed, to all members of the Executive Committee.

## **10. Duties**

- 10.1 The Committee shall work out recommendations on major strategic directions for the Group development, and shall also recommend to the Executive Committee certain investment criteria for new projects. The Executive Committee will seek main Board approval as appropriate.
- 10.2 The Committee shall manage the preparation of the Group's long-term development programme.
- 10.3 The Committee shall prepare recommended short- and medium-term action plan for the CEO and the Executive Committee, advising on practical implementation of the long-term development programme.
- 10.4 The Committee shall prepare recommendations for the Executive Committee and the Board in case of any material deviation of actual performance of the Group from the short-, medium- or long-term programme, as monitored and reported by the Technical Committee.
- 10.5 The Committee shall prepare for the Executive Committee recommendations regarding exploration targets, mergers, acquisitions or disposals of assets, or establishment or termination of joint ventures. The Executive Committee will seek approval from the main Board as appropriate.
- 10.6 All decision within the Group which may impact implementation of short-, medium- or long-term plans, shall be coordinated with the Strategy Committee.
- 10.7 The Committee shall prepare for the Executive Committee and the Board reviews of significant activities of major competitors/peers.
- 10.8 The Committee shall prepare for the Executive Committee and the Board reviews of main market trends and advise if changes to the strategy are recommended in view of these trends.

## **11. Reporting**

- 11.1 The Committee Chairman shall report to the Executive Committee at every meeting.
- 11.2 The Committee Chairman shall report to the Board at every meeting.
- 11.3 The Committee shall share its findings with the Executive Committee and the Technical Committee on a formal basis.
- 11.4 The Committee shall receive a copy of all reports to the Board made by management in relation to operating performance.

- 11.5 The Committee shall receive reports from the Group's technical services divisions including, but not limited to, the Technical Director, the Technical Committee, the Group's Chief Geologist, geological modelling department, key operational management and accounting departments to assist the Committee in the planning and evaluation of the Group's production guidance and performance.
- 11.6 The Committee shall receive updates on internal budgets from the Group's subsidiaries to assist in the planning of its budgeting proposals and the monitoring of Group subsidiaries' expenditure.
- 11.7 The Committee shall receive any updates from the Company's investor relations department relating to the reporting of Company production forecasts and strategy.
- 11.8 The Committee shall be supported by the work of the Technical Committee.

## **12. Authority**

- 12.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 12.2 The Committee is authorised to call on any member of staff to be present at a meeting of the Committee as and when required.
- 12.3 The Committee is authorised to obtain, at the Company's expense and after consultation with the Chairman or CEO of the Company, external, professional advice on any matters within its terms of reference.
- 12.4 The Committee is authorised to delegate any of its powers to an individual member of the Committee.

## **13. Performance Evaluation**

- 13.1 The Committee shall on a regular basis, but not less than annually, review its own performance and Terms of Reference to ensure its operating at the maximum effectiveness.
- 13.2 The Board shall on a regular basis, but not less than annually, review the performance and effectiveness of the Committee.

**Adopted by the Board  
24 August 2011**