



PRESS RELEASE

24 September 2018

Petrovavlovsk PLC

Proposed IRC Loan Refinancing Transaction

Petrovavlovsk PLC ("Petrovavlovsk" or the "Company") is pleased to note the announcement made today by IRC Limited ("IRC") in connection with the proposed refinancing of IRC's outstanding US\$204 million project finance facility with Industrial and Commercial Bank of China Ltd ("ICBC") (the "ICBC Facility"). The Company has a 31.1% shareholding in IRC and acts as guarantor for the ICBC Facility.

IRC and the Company have been advised by a leading Russian Bank (the "Bank") that its credit committee has granted approval for a new US\$240 million facility (the "New Facility") to be provided to LLC KS GOK, a wholly owned subsidiary of IRC (the "Borrower"). The New Facility will be utilised to repay the ICBC Facility in full and thereafter to repay to Petrovavlovsk by December 2018 the Rouble equivalent of c.US\$30 million as full repayment inclusive of interest for the bridge loan advanced by Petrovavlovsk to IRC in June 2018 (the "Bridge Loan"), as well as the payment of a c.US\$6 million fee (the "Guarantee Fee") owing to the Company in relation to the guarantee provided by it to the Borrower under the ICBC Facility. Therefore, the total amount borrowed by IRC from the Bank will amount to c.US\$240 million (being the aggregate of US\$204 million to repay ICBC, US\$30 million repayment of the bridge finance and the US\$6 million guarantee fee above).

Under the proposed arrangements, the full release of Petrovavlovsk's obligations as a guarantor of IRC's borrowings will happen in stages, thereby reducing Petrovavlovsk's balance sheet exposure down to zero. Immediately upon repayment by IRC to the Company of the Bridge Loan amount and the Guarantee Fee, as expected before the end of 2018, Petrovavlovsk will effectively guarantee 75% of the amount outstanding under the New Facility (US\$180 million of US\$240 million), with further staged decreases to 0%, upon the satisfaction of various conditions and achievement of milestones by the Borrower. It is currently expected that part of the conditions and milestones to bring the guarantee down to 50% will be achieved during 2019, whilst full decrease to 0% will be achieved before the end of 2020.

In parallel, Petrovavlovsk's obligations will decrease in line with amounts outstanding under the New Facility from time to time under a repayment schedule until a final maturity date of June 2025.

The implementation of the refinancing transaction described herein remains subject to the agreement and execution of legally binding finance documentation, the perfection of security and other conditions precedent typical for a transaction of this nature. The provision of the new guarantee to the Bank will constitute a Class 1 Transaction under the Listing Rules of the Financial Conduct Authority and, as such, completion of the transaction will also be conditional upon the passing of a resolution by Petrovavlovsk's shareholders at a general meeting. It is expected that finance documentation will be completed before the end of November 2018 and a circular to convene the general meeting and setting out full details of the transaction will be distributed to shareholders at that time.

Commenting on the announcement, CEO Dr Pavel Maslovskiy, said:

"One of the new board's key objectives is to achieve a solution to remove the Company's guarantee of IRC's borrowings and we are therefore pleased to have made significant progress in this regard. The successful completion of the proposed transaction will see the Company receive repayment of the bridging loan advanced by the Company's previous board to IRC and reduce our balance sheet risk exposure at an important time in the Company's development."

The proposed transaction is expected to improve the terms of the guarantee which our Company provided to ICBC by significantly reducing it and enhancing the repayment schedule.”

Enquiries

For more information, please visit www.petropavlovsk.net and www.ircgroup.com.hk or contact:

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