



PRESS RELEASE

5 March 2018

Exploration Update and Review of Gold Ore Reserves and Mineral Resources

Petropavlovsk PLC (“Petropavlovsk”, the “Company” or, together with its subsidiaries, the “Group”) is pleased to announce an Exploration Update and Results of a Review of Gold Ore Reserves and Mineral Resources estimated as at 31 December 2017, prepared in accordance with the guidelines of The Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

Highlights

2017 Highlights

- 0.67Moz Au (c.8%) increase (before depletion) in Reserves and 1.17Moz Au (c.6%) increase (before depletion) in Resources across the Group’s assets, of which c.70% is non-refractory
- 1.17Moz increase in JORC Resources (before depletion), mainly due to successful exploration of underground and open pit targets at Pioneer and Albyn
- 0.66Moz increase in JORC non-refractory Reserves (before depletion), mainly due to new reserves at our two flagship mines:
 - Pioneer (Nikolaevskaya, Katrin)
 - Albyn (Elginskoye and Unglichikan)
- 16% increase in total Reserves for underground mining from 0.37Moz to 0.43Moz and a 26% increase in underlying Mineral Resources from 0.74Moz to 0.93Moz, mainly at Pioneer’s North-East Bakhmut, Andreevskaya and Nikolaevskaya Zones
- Identification of further down dip potential for underground resource and reserve expansion at Pioneer and Albyn
- First JORC Reserves and Resources identified at the recently discovered, highly promising non-refractory deposit Katrin, within the Pioneer license area
- Katrin ore body remains open in down-dip and western directions where exploration drilling continues; a further resource increase is expected in 2018
- Promising early stage exploration and prospecting results at Ulgen and Sukholozhskiy, Albyn
 - 3km long zone of mineralisation bearing similarities with the Group’s c.2.8Moz Resource Elginskoye deposit proved at Ulgen
 - High grade Sukholozhskiy Zone proved close to the Albyn pit with significant drill intersections as follows:
 - 2.3m@6.87g/t,
 - 1.0m@9.40g/t,
 - 1.7m@5.60g/t,
 - 1.0m@6.30g/t,
 - 7.3m@4.37g/t,
 - 2.0m@37.1g/t
- Sukholozhskiy Zone yet to be further explored and included in the Resource estimate

2018 Exploration Objectives

- Delineation of further underground non-refractory reserves to increase the supply of high grade ore to processing plants in the near term and to improve cash flow
- Defining non-refractory resources for potential open pit extraction to facilitate production growth via conventional RIP operations in the medium-term
- Identifying potential for high quality refractory resource additions to improve and secure sustainable production growth via the Pressure Oxidation (POX) Hub operations in the longer term
- The estimated exploration budget for 2018 is US\$16m

2018 Priority Exploration Targets

- At NE Bakhmut and Nikolaevskaya (Pioneer), exploration drilling targeting high grade, non-refractory and refractory reserve and resource extensions which can provide near term, low capital cost production upside
- Continuation of exploration programme aimed at further expansion of reserves and resources for new non-refractory deposit Katrin (Pioneer)
- At Albyn, further exploration of high grade potential for underground operations below the Reserve pit, and exploration at Elginskoye with the aim of increasing its resources

Commenting on the announcement, Petropavlovsk Chairman, Ian Ashby said:

"Petropavlovsk has a long history of exploration success, which is a credit to the capability of the exploration team. Our 2017 drilling programme has resulted in the addition of over one million ounces of gold to total Group Resources, of which over half a million ounces is Reserves. This provides the Group with additional high grade ore to mine as Malomir is transitioned to refractory production, which will assist in smoothing our production profile as Petropavlovsk completes the construction stage of the POX Hub, due to begin commissioning in September this year. These additions give us further confidence in our ability to generate positive cash flows during the final period of the current capital expenditure programme.

In the medium term, there remains significant prospectivity at Albyn, Malomir and Pioneer for additional non-refractory and refractory gold to be discovered, contributing to our existing Reserves and Resources of over 20Moz.

The exploration program remains focused on brownfield activities as an effective way to maximise the value of Group production facilities for the longer term, and focused on high grade targets as a means of optimising cash flows to deleverage the balance sheet. The 26% increase in underground resources has helped bolster the underground development strategy, under which production activities were successfully commenced during 2017.

The progress made in 2017 provides a strong platform for further exploration success in 2018, and we look forward to providing regular updates as the drilling programme progresses."

Summary of Group Mining and Exploration Assets

All Group mining and exploration assets are located in the Amur region in the Far East of the Russian Federation. The Group operates four gold mines - Pioneer, Albyn, Malomir and Pokrovskiy. It also controls the Tokur Project, which remains on hold awaiting further exploration and development into production.

Each mine consists of several exploration and mining licenses that cover a principal deposit, as well as satellite ore bodies and adjacent targets at various exploration stages. The Group mines gold from its substantial open pits and ore is processed using RIP plants located at each operational site. At Pioneer and Malomir, in addition to the open pits, the Group also mines deeper high grade reserves found below its depleted open pits using underground mining methods. Underground mining started in 2017 and is now ramping up to full production.

In order to begin production from its large refractory gold resources and reserves, the Group constructed a flotation plant at Malomir, which is expected to produce its first concentrate in H1 2018. This concentrate will be transported to Pokrovskiy for further processing and gold recovery. A similar flotation plant is planned at Pioneer in 2023.

Pioneer and Albyn are the Group's two flagship mines and will provide the majority of non-refractory output during the transition to refractory production. As a result, additions to their Reserves and Resources (R&R) are vital for the improvement of the Group's production schedules and to de-risk the Pressure Oxidation Hub's commissioning period.

Pokrovskiy has now reached the end of its life as an open pit mine with production scheduled to stop during Q1 2018. The site was chosen as a strategic location for the Pressure Oxidation Hub (POX Hub), which the Group has been developing since 2010. Once completed, the POX Hub will process refractory concentrates from Malomir and Pioneer, and potentially from other sources. The existing Pokrovskiy Resin in Pulp (RIP) plant and other facilities are being refurbished, adopted and integrated into the POX Hub during 2018. Pokrovskiy still has c.1.32Moz of low grade Mineral Resources that may become suitable for extraction in future, and as such the Group has retained its exploration licenses for the site.

The Group focuses its exploration efforts at and around its operational mines and as such, it does not currently have active green field exploration projects. Successful near mine exploration completed during 2017 led to an

increase in both JORC Mineral Resources and Ore Reserves. It also identified a number of promising targets that warrant further exploration.

Whilst near-mine exploration will continue to be a priority in 2018, the Group considers the Amur region and the neighbouring Trans-Baikal and Khabarovsk regions to be underexplored and highly prospective for further gold discoveries.

Review of Ore Reserves and Mineral Resources

In line with best industry practices, Petropavlovsk reports its Mineral Resources and Ore Reserves in accordance with the JORC Code. These Group Mineral Resource and Ore Reserve estimates are an update on the estimates prepared in April 2017 by Wardell Armstrong International (WAI), a UK based independent technical consultancy firm. The updated estimates incorporate all material exploration completed during 2017 and take into account 2017 mining.

Total Mineral Resource ounces (including Reserves) as of 31 December 2017 amounted to 20.86Moz, compared to 20.16Moz in 2016, with a total Reserve of 8.15Moz compared to 7.95Moz in the previous year. The increase in Mineral Resources is attributable to discoveries at Pioneer and Albyn, including Resource expansions at the NE Bakhmut 2 and Nikolaevskaya Zones (Pioneer) and at Unglichikan (Albyn), and also the discovery of the non-refractory satellite deposit Katrin (Pioneer).

The increase in Ore Reserves is attributable to open pit Reserve expansion at Elginskoye and Unglichikan, to an increase in underground Reserves at Pioneer, and to new open pit Reserves discovered via exploration at North East Bakhmut, Katrin as well as at the Otvalnaya Zone.

Taking into account the 0.47Moz depletion from mining operations during 2017, the Group achieved a 1.17Moz gross increase in Mineral Resources and a 0.67Moz gross increase in Ore Reserves, compared to the 2017 WAI statement.

Total Reserves for underground mining increased 16% from 0.37Moz to 0.43Moz, whilst underlying Mineral Resources for potential underground mining increased 26% from 0.72Moz to 0.93Moz. This increase is entirely at Pioneer, where new Mineral Resources and Ore Reserves have been estimated at the North-East Bakhmut, Andreevskaya and Nikolaevskaya Zones.

The tables below provide a summary and an asset-by-asset breakdown of Group Mineral Resources and Ore Reserves.

Group Total Ore Reserves as at 31/12/2017 (in accordance with the JORC Code 2012 ⁽¹⁾)									
Category	Non Refractory			Refractory			Total		
	Tonnage (kt)	Grade (g/t Au)	Metal (Moz)	Tonnage (kt)	Grade (g/t Au)	Metal (Moz)	Tonnage (kt)	Grade (g/t Au)	Metal (Moz)
Total Open Pit and Underground Ore Reserve									
<i>Proven</i>	19,587	0.69	0.43	19,180	1.06	0.65	38,767	0.87	1.09
<i>Probable</i>	103,383	1.09	3.62	109,742	0.98	3.45	213,125	1.03	7.06
Total (P+P)	122,970	1.02	4.05	128,922	0.99	4.10	251,892	1.01	8.15
Open Pit Ore Reserve									
<i>Proven</i>	19,397	0.62	0.39	19,180	1.06	0.65	38,577	0.84	1.04
<i>Probable</i>	101,597	1.02	3.33	109,192	0.96	3.35	210,790	0.99	6.68
Total (P+P)	120,995	0.96	3.72	128,372	0.97	4.01	249,367	0.96	7.72
Underground Reserve									
<i>Proven</i>	190	7.87	0.05	-	-	-	190	7.87	0.05
<i>Probable</i>	1,785	5.02	0.29	550	5.43	0.10	2,335	5.12	0.38
Total (P+P)	1,975	5.30	0.34	550	5.43	0.10	2,525	5.32	0.43

Note: Figures may not add up due to rounding

Group Mineral Resources as at 31/12/2017 (in accordance with the JORC Code 2012 ⁽¹⁾)									
Category	Non-Refractory			Refractory			Total		
	Tonnage (kt)	Grade (g/t Au)	Metal (Moz)	Tonnage (kt)	Grade (g/t Au)	Metal (Moz)	Tonnage (kt)	Grade (g/t Au)	Metal (Moz)
Total Open Pit and Underground Mineral Resource									
<i>Measured</i>	33,430	0.96	1.04	22,092	0.95	0.67	55,522	0.96	1.71
<i>Indicated</i>	218,702	0.96	6.78	207,468	0.84	5.61	426,170	0.90	12.39
Sub-total (M+I)	252,133	0.96	7.82	229,560	0.85	6.29	481,693	0.91	14.10
<i>Inferred</i>	105,818	1.00	3.41	151,095	0.69	3.35	256,913	0.82	6.76
Open Pit Mineral Resource									
<i>Measured</i>	33,287	0.94	1.01	22,092	0.95	0.67	55,380	0.95	1.68
<i>Indicated</i>	216,179	0.91	6.30	206,724	0.82	5.44	422,904	0.86	11.74
Sub-total (M+I)	249,467	0.91	7.31	228,816	0.83	6.11	478,283	0.87	13.43
<i>Inferred</i>	104,337	0.96	3.21	150,396	0.68	3.29	254,733	0.79	6.50
Underground Mineral Resource									
<i>Measured</i>	143	5.87	0.03	-	-	-	143	5.87	0.03
<i>Indicated</i>	2,523	5.88	0.48	743	7.27	0.17	3,267	6.19	0.65
Sub-total (M+I)	2,666	5.88	0.50	743	7.27	0.17	3,409	6.18	0.68
<i>Inferred</i>	1,481	4.17	0.20	699	2.62	0.06	2,181	3.67	0.26

Note: Mineral Resources are reported inclusive of Ore Reserves. Figures may not add up due to rounding

Asset-by-Asset Breakdown of Ore Reserves

Summary of Ore Reserves by Asset as at 31/12/2017 (in accordance with JORC Code 2012 ⁽¹⁾)										
	Category	Non Refractory			Refractory			Total		
		Tonnage (kt)	Grade (g/t Au)	Gold (Moz Au)	Tonnage (kt)	Grade (g/t Au)	Gold (Moz Au)	Tonnage (kt)	Grade (g/t Au)	Gold (Moz Au)
Pokrovskiy & Burinda	<i>Proven</i>	244	0.59	0.005	-	-	-	244	0.59	0.005
	<i>Probable</i>	-	-	-	-	-	-	-	-	-
	Total (P+P)	244	0.59	0.005	-	-	-	244	0.59	0.005
Pioneer Open Pit	<i>Proven</i>	10,479	0.52	0.17	9,409	0.85	0.26	19,888	0.67	0.43
	<i>Probable</i>	40,441	0.73	0.95	46,605	0.87	1.30	87,046	0.80	2.25
	Total (P+P)	50,920	0.69	1.12	56,014	0.86	1.55	106,934	0.78	2.68
Pioneer U/ground	<i>Proven</i>	74	4.03	0.01	-	-	-	74	4.03	0.01
	<i>Probable</i>	876	5.60	0.16	550	5.43	0.10	1,426	5.53	0.25
	Total (P+P)	950	5.48	0.17	550	5.43	0.10	1,500	5.46	0.26
Pioneer Total	<i>Proven</i>	10,553	0.54	0.18	9,409	0.85	0.26	19,962	0.68	0.44
	<i>Probable</i>	41,318	0.83	1.11	47,154	0.92	1.39	88,472	0.88	2.50
	Total (P+P)	51,870	0.77	1.29	56,564	0.91	1.65	108,434	0.84	2.94

Malomir Open Pit	Proven	23	0.83	0.001	9,771	1.26	0.40	9,794	1.26	0.40
	Probable	1,651	1.54	0.08	62,588	1.02	2.05	64,239	1.03	2.14
	Total (P+P)	1,674	1.53	0.08	72,358	1.05	2.45	74,033	1.06	2.53
Malomir U/ground	Proven	116	10.32	0.04	-	-	-	116	10.32	0.04
	Probable	909	4.46	0.13	-	-	-	909	4.46	0.13
	Total (P+P)	1,025	5.13	0.17	-	-	-	1,025	5.13	0.17
Malomir Total	Proven	139	8.75	0.039	9,771	1.26	0.40	9,910	1.37	0.44
	Probable	2,560	2.58	0.21	62,588	1.02	2.05	65,148	1.08	2.27
	Total (P+P)	2,699	2.90	0.25	72,358	1.05	2.45	75,058	1.12	2.70
Albyn	Proven	6,624	0.53	0.11	-	-	-	6,624	0.52	0.11
	Probable	57,310	1.19	2.20	-	-	-	57,310	1.19	2.20
	Total (P+P)	63,933	1.12	2.31	-	-	-	63,933	1.12	2.31
Tokur	Proven	2,028	1.47	0.10	-	-	-	2,028	1.47	0.10
	Probable	2,195	1.44	0.10	-	-	-	2,195	1.44	0.10
	Total (P+P)	4,223	1.45	0.20	-	-	-	4,223	1.45	0.20

Notes:

- (1) Group Ore Reserves statements are prepared internally as an update of the April 2017 WAI estimate; Pioneer, Malomir and Albyn Reserves were prepared in February 2018 in accordance with JORC Code 2012; Tokur Reserves were prepared in 2010 in accordance with JORC Code 2004 and there have been no changes to the Tokur estimates since that date; All Pokrovskiy Ore Reserves are expected to be depleted by the end of Q1 2018, Pokrovskiy Reserve figures in this statement are based on January 2018 actual production and the February-March 2018 Group internal production plan
- (2) Pioneer, Malomir and Albyn Ore Reserves for open pit extraction are estimated within economical pit shells using a \$1,200/oz gold price assumption and applying other modifying factors based on the projected performance of these operating mines. Tokur Reserves have been based on a \$1,000/oz gold price assumption, together with operating costs assumptions relevant at the time of the estimate
- (3) The Open Pit Reserve cut-off grade for reporting varies from 0.3 to 0.5g/t Au, depending on the asset and processing method
- (4) Underground Ore Reserve estimates use a mine design with decline access, trackless mining equipment and a sublevel open stope mining method with or without back fill
- (5) Reserve figures have been adjusted for anticipated dilution and mine recovery
- (6) The Underground Reserve cut-off grade for reporting is 1.5g/t Au for Pioneer and 1.7g/t Au for Malomir
- (7) In accordance with JORC Code, all open pit and underground designs has been based on Measured and Indicated Resources; in addition to the Proven and Probable Reserve quoted above the design captures the following Inferred Resource:
 - Pioneer: 5,009kt@0.68g/t (0.11Moz) of non-refractory and 4,417kt @ 0.68g/t (0.10Moz) of refractory
 - Malomir: 484kt @ 2.59g/t of non-refractory and 2,013kt@0.86g/t (56koz) of refractory
 - Albyn 2,345@1.27g/t (0.1Moz) of non-refractory
- (8) Figures may not add up due to rounding

Asset-by-Asset Breakdown of Mineral Resources

Summary of Mineral Resources by Asset as at 31/12/2017 (in accordance with JORC Code 2012 ⁽²⁾)										
	Category	Non Refractory			Refractory			Total		
		Tonnage (kt)	Grade (g/t Au)	Gold (Moz Au)	Tonnage (kt)	Grade (g/t Au)	Gold (Moz Au)	Tonnage (kt)	Grade (g/t Au)	Gold (Moz Au)
Pokrovskiy & Burinda	Measured	3,598	1.75	0.20	-	-	-	3,598	1.75	0.20
	Indicated	29,013	0.83	0.77	-	-	-	29,013	0.83	0.77
	Sub-total (M+I)	32,611	0.93	0.98	-	-	-	32,611	0.93	0.98
	Inferred	10,412	1.04	0.35	-	-	-	10,412	1.04	0.35

Pioneer Open Pit	<i>Measured</i>	10,923	0.53	0.2	13,593	0.79	0.34	24,516	0.67	0.53
	<i>Indicated</i>	73,636	0.66	1.56	90,051	0.72	2.07	163,687	0.69	3.64
	Sub-total (M+I)	84,559	0.64	1.75	103,644	0.73	2.42	188,204	0.69	4.17
	<i>Inferred</i>	22,188	0.62	0.44	42,925	0.62	0.85	65,113	0.62	1.30
Pioneer U/ground	<i>Measured</i>	105	4.36	0.0	-	-	-	105	4.36	0.01
	<i>Indicated</i>	1,389	6.82	0.30	743	7.27	0.17	2,133	6.98	0.48
	Sub-total (M+I)	1,494	6.65	0.32	743	7.27	0.17	2,238	6.86	0.49
	<i>Inferred</i>	584	4.18	0.08	699	2.62	0.06	1,283	3.33	0.14
Pioneer Total	<i>Measured</i>	11,028	0.57	0.2	13,593	0.79	0.34	24,621	0.69	0.55
	<i>Indicated</i>	75,026	0.77	1.87	90,795	0.77	2.25	165,820	0.77	4.12
	Sub-total (M+I)	86,053	0.75	2.07	104,388	0.77	2.59	190,441	0.76	4.66
	<i>Inferred</i>	22,773	0.71	0.52	43,624	0.65	0.91	66,396	0.67	1.44
Malomir Open Pit	<i>Measured</i>	30	1.12	0	8,499	1.21	0.33	8,529	1.21	0.33
	<i>Indicated</i>	17,490	0.64	0.36	116,673	0.90	3.36	134,163	0.86	3.73
	Sub-total (M+I)	17,520	0.65	0.36	125,172	0.92	3.7	142,692	0.88	4.06
	<i>Inferred</i>	12,299	0.67	0.27	107,471	0.70	2.43	119,770	0.70	2.70
Malomir U/ground	<i>Measured</i>	38	10.04	0	-	-	-	38	10.04	0.01
	<i>Indicated</i>	1,134	4.72	0.17	-	-	-	1,134	4.72	0.17
	Sub-total (M+I)	1,172	4.89	0.18	-	-	-	1,172	4.89	0.18
	<i>Inferred</i>	897	4.16	0.12	-	-	-	897	4.16	0.12
Malomir Total	<i>Measured</i>	68	6.08	0	8,499	1.21	0.33	8,567	1.25	0.34
	<i>Indicated</i>	18,624	0.89	0.53	116,673	0.90	3.36	135,297	0.90	3.90
	Sub-total (M+I)	18,692	0.91	0.55	125,172	0.92	3.7	143,864	0.92	4.24
	<i>Inferred</i>	13,196	0.91	0.39	107,471	0.70	2.43	120,667	0.73	2.82
Albyn	<i>Measured</i>	6,785	0.54	0.10	-	-	-	6,785	0.54	0.12
	<i>Indicated</i>	79,944	1.19	3.06	-	-	-	79,944	1.19	3.06
	Sub-total (M+I)	86,728	1.14	3.17	-	-	-	86,728	1.14	3.17
	<i>Inferred</i>	48,732	1.14	1.78	-	-	-	48,732	1.14	1.78
Tokur	<i>Measured</i>	11,952	1.30	0.50	-	-	-	11,952	1.30	0.50
	<i>Indicated</i>	16,096	1.06	0.55	-	-	-	16,096	1.06	0.55
	Sub-total (M+I)	28,048	1.16	1.05	-	-	-	28,048	1.16	1.05
	<i>Inferred</i>	10,706	1.09	0.38	-	-	-	10,706	1.09	0.38

Notes:

- (1) Mineral Resources include Ore Reserves
- (2) Mineral Resource estimates for Pokrovskiy, Pioneer, Malomir and Albyn were prepared internally by the Group in accordance with JORC Code 2012 as an update of the April 2017 statement audited by WAI; Mineral Resources for Tokur were reviewed by WAI in 2010 in accordance with JORC Code 2004 and there have been no changes to the Tokur estimates since that date
- (3) Open Pit Mineral Resources for Pokrovskiy, Pioneer, Malomir and Albyn are constrained by conceptual open-pit shells at a US\$1,500/oz long term gold price; Tokur Mineral Resources have no open pit constraints
- (4) The cut-off grade for Mineral Resources for open pit mining varies from 0.30 to 0.35g/t depending on the type of mineralisation and proposed processing method

- (5) A cut-off grade of 1.5g/t is used to report Mineral Resources for potential underground mining
(6) Mineral resources are not reserves until they have demonstrated economic viability based on a feasibility or pre-feasibility study
(7) Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery

Exploration Update

Pioneer

Pioneer is considered to be one of the Group's most prospective projects for future resource and reserve discoveries. Pioneer consists of the Pioneer ore body and the Alexandra, Katrin and Zheltunak satellite ore bodies. The Pioneer ore body comprises of several zones, of which Andreevskaya and North East Bakhmut are high grade and to date have provided the majority of Pioneer production. Pioneer and Alexandra have both refractory and non-refractory resources and reserves whilst Katrin and Zheltunak are entirely non-refractory. In addition to the known ore bodies and zones, Pioneer's 1,337km² license area offers a number of exploration opportunities for both non-refractory and refractory resources, including high grade exploration targets.

Pioneer's 2017 exploration programme was successful, leading to the expansion of Pioneer's Resources and Reserves, and to the identification of promising new exploration targets.

Significant 2017 results include:

- Identification of further down dip extensions of the high grade payshoot at NE Bakhmut No 2, which remains open at depth offering further potential for underground resource and reserve expansion
- Subsequent expansion of NE Bakhmut JORC Reserves for underground mining
- Discovery of a high grade payshoot at Nikolaevskaya
- First JORC Reserves for underground mining at Andreevskaya and Nikolaevskaya
- Identification of JORC Resources and Reserves at Katrin, a satellite deposit discovered in 2016 south of Pioneer
- Discovery of two new zones of non-refractory mineralisation north of NE Bakhmut No 2 that are suitable for open pit mining, and subsequent JORC Reserve estimates for them

Drilling and trenching has also confirmed the presence of large scale refractory gold mineralisation at the geochemical anomaly south of Pioneer identified within the Sosnovaya license. The grade of the intersections here is too low to represent an immediate interest, however.

Katrin

Katrin is a high grade, non-refractory satellite deposit situated south of Pioneer. It is located within the same geological setting as the Zheltunak deposit, which has been mined since 2011, producing 926kt of ore at an average grade of 1.91g/t Au (57koz of contained gold).

Katrin is confined within a silification zone hosted by Cretaceous volcanites. To date, mineralisation has been traced by exploration drilling over a 1km strike length to a depth of up to 200m from the surface. It remains open in both strike directions as well as down dip, offering the opportunity for further discoveries. Exploration here continued in Q1 2018 and Group geologists expect a further increase in Katrin's Mineral Resources and Reserves during 2018.

NE Bakhmut

In 2017, underground resource and reserve exploration took place at NE Bakhmut, consisting of surface and underground drilling and underground development. The most significant results were in the NE Bakhmut No 2 area. Two new zones of mineralisation potentially suitable for open pit mining were discovered north from the depleted pit at NE Bakhmut No 2.

The first, Oblomochnaya, is a shallow, sub-horizontal mineralised zone only 30-35m below the surface. Geological interpretations suggest that this zone was formed as a result of NE Bakhmut's hard rock ore body being eroded and material being deposited, forming a soft oxide mineralised seam which later was buried under a layer of Neogenic sand formation. Metallurgical tests have confirmed that the material is suitable for RIP processing. It is expected that both the overburden and the ore will be amenable to free digging, making it a low cost open pit mining target.

Whilst exploring Oblomochnaya, a second new zone was identified directly below it. To date, the new zone has been intersected by three drill holes only, with the best intersections including 5.3m at 1.64g/t and 5.2m at 7.56g/t. It remains open in a down dip direction and in both strike directions.

Surface drilling proved a high grade payshoot mined from the open pit at NE Bakhmut No 2 to a depth of 140m below the pit floor. The best deep intersection is 19.6m@10.90g/t. The payshoot is 145m long and remains open in a down dip direction. There are several further high grade intersections including 1.1m@8.10g/t and 1.0m@19.30g/t, which belong to smaller parallel zones and/or apophysis; these await follow up exploration.

Alexandra Area

In 2017, drilling discovered additional low grade mineralisation at the Shirokaya Zone and a c.500m long extension to the Brekchievaya Zone. Subsequent interpretations and resource modelling completed in 2017 resulted in the conclusion that the new mineralisation discovered at Brekchievaya appears to be high grade, though it is also narrow and discontinuous, which makes it a low priority mining target. New mineralisation identified at Shirokaya is relatively low grade and predominantly refractory. Nevertheless, 2017 Alexandra exploration added c.79koz of refractory Resources including c.27koz of refractory Reserves to the Pioneer Project.

Nikolaevskaya

A new high grade payshoot was discovered in Q3 2017 and explored during Q4 2017 at the Nikolaevskaya Zone, below a previously known resource for potential open pit mining. The payshoot is situated between 120 and 270m from surface and remains open at depth. A Resource estimate completed on the explored part of the Nikolaevskaya is 200koz at an average grade of 5.66g/t, of which c.96koz has already been classified as Reserves. Preliminary metallurgical test results suggest that although this material is amenable to RIP processing, it may be more suitable for flotation and POX, as the latter is expected to give a better gold recovery. Group specialists continue metallurgical tests with the aim of improving RIP recovery at Nikolaevskaya, which would allow production to be brought forward from this new payshoot. The current Resource and Reserve statement classifies this material as refractory.

Group geologists believe Nikolaevskaya is less eroded than the Andreevskaya and NE Bakhmut zones, which to date have been prime sources of the c.2.4Moz gold produced from Pioneer. As such, Nikolaevskaya is thought to have significant potential for the discovery of further high grade mineralisation at depth.

Sosnovaya

Trenching and drilling completed in late 2016 at a 9km long geochemical anomaly at Sosnovaya confirmed the presence of low grade gold mineralisation with selected intersections including:

- 14.2m@0.80g/t (drill hole C-182-4, interval 26.7 - 40.9m)
- 42.6m@0.31g/t (drill hole C-599-11, interval 36.4 - 79.0m)
- 1.3m@1.14g/t (trench K-622-3, interval 227.5 - 228.8m)

Mineralisation discovered so far is too low grade to represent immediate economic interest. However, since almost every drill hole completed intersected low grade gold halos (0.1 – 0.3g/t), indicating extensive

hydrothermal processes, these results are still considered encouraging. Group geologists are analysing the results, updating their exploration model and intend to continue exploring this target in the future.

Albyn

The Albyn project consists of three licenses with an aggregated area of 1,053.1km². This includes the main Albyn ore body, a number of known satellite ore bodies, namely Elginskoye, Unglichikan and Afanasevskoye as well as exploration targets, of which Ulgen, Leninskoye and Yasnoye are the most significant.

2017 exploration gave the following significant results:

- Extensions to the Unglichikan ore body were identified and explored, contributing to Resources and Reserves
- Ulgen exploration identified a 3km long zone of gold mineralisation, which could potentially provide significant additions to Albyn Resources
- A new high grade zone of gold mineralisation, Sukholozhskiy, proved close to Albyn with underground as well as open pit mining potential

Unglichikan

In 2017, exploration at Unglichikan continued with drilling at the south group of mineralised zones over a strike length of 1,200m. The 2017 drilling results confirmed known mineralisation and extended it down dip to a depth of 90 to 130m from the surface. The last down dip intersections include 4.7m at 5.34g/t, 14.7m at 2.97g/t, and 0.8m at 26.9g/t where both grade and thickness appear to increase with depth, suggesting there may also be potential for underground mining at Unglichikan.

These 2017 drilling results have supported an increase in JORC Resources at Unglichikan from 0.84 to 1.07Moz.

Ulgen

In 2017, exploration also continued at Ulgen, located c.30km south west from the Albyn plant in an area of extensive historical alluvial gold production. The best new trench intersections include 7.0m@5.11g/t, 5.0m@3.58g/t and 2.0m@2.84g/t. Exploration completed to date, which includes 80m to 350m spaced trenches and six drill holes, proved gold mineralisation extends along the strike for 3km. It remains open in both strike directions as well as in a down dip direction. Exploration results at Ulgen are very encouraging as there are many similarities with Elginskoye, where JORC Resources currently stand at 2.8Moz. Despite this no further exploration is planned at Ulgen in 2018 as due to its remote location and lack of local infrastructure it is unlikely to offer an immediate production upside. Ulgen remains a significant exploration target and work is expected to resume in the future.

Albyn- Sukholozhskiy Zone

The Sukholozhskiy Zone is a zone of gold mineralisation discovered approximately 600m west from the Albyn pit in early 2010. Exploration completed in 2010 and 2011 could not identify an attractive mining target, though further exploration drilling completed later in 2016 and 2017 discovered a c.700m long zone of mineralisation of complex morphology, which remains open in a down dip direction. This zone is expected to be suitable for combined open pit and underground mining although formal resource and reserve estimates are yet to be completed to confirm this. High grade drill intersections at the Sukholozhskiy Zone include:

- 2.3m@6.87g/t,
- 1.0m@9.40g/t
- 1.7m@5.60g/t
- 1.0m@6.30g/t
- 7.3m@4.37g/t
- 2.0m@37.1g/t

Sukholozhskiy offers opportunities for further resource expansions for both open and underground mining and additional exploration drilling is warranted.

Malomir

Malomir is one of the Group's principal projects located in the North-East of the Amur region. With c.87% of its Resources and Reserves classified as refractory, it set to become a principal source of refractory concentrate for the Pokrovskiy POX Hub. The Project has a combined total license area of 821.3km². Licenses cover Malomir, Quartzitovoye, Ozhidaemoye, Magnetitovoye and Berezovoye ore bodies, as well as a number of exploration targets. 2017 exploration at Malomir primarily focused on the Quartzitovoye underground mine and most of the work was located within previously known mineralisation. It comprised of grade control sampling and underground stope definition drilling. As such, 2017 Malomir exploration did not result in a material increase in the Project's Resources and Reserves.

Following successful exploration drilling at Quartzitovoye in 2016, a maiden non-refractory Reserve was defined in early 2017, underpinning an initial six year production plan for high grade underground mining. This exploration drilling confirmed that high grade mineralisation remains open at depth, with the deepest holes greater than 440m below the surface (245m below the open pit floor), intersecting attractive grades and thicknesses.

In May 2017, underground developments at Quartzitovoye led to the discovery of a previously unknown high grade payshoot producing three intersections: 5.32m@69.9g/t, 1.8m@42.9 g/t and 1.01m@12.2 g/t. The payshoot is steep dipping, hosted within low grade zone No 49 which was mined from the open pit approximately 90m above. It appears this high grade shoot is controlled by an intersection between the structure of zone No 49, striking north-south, and a steep east-west contact between plagiogranites and schists.

By the end of 2018 the payshoot has been explored by underground workings on 390m and 375m levels. It now has a proven strike length of c.55m, an average thickness of c.3m with an average grade of c.14g/t and grades of up to 458g/t in selected samples. It remains open in both up and down directions. It is also considered possible that other similar payshoots could be discovered within zone 49, which has a total strike length of 280m.

With Malomir starting production from its large refractory Reserves, there are no plans to intensify exploration here in 2018 and work will continue at the Quartzitovoye underground mine.

Enquiries

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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

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