



PRESS RELEASE

29 April 2016

Petropavlovsk PLC (the "Company")
Notice of Publication of Annual Report

The Annual Report for the year ended 31 December 2015 (the "Annual Report 2015") is available to view and download from the Company's website at www.petropavlovsk.net. A copy of the Annual Report 2015 has also been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm.

The information contained in the Appendix to this announcement, which is extracted from the Annual Report 2015, is included solely for the purposes of complying with the Disclosure Rules and Transparency Rules (the "DTR") 6.3.5 and the requirements it imposes on how to make public annual financial reports. The Appendix should be read in conjunction with the Company's Annual Results for the year ended 31 December 2015 issued on 28 April 2018 (the "Annual Results Announcement"). Together, these constitute the material required by DTR 6.3.5 to be communicated to the media in unedited full text through a Regulatory Information Service. This material should be read in conjunction with, and is not a substitute for reading, the Annual Report 2015. References to page numbers and notes to the financial statement made in the Appendix refer to page numbers and notes to the financial statements in the Annual Report 2015.

The information contained in this announcement does not constitute the Company's statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act") for 2015 or 2014 but is derived from those accounts. The auditors have reported on those accounts and their report was unqualified, and did not contain statements under section 498(2) of the Act (regarding adequacy of accounting records and returns) or under section 498(3) of the Act (regarding provision of necessary information and explanations). The auditors have drawn attention to the going concern disclosure in note 2 of the financial statements by way of emphasis without qualifying the accounts. The statutory accounts for the year ended 31 December 2015 have been approved by the Board and will be delivered to the Registrar of Companies. A copy of the statutory accounts for the year ended 31 December 2014 was delivered to the Registrar of Companies.

Neither the content of the Company's website, nor the content of any other website accessible from hyperlinks on the Company's website is incorporated into, or forms part of, this announcement.

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APPENDIX

1. Statement of Directors' Responsibilities

The following responsibility statement is repeated here solely for the purpose of complying with DTR6.3.5. This statement relates to and is extracted from page 118 of the Annual Report 2014/5. Responsibility is for the full Annual Report 2015 not the extracted information presented in this announcement and the Annual Results Announcement.

Each of the Directors, whose names and functions are listed on pages 80 to 81 of the Annual Report 2015, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

2. Principal risks relating to the Group

The most significant risks that may have an adverse impact on the Group's ability to meet its strategic objectives and to deliver shareholder value are set out below. The Group seeks to minimise these risk wherever possible. Summarised alongside each risk is a description of its potential impact on the Group. Measures in place to manage or mitigate against each specific risk, where this is within the Group's control, are also described.

The risks set out below should not be regarded as a complete or comprehensive list of all potential risks and uncertainties that the Group may face, which could have an adverse impact on its performance. Additional risks may also exist, that are currently unknown to the Group, and certain risks which are currently believed to be immaterial could turn out to be material and significantly affect the Group's business and financial results.

Operational Risks			
Risk	Description and potential impact	Mitigation	Change from 2014
<p>1. The Group is dependent on production from its operating mines in order to generate revenue and cash flow and comply with the production and sales covenants in certain of its borrowing facilities.</p> <p>Factors which may impact the level of production include:</p> <p>Severe weather conditions and Availability and failure of equipment or services</p>	<p>The Group's assets are located in the Russian Far East, a remote area that can be subject to severe climatic conditions. Severe weather conditions, such as cold temperatures in winter and torrential rain, potentially causing flooding in the region could have an adverse impact on operations, including the delivery of supplies, equipment and fuel; and exploration and extraction levels may fall as a result of such climatic factors.</p> <p>The Group relies on the supply and availability of various services and equipment in order to successfully run its operations. For example,</p>	<p>Preventative maintenance procedures are undertaken on a regular and periodic basis to ensure that machines will function properly under extreme cold weather conditions; heating plants at operational bases are regularly maintained and operational equipment is fitted with cold weather options which could assist in ensuring that equipment does not fail as a result of adverse weather conditions.</p> <p>Pumping systems are in place and tested periodically to ensure that they are functioning.</p> <p>Management monitor natural conditions in order to pre-empt any disaster and in order that appropriate mitigating action can be taken expediently. The Group aims to stock</p>	<p><input type="checkbox"/> No change</p>

	<p>timely delivery of mining equipment and jaw crushers and their availability is essential to the Group's ability to extract ore from the Group's assets and to crush the mined ore prior to production. Delay in the delivery or the failure of mining equipment could significantly delay production and impact the Group's profitability.</p>	<p>several months of essential supplies at each site.</p> <p>The Group has a number of contingency plans in place to address any disruption to services.</p> <p>The Group has high operational standards and maintenance of equipment is undertaken on a regular basis. Equipment is inspected at the beginning and end of every shift and sufficient stocks of spare parts are available.</p> <p>Equipment is ordered with adequate lead time in order to prevent delays in the delivery of equipment.</p>	
<p>2. Failure to execute various construction and development projects including the completion and the commissioning of the Pressure Oxidation (POX) Hub and the underground mining project</p>	<p>The Group's long-term strategy relies on the successful completion of various projects including the successful commissioning of POX and the implementation of the underground mining project. Failure to deliver these projects within the agreed budget and timeframes may have an adverse impact on the Group's growth plans and its future profitability.</p> <p>Failure to deliver these projects would also reduce the Group's ability to extract value from high quality Reserves, but difficult to extract, gold at Malomir.</p>	<p>An active maintenance program has been on-going, since the Board's decision in May 2013, to defer the start-up of the POX Hub, to preserve equipment at completed sections of the plant and to keep facilities on standby so that full scale development could be recommenced in the future.</p> <p>The POX Hub will be delivered together with an excellent team of specialists. The Group has a pilot plant in Blagoveshchensk where it has previously undertaken bulk sample testing.</p> <p>As detailed in the Strategic report, the Board has approved a joint undertaking with a reputable industry player to complete construction of the POX Hub and provide the processing plant for refining refractory gold ores and float concentrates extracted by both parties. This is subject to shareholder approval.</p> <p>An engineering study was carried out on underground mining at Pioneer and a detailed proposal prepared. Based on the initial results of the study, these projects are expected to be highly profitable. The Group will continue to work with professional and reliable consultants as necessary to ensure that the underground project can be delivered within the agreed budget and timeframes.</p> <p>The Executive Committee and the Board will closely monitor these projects.</p>	<p>N New risk</p>
<p>3. The Group's activities are reliant on the quantity and quality of the Mineral</p>	<p>Exploration activities are speculative, time-consuming and can be unproductive. In</p>	<p>The Group is using modern geophysical and geochemical exploration and surveying</p>	<p><input type="checkbox"/> No change</p>

<p>Resources and Ore Reserves available to it.</p>	<p>In addition, these activities often require substantial expenditure to establish Reserves through drilling and metallurgical and other testing, determine appropriate recovery processes to extract gold from the ore and construct or expand mining and processing facilities. Once deposits are discovered it can take several years to determine whether Reserves exist. During this time, the economic viability of production may change. As a result of these uncertainties, the exploration programmes in which the Group is engaged in may not result in the expansion or replacement of the current production with new Reserves or operations.</p>	<p>techniques. The Group employs a world class team of geologists with considerable regional expertise and experience. They are supported by a network of fully accredited laboratories capable of performing a range of assay work to high standards.</p> <p>The Group's exploration budget is fixed for each asset at the start of each financial year depending upon previous results. In 2015, the Group continued to focus its exploration programme at or close to its four existing operating mines and in particular, on finding new, non-refractory resources. 2015 exploration results were reviewed by independent mining experts Wardell Armstrong International.</p> <p>Significant progress has made towards developing Ore Reserves for underground mining from Q3 2015. An engineering study was carried out by external consultants during the year on Pioneer underground mining. Based on the initial results of the study the Board expects that these projects will be highly profitable with the potential to contribute high-margin ounces to the Group's production schedule.</p> <p>As detailed in the Strategic Report, the Board has approved a joint undertaking with a reputable industry player to complete construction of the POX Hub, which will provide the processing plant for refining refractory gold ores and float concentrates extracted by both parties. This is subject to shareholder approval.</p>	
<p>4. The Group's Mineral Reserves and Ore Resources are estimates based on a range of assumptions.</p>	<p>The Group's Mineral Reserves and Ore Resources are estimates based on a range of assumptions, including the results of exploratory drilling, ongoing sampling of the ore bodies; past experience with mining properties; and the experience of the expert engaged to carry out the reserve estimates. Other uncertainties inherent in estimating Reserves include subjective judgements and determinations based on available geological, technical, contractual and economic information. Some assumptions may be valid at</p>	<p>The first stage of assurance of the accuracy of Reserves and Resources is by detailed analysis of geological samples in the Group's laboratories.</p> <p>These laboratories have the capacity to conduct assaying, metallurgical testing and sample analysis to establish the gold grade, mineralogical composition and geotechnical properties of the ore.</p> <p>The Mineral Resource and Ore Reserve estimates included in this Report for the Group's four principal gold deposits located in the Amur region, Far East Russia, prepared in accordance with the guidelines of the JORC Code (2012) were reviewed and</p>	<p><input type="checkbox"/> No change</p>

	<p>the time of estimation but may change significantly when new information becomes available.</p> <p>Changes to any of these assumptions, on which the Group's Reserve and Resources estimates are based, could lead to the reported Reserves being restated. Changes in the Reserves and Resources could adversely impact the economic life of deposits and the profitability of the Group's operations.</p>	<p>signed-off by Wardell Armstrong International ("WAI") in April 2016. WAI is an independent consultancy that has provided the mineral industry with specialised geological, mining, and processing expertise since 1837.</p> <p>WAI has considerable knowledge of the Group's assets located at Malomir, Albyn, Pioneer and Pokrovskiy, having previously been the Independent Technical Engineer reporting Mineral Resources and Ore Reserves on an annual basis. In addition, WAI completed a comprehensive independent review of all gold exploration assets held by the Group in 2011 and again in 2014. As part of the 2015 review, WAI conducted a detailed assessment at each of the Group's mines.</p> <p>In addition, the Company has adopted a gold price assumption of US\$1,100/oz for Ore Reserve estimates, which is lower than the current market price, broker forecasts, and assumptions used by some of the Group's peers.</p>	
Financial Risks			
Risk	Description and potential impact	Mitigation	Change from 2014
<p>1. Lack of funding and liquidity to allow the Group to:</p> <p>i. Support its existing operations;</p> <p>ii. Invest in and develop its exploration projects;</p> <p>iii. Extend the life and capacity of its existing mining operations; and</p> <p>iv. Refinance/repay the Group's debt as it falls due.</p> <p>If the operational performance of the business declines significantly the Company will breach one or more of the financial and production covenants as set out in various financing arrangements.</p>	<p>Adverse events or uncertainties affecting the gold price and/or the global financial markets could affect the Group's ability to refinance existing debt or raise additional finance in the capital markets. It could also in future lead to higher borrowing costs.</p> <p>The Group needs ongoing access to liquidity and funding in order to (i) refinance its existing debt as required, (ii) support its existing operations and (iii) invest in new projects and exploration. There is a risk that the Group may be unable to obtain the necessary funds when required or that such funds will only be available on unfavourable terms. The Group may therefore be unable to develop and/or meet its operational or financial commitments.</p>	<p>The Refinancing was completed on 18 March 2015 and secured the immediate future of the Group.</p> <p>Net debt was reduced from US\$930 million at the start of 2015 to c.US\$610 million as at 31 December 2015, as forecast, due to the Refinancing and focus on financial discipline and cash optimisation.</p> <p>The Group is in advance negotiations with VTB and Sberbank (the "Senior Lenders") to extend and revise the maturity of its existing bank debt and to obtain relaxation of certain financial covenants.</p> <p>The Group continues to maintain its available cash with several reputable major Russian and international banks and does not keep disproportionately large sums on deposit with a single bank. Strong relationships are maintained between the Company and</p>	<p><input type="checkbox"/> Increased risk</p>

	<p>The Group's borrowing facilities include a requirement to comply with certain specified covenants in relation to the level of net debt and interest cover. A breach of these covenants could result in a significant proportion of the Group's borrowings becoming repayable immediately.</p>	<p>existing and potential equity and debt providers.</p> <p>Details of the IRC financial related risk are provided on page [*].</p>	
<p>2. The Group's results of operations may be affected by changes in the gold price</p>	<p>The Group's financial performance is highly dependent on the price of gold. A sustained downward movement in the market price for gold may negatively affect the Group's profitability and cash flow. The market price of gold is volatile and is affected by numerous factors which are beyond the Company's control. These factors include world production levels, global and regional economic and political events, international economic trends, inflation, currency exchange fluctuations and the political and economic conditions of major gold-producing countries. Additionally the purchase and sale of gold by central banks or other large holders or dealers may also have an impact on the market.</p>	<p>The Executive Committee monitors the gold price and influencing factors on a daily basis and consults with the Board as appropriate.</p> <p>The Executive and the Board review the Group's hedging position on a regular basis. During 2015, the average realised gold price achieved by the Group of US\$1,178/oz included US\$20/oz as a result of hedging.</p> <p>During 2015, the Board decided to curtail production from marginally profitable sources of gold.</p> <p>The successful cost-cutting programme, together with the continued weakness of the Rouble against the US Dollar, enabled the Group to achieve TCC/oz of US\$749/oz during 2015.</p> <p>The new strategy of the Group envisages an increase in production of high-margin ounces in the short-term and ensures sustainability of production in the medium to long-term, whilst continuing to focus on cash cost optimisation.</p> <p>As at 28 April 2016, the Group had outstanding forward contracts totalling 37,850oz of gold at an average price of US\$1,116/oz.</p>	<p><input type="checkbox"/> No change</p>
<p>3. Currency fluctuations may affect the Group</p>	<p>The Group reports its results in US Dollars, which is the currency in which gold is principally traded and therefore in which most of the Group's revenue is generated. Significant costs are incurred in and/or influenced by the local currencies in which the Group operates, principally Russian Roubles. The appreciation of the Russian Rouble against the US Dollar tends to result in an increase in the Group's costs relative to its revenues,</p>	<p>The Group has adopted a policy of holding a minimum amount of cash and monetary assets or liabilities in non US Dollar currencies and operates an internal funding structure which seeks to minimise foreign exchange exposure.</p> <p>The Russian Rouble also exhibits a high positive correlation with crude oil prices as Russia exports a large quantity of crude oil and is dependent on export revenues related to crude oil prices. As a consequence and due to other factors currently affecting the</p>	<p><input type="checkbox"/> No change</p>

	<p>whereas the depreciation of the Russian Rouble against the US Dollar tends to result in lower Group costs relative to its revenues.</p> <p>In addition, a portion of the Group corporate overhead is denominated in Sterling. Therefore, adverse currency movements may materially affect the Group's financial condition and results of operations.</p> <p>In addition, if inflation in Russia were to increase without a corresponding devaluation of the Russian Rouble relative to the US Dollar, the Group's business, results of operations and financial condition may be adversely affected.</p>	<p>Russian economy, the outlook for the Russian Rouble remains weak.</p> <p>The Group's operations benefitted from the continuing weakness of the Russian Rouble during 2015 and it is expected that it will continue to benefit during 2016, although crude oil prices may increase.</p>	
<p>4. IRC Related risks</p> <p>Funding may be demanded from Petropavlovsk under a guarantee in favour of ICBC</p>	<p>The Company has a 35.83% interest in IRC, a Hong Kong Listed iron ore producer.</p> <p>Petropavlovsk has provided a guarantee against a US\$340 million project loan facility provided to K&S by ICBC to fund the construction of IRC's iron ore mining operation at K&S, of which c.US\$276.25 million was outstanding at 31 December 2015. This loan is supported by Sinosure, the Chinese export credit insurance agency. In the event that K&S was to default on its loan, Petropavlovsk may be liable to repayment of the outstanding loan under the terms of the guarantee and other Group indebtedness may become repayable under cross-default provisions</p> <p>However, under the terms of the Company's banking facilities with VTB and Sberbank, the Company is unable to provide any funds to IRC without the prior consent of these lenders.</p>	<p>On 19 April 2016, IRC announced that ICBC had granted waivers in respect of IRC's project finance facility with ICBC, including obligations to maintain certain cash deposits with ICBC, and the obligations of IRC and Petropavlovsk to comply with certain financial covenants. The waiver from the obligations of IRC and Petropavlovsk to comply with certain financial covenants will be effective immediately upon fulfilment of certain conditions precedent and up to and including 31 December 2017. Effective immediately upon fulfilment of the conditions precedent, ICBC has also granted IRC a waiver from the obligations to maintain cash deposits of c.US\$26 million with ICBC during the period from 20 June 2016 to 30 June 2018 (both dates inclusive).</p> <p>IRC's K&S facility is expected to be fully commissioned by the end of June 2016. Once commissioned K&S is expected to generate an operating margin even in the current lower price iron ore environment to generate sufficient cash to meet its borrowing obligations.</p>	<input type="checkbox"/> No change
<p>5. IRC's results of operations may be affected</p>	<p>The market price of iron ore can be volatile. Iron ore prices continued to decline during</p>	<p>The IRC Board announced on</p>	<input type="checkbox"/> No change

by changes in the iron ore price	2015. The iron ore price at the end of 2015 remained weak. The spot price of benchmark 62% iron content delivered to the Chinese port of Qingdao ended 2015 at US\$43 per tonne although the iron ore price has recently seen an increase. The global oversupply of the raw material persists whilst the appetite of China, the largest bulk commodities consumer in the world, is getting smaller as its economy has entered into a "new normal" of slower growth pace.	14 December 2015 that it had decided that the Kuranakh mine should be put on temporary 'care and maintenance.' The hot commissioning of the second and final phase of crushing and screening facilities at K&S has completed allowing production of pre-concentrate. The processing plant is scheduled for handing over to IRC, from the contractor, by the end of June 2016. The processing plant will upgrade pre-concentrate to IRC's premium high grade 65.8% Fe concentrate for commercial sales. Once commissioned K&S is expected to generate an operating margin even in the current depressed iron ore markets.	
Health, Safety And Environmental Risks			
Risk	Description and potential impact	Mitigation	Change from 2014
1. Failures in the Group's health and safety processes and/or breach of Occupational Health & Safety legislation.	The Group's employees are one of its most valuable assets. The Group recognises that it has an obligation to protect the health of its employees and that they have the right to operate in a safe working environment. Certain of the Group's operations are carried out under potentially hazardous conditions. Group employees may become exposed to health and safety risks which may lead to the occurrence of work-related accidents and harm to the Group's employees. These could also result in production delays and financial loss.	Health and Safety management systems are in place across the Group to ensure that the operations are managed in accordance with the relevant health and safety regulations and requirements. Board level oversight of health and safety issues occurs through the work of the HSE Committee. The Group has an established health and safety training programme under which its employees undergo initial training on commencement of employment and take part in refresher training on a regular basis. The Group operates a prompt incident reporting system to the Executive Committee and the Board. There was one fatality during 2015 (2014: three). This fatality was reported immediately to the Chairman and to the Health, Safety and Environmental ("HSE") Committee. The incidents in both 2015 and 2014 were investigated by the Russian authorities who have confirmed that no action will be taken against the Group as the Group was not found to be at fault for any of these accidents. The HSE Committee discussed each of the fatalities in detail to identify whether any actions should be taken or further training provided to mitigate against any reoccurrence of a similar accident.	<input type="checkbox"/> No change

		<p>The HSE Committee received a report from the General Director of Malomir, regarding the fatality in 2015, this included details of all actions and training that was undertaken at the plant following the fatality to ensure that a similar type of accident does not happen.</p> <p>Details of any fatality or major accident are discussed by senior managers and HSE Officers across the Group to ensure that training is applied Group-wide.</p> <p>In addition, the 2016 Annual Bonus Scheme for the Executive Directors and Executive Committee has been designed by the Remuneration Committee to recognise the importance of HSE issues.</p>	
2. The Group's operations require the use of hazardous substances including cyanide and other reagents	Accidental spillages of cyanide and other chemicals may result in damage to the environment, personnel and individuals within the local community.	<p>Cyanide and other dangerous substances are kept in secure storages with limited access to only qualified personnel, with access closely monitored by security staff.</p> <p>During the year an employee died as a result of an accident involving cyanide poisoning. This accident, the first in the Group's history to involve cyanide, was investigated thoroughly by the authorities and the Company was not found to be at fault. An internal investigation also took place involving mine management and specialists in order to ascertain the reasons for this fatality, which arose from the employee conducting unauthorised works. As a consequence of the internal investigations further training has been provided to all relevant employees at the Group's mines and additional procedures have been implemented to prevent a further accident occurring.</p>	
Legal and regulatory risks			
Risk	Description and potential impact	Mitigation	Change from 2014
1. The Group requires various licences and permits in order to operate.	The Group's principal activity is the mining of precious and non-precious metals which require it to hold licences which permit it to explore and mine in particular areas in Russia. These licences are regulated by Russian governmental agencies and if a material licence was challenged or	There are established processes in place to monitor the required and existing licences and permits on an on-going basis and processes are also in place to ensure compliance with the requirements of the licences and permits. Schedules are presented to the Executive Committee detailing compliance with the Group's licences and permits.	<input type="checkbox"/> No change

	<p>terminated, this would have a material adverse impact on the Group. In addition, various government regulations require the Group to obtain permits to implement new projects or to renew existing permits.</p> <p>Failure to comply with the requirements and terms of these licenses may result in the subsequent termination of licenses crucial to operations and cause reputational damage. Alternatively, financial or legal sanctions could be imposed on the Group. Failure to secure new licences or renew existing ones could lead to the cessation of mining at the Group's operations or an inability to expand operations.</p>		
<p>2. The Group is subject to risks associated with operating in Russia.</p>	<p>Actions by governments or changes in economic, political, judicial, administrative, taxation or other regulatory factors or foreign policy in the countries in which the Group operates or holds its major assets could have an adverse impact on the Group's business or its future performance. Most of the Group's assets and operations are based in Russia.</p> <p>Russian foreign investment legislation imposes restrictions on the acquisition by foreign investors of direct or indirect interests in strategic sectors of the Russian economy, including in respect of gold reserves in excess of a specified amount or any occurrences of platinum group metals.</p> <p>The Group's Pioneer and Malomir licences have been included on the list of subsoil assets of federal significance, maintained by the Russian Government ("Strategic Assets"). The impact of this classification is that changes to the direct or indirect ownership of these licences may require obtaining clearance in accordance with the Foreign Strategic</p>	<p>To mitigate the Russian economic and banking risk the Group strives to use the banking services of several financial institutions and not keep disproportionately large sums on deposit with a single bank.</p> <p>The Group seeks to mitigate the political and legal risk by constant monitoring of the proposed and newly adopted legislation in order to adapt to the changing regulatory environment in the countries in which it operates and specifically in Russia. It also relies on the advice of external counsel in relation to the interpretation and implementation within the Group of new legislation. The Group closely monitors its assets and the probability of their inclusion into the Strategic Assets lists published by the Russian Government.</p> <p>The Company's Articles of Association include a provision which allows the Board to impose such restrictions as the Directors may think necessary for the purpose of ensuring that no ordinary shares in the Company are acquired or held or transferred to any person in breach of Russian legislation, including any person having acquired (or who would as a result of any transfer acquire) ordinary shares or an interest in ordinary shares which, together with any other shares in which that person or members of their group is deemed to have an interest for the purposes of the Strategic Asset Laws, carry voting</p>	<p><input type="checkbox"/> No change</p>

	Investment law of the Russian Federation	<p>rights, exceeding 50 per cent. (or such lower number as the Board may determine in the context of the Strategic Asset Laws) of the total voting rights attributable to the issued ordinary shares without such acquisition having been approved, where such approval is required, pursuant to the Strategic Asset Laws.</p> <p>This risk cannot be influenced by the management of the Company. However, the Group monitors changes in the political environment and reviews changes to the relevant legislation, policies and practices.</p>	
3. The Group may be subject to risks arising from the political uncertainty within Russia.	<p>Financial and economic sanctions imposed in 2014 by the United States and the EU on certain businesses and individuals in Russia increased political tensions and economic instability. In February 2016, the European Parliament passed a resolution which made it clear that EU economic restrictions against Russia will remain in place until Crimea is returned to Ukrainian rule.</p> <p>In response to the sanctions Russia enforced certain import restrictions on Russian companies in respect of products supplied from countries that have imposed sanctions, which have a negative impact on Russia's economy, which could have a material adverse effect on the value of investments relating to Russia and on the Group's business, results of operations and financial condition. The perceived risk of investing in Russia could also be detrimental to the Group.</p>	<p>The Group has no assets or operations in Ukraine. The Group produces gold from its Russian mines and sells this gold to Russian licensed banks. The Board and Executive continue to monitor the position.</p> <p>The Company maintains an ongoing dialogue with its shareholders and potential investors.</p>	<input type="checkbox"/> No change

26. Related parties

Related parties the Group entered into transactions with during the reporting period

JSC Asian-Pacific Bank ('Asian-Pacific Bank') and LLC Insurance Company Helios Reserve ('Helios') are considered to be a related parties as members of key management have an interest in and collectively exercise significant influence over these entities.

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 governing board of the Petropavlovsk Foundation and their presence in its board of guardians.

JSC Verkhnetisskaya Ore Mining Company ('Verkhnetisskaya') is an associate to the Group and hence qualifies as a related party since then.

JSC ZRK Omchak and its wholly owned subsidiary LLC Kaurchak ('Omchak') are associates to the Group and hence are related parties until 29 April 2015 when the Group disposed its interest in Omchak.

IRC Limited and its subsidiaries (note 36) are associates to the Group and hence are related parties since 7 August 2015.

Transactions with related parties the Group entered into during the years ended 31 December 2015 and 2014 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	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Asian-Pacific Bank				
Other	575	503	113	201
	575	503	113	201
Trading transactions with other related parties				
Insurance arrangements with Helios, rent and other transactions with other entities in which key management have interest and exercises a significant influence or control	1,182	294	5,716	10,317
Associates				
IRC Limited and its subsidiaries	49	-	1,152	-
JSC ZRK Omchak and its wholly owned subsidiary LLC Kaurchak	2	80	-	-
	1,233	374	6,868	10,317

During the year ended 31 December 2015, the Group made US\$0.4 million charitable donations to the Petropavlovsk Foundation (2014: US\$0.5 million).

The outstanding balances with related parties at 31 December 2015 and 2014 are set out below.

	Amounts owed by related parties at 31 December		Amounts owed to related parties at 31 December	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Helios and other entities in which key management have interest and exercises a significant influence or control	1,328	2,864	450	151
Asian-Pacific Bank	-	6	-	-
Associates				
IRC Limited and its subsidiaries	2,023	-	1,233	-
JSC ZRK Omchak and its wholly owned subsidiary LLC Kaurchak	-	85	-	-

	3,351	2,955	1,683	151
	Amounts owed by related parties at 31 December		Amounts owed to related parties at 31 December	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Helios and other entities in which key management have interest and exercises a significant influence or control	2,864	1,955	151	2
Associates	85	132	-	144
Asian-Pacific Bank	6	9	-	-
	2,955	2,096	151	146

Banking arrangements

The Group has current and deposit bank accounts with Asian-Pacific Bank.

The bank balances at 31 December 2015 and 2014 are set out below.

	2015	2014 ^(a)
	US\$'000	US\$'000
Asian-Pacific Bank	3,208	52,253

^(a) Including US\$31.9 million presented within assets classified as held for sale as at 31 December 2014 (notes 27 and 28).

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Financing transactions

The Group had an interest-free unsecured loan issued to Verkhnetisskaya. Loan principal outstanding as at 31 December 2015 amounted to US\$2.8 million (31 December 2014: US\$3.6 million).

As at 31 December 2014 the Group had an interest-free unsecured loan issued to LLC Kaurchak. Loan principal outstanding amounted to US\$0.6 million.

During the year ended 31 December 2015, the Group received a number of loans from Asian-Pacific Bank. Loan principal outstanding as at 31 December 2015 amounted to US\$2.7 million. Interest charged on loans received from Asian-Pacific Bank comprised US\$0.5 million (2014: US\$nil).

Financing transactions between IRC and Asian-Pacific Bank are disclosed in note 27.

Key management compensation

Key management personnel, comprising a group of 18 (2014: 21) individuals, 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.

	2015	2014
	US\$'000	US\$'000
Wages and salaries	7,231	9,453

Pension costs	357	586
Share-based compensation	280	2,346
	7,868	12,385

34. Subsequent events

On 27 April 2016, the Group entered into an agreement with LLC GMD Gold ('GMD Gold') to set up a new enterprise whereby the Group will contribute the existing POX Hub assets (note 13) and GMD Gold will provide US\$120 million finance towards completion of the POX Hub development. Upon completion of the POX Hub development, each party will have the right to use the 50% capacity of the POX Hub. This transaction will require shareholder approval.

On 28 April 2016, the Group entered into a contribution agreement to acquire 100% share in the LLC Amur Zoloto, a gold company with production and development assets in the Khabarovsk Region in the Far East of Russia. Upon completion, consideration for the transaction will be satisfied by the issue of new ordinary shares in the Company. This transaction will require shareholder approval.

Forward-looking statements

This release may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this release and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations of the industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this release. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this release, those developments may not be indicative of developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, currency fluctuations (including the US dollar and Rouble), the Group's ability to recover its reserves or develop new reserves, changes in its business strategy, political and economic uncertainty. Save as required by the Listing and Disclosure and Transparency Rules, the Company is under no obligation to update the information contained in this release.

Nothing in this publication should be considered to be a profit forecast and no statement in this document should be interpreted to mean that earnings per share for the current or future financial years would necessarily match or exceed the historical published earnings per share. This document does not constitute or form part of an invitation to sell or issue, or any solicitation of any offer or invitation to purchase or subscribe for, any securities.

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