



PETROPAVLOVSK

PETROPAVLOVSK PLC

REPORT ON PAYMENTS TO GOVERNMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

This Report is prepared in accordance with the UK's Reports on Payments to Governments Regulations 2014 (as amended in December 2015) (the "Regulations"). The Regulations enact domestic rules in line with EU Accounting Directive 2013/34/EU. This Report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

This Report is prepared on the basis set out below.

1.1. Basis of preparation

Reporting entities

This Report includes payments to governments made by Petropavlovsk PLC and its subsidiary undertakings (hereinafter, "Petropavlovsk group"). Payments made by associates of Petropavlovsk group are excluded from this Report.

Scope of the Report

Disclosure of payments to governments is required in respect of payments arising from the exploration, discovery, development and extraction of minerals (extractive activities). The payments included in this Report relate to gold exploration and mining activities and exclude payments made by corporate head office function and in-house service companies. When payments cover both extractive and processing activities, such payments have been disclosed in full.

Government

"Government" means any national, regional or local authority of a country, and includes a department, agency or undertaking that is a subsidiary undertaking where the authority is the parent undertaking.

Project

Payments are reported at project level, except for payments that are not attributable to a specific project which are reported at entity level. Under the Regulations, project is defined as operational activities, which are governed by a single contract, license, lease, concession or similar legal agreement and form the basis for payment liabilities with a government. If agreements of this kind are substantially interconnected in operational and geographical terms and are with substantially similar terms that are signed with a government, those agreements are treated for the purposes of this Report as a single project.

Reporting currency

This report is presented in US Dollars which is the presentation currency for Petropavlovsk group. Payments made in currencies other than US Dollars are translated based on the average foreign exchange rates for the year ended 31 December 2016.

Materiality

Under the Regulations, a payment, whether made as a single payment or as a series of related payments below £86,000 (USD 116,216) or an equivalent in another currency arrived at by using relevant average exchange rate for the year ended 31 December 2016, does not need to be disclosed. This *de minimus* materiality level has been applied when preparing this Report, however, in some circumstances payments below the aforementioned threshold may be voluntarily included.

Type of payments

The payments to governments are required to be reported in the following categories:

- Production entitlements.
- Taxes levied on income, production or profits of companies (Taxes):
This includes corporation tax payable on taxable profits earned by the legal entity, mining tax payable based on production volume and the gold price realised and withholding tax where payable in respect of income transferred by operating entities to other group entities.

In accordance with the Regulations, payments made in relation to taxes levied on consumption such as value added taxes, employer payroll taxes and tax payments made on behalf of employees of Petropavlovsk group, property taxes and environmental taxes are not disclosed in this Report.

- Royalties.
- Dividends.
- Signature, discovery and production bonuses.
- Fees:
This represents licence fees, rental fees, entry fees and other considerations for licences or concessions.
- Infrastructure improvements:
This represents payments made in respect of infrastructure expenditure other than in circumstances where the infrastructure is expected to be primarily dedicated to operational activities throughout its useful life. The Regulations do not require reporting social or community payments, such as payments to build a hospital or a school.

Other

Payments are reported net of refunds and net of offsets against another payment liability. Payments to governments resulting from imposition of penalties, fees or interest are not disclosed in this Report.

1.2. Payments made by country and level of government.

	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure improvements	Total payments to governments
	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000
Russia								
Federal	-	11,470	-	-	-	-	-	11,470
Regional – Amur Region	-	42,809	-	-	-	927	-	43,736
Regional – Other	-	11	-	-	-	68	-	79
Total	-	54,290	-	-	-	995	-	55,285

1.3. Payments made by project.

	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure improvements	Total payments to government
	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000
Pioneer	-	7,677	-	-	-	-	-	7,677
Pokrovskiy	-	1,881	-	-	-	-	-	1,881
JSC Pokrovskiy Rudnik ^(a)	-	19,715	-	-	-	479	-	20,194
Malomyr	-	2,459	-	-	-	323	-	2,782
Albyn	-	22,547	-	-	-	122	-	22,669
Other	-	11	-	-	-	71	-	82
Total	-	54,290	-	-	-	995	-	55,285

(a) Pioneer mine and Pokrovskiy mine are operated under the legal entity JSC Pokrovskiy Rudnik. Where reasonable basis of allocation is available, payments were allocated between Pioneer mine and Pokrovskiy mine. Corporation tax is reported as entity level payment.

This Report for Petropavlovsk PLC, registered number 4343841, was approved by the Directors on 30 June 2017 and signed on their behalf by

Pavel Maslovskiy
Director

Andrey Maruta
Director