



PRESS RELEASE

13 June 2018

Petrovavlovsk PLC Company Update

Petrovavlovsk PLC (“Petrovavlovsk” or the “Company”, and together with its subsidiaries, the “Group”) is pleased to announce a number of strategic and operational developments:

- Negotiations to refinance IRC Limited’s facility with the Industrial and Commercial Bank of China (“ICBC”) in relation to the US\$340 million project finance facility between Kimkano-Sutarsky Mining and Beneficiation Plant LLC (“K&S”, a wholly owned subsidiary of IRC) and ICBC (the “ICBC Facility”) are at an advanced stage with a major Russian bank.
- The Group has entered into a bridge loan facility agreement (the “Bridge Loan”) with IRC in order to help K&S meet the payment due under the ICBC Facility on 20 June 2018 (the “20 June Payment”).
- The Bridge Loan is for a Rouble amount equivalent to US\$29.75 million at an interest rate of 12% per annum, and is expected to be repaid as soon as the refinancing of the ICBC Facility is completed.
- IRC and Petrovavlovsk are in the final stages of agreeing a waiver with ICBC in respect of IRC’s obligations to comply with certain financial covenants and maintain certain cash deposits with ICBC. If the waiver is obtained and the 20 June Payment is made, the good standing of the ICBC Facility will be maintained.
- The Group has entered into four gold sales agreements with Sberbank for a total volume of 96koz and with an option for advance payment for up to 12 months;
 - The sales agreements will provide additional liquidity during a period of planned high cash outflows, the majority of which are associated with POX-related capital expenditure, thus de-risking it.
- The commissioning process at the Malomir flotation plant, a key step in the development of the Company’s flagship pressure oxidation project (“POX”), is under way after being launched on schedule at the beginning of June 2018.

IRC Refinancing and Bridge Loan

Following Petrovavlovsk’s announcement on 23 May 2018, the Company continues to monitor the situation with regards to IRC’s capacity to make the 20 June Payment and otherwise maintain the ICBC Facility in good standing. The Company, in light of its role as guarantor of the ICBC Facility, is assisting in the progression of refinancing negotiations, which are at an advanced stage with a major Russian bank.

As a precautionary measure, the Group has entered into the Bridge Loan for the Rouble equivalent of US\$29.75 million with IRC to help K&S make the 20 June Payment, which is for US\$35.16 million. In addition, IRC and Petrovavlovsk are in the final stages of agreeing a waiver with ICBC in respect of IRC’s obligations under the ICBC Facility to comply with certain financial covenants and maintain certain cash deposits with ICBC. Whilst the Company is highly confident of obtaining the waiver, there is no guarantee that it will be provided by ICBC. If the waiver is obtained by 20 June 2018 and the 20 June Payment is made, this will prevent the defaults that would have arisen under the ICBC Facility, and will prevent the risk that, through cross-defaults and cross-accelerations, all of the Group’s debt arrangements could become repayable on demand.

Malomir Flotation Plant

The commissioning process began at Petropavlovsk's Stage 1, 3.6Mtpa Malomir flotation plant on schedule at the beginning of June 2018.

The flotation plant is key to Petropavlovsk's flagship POX project, which will enable the Group to process its c.4Moz of refractory gold reserves.

The POX Hub itself remains on track to be commissioned in Q4 2018.

Gold Sales Agreements

The Group has entered into four gold sales agreements with Sberbank, for a total volume of 96koz and for advance payment for up to 12 months. Advances will be settled using proceeds at the prevailing gold price at the date of the shipment. The sales agreements provide additional headroom, if required, during the commissioning phase of the POX hub.

These agreements are separate to the Gazprombank gold sales agreement announced on 27 March 2018.

Roman Deniskin, Chief Executive comments:

"We are focused on resolving the situation that we inherited from the previous board regarding IRC by helping IRC to refinance their ICBC loan facility so we can eventually monetize our equity stake in this non-core business. Together with IRC, we have been pursuing various refinancing alternatives, and we are making good progress with a major Russian bank. In the meantime, as a matter of last-resort, Petropavlovsk is making a short-term bridge loan facility available to IRC so that it can meet its ICBC loan payment obligations on 20 June 2018.

The gold sales agreements are another positive development that provide the Group with optionality to access additional liquidity, if required, over the course of the year as we build a strong platform for long term sustainable growth."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

About Petropavlovsk

Petropavlovsk is one of Russia's leading gold mining companies. As at 31 March 2018, the Company had produced approximately 6.9Moz of gold.

At this time, Petropavlovsk is in the construction phase of a state of the art pressure oxidation facility to process the Company's substantial refractory resource base. The Company's combined 3,430km² license holding has untapped resource potential. The Company is a leading employer and contributor to the development of the local economy in the Amur region, Russian Far East, where it has operated since 1994.

Petropavlovsk is a shareholder (31.1%) of IRC Limited and is the guarantor of the US\$340 million project finance facility (US\$234 million principal outstanding as at 31 March 2018). IRC is a vertically integrated iron ore producer and developer in the Russian Far East and North-eastern China. IRC is listed on the Hong Kong Stock Exchange (ticker: 1029.HK).

Petropavlovsk is listed on the Main Market of the London Stock Exchange (ticker: POG:LN).

Enquiries

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