



PRESS RELEASE

26 October 2018

PetroPavlovsk PLC

Production Report for Q3 2018

PetroPavlovsk PLC ("PetroPavlovsk" or the "Company" or, together with its subsidiaries, the "Group") today issues its production results for the period from 1 July 2018 to 30 September 2018 (the "Period").

Q3 Highlights

Production

- Total gold production for the quarter was 102,000oz, of which 19,700oz was gold contained in concentrate compared to 104,000oz and no gold in concentrate in Q3 2017

POX Commissioning

- Development progress is on track with dry commissioning 80% complete and wet commissioning having commenced in October
- Site acceptance tests (SAT) and dry / wet commissioning is taking place under the supervision of Outotec with technical audit / quality control support from MOGAS Systems & Consulting ("MOGAS")
- Second flotation line at Malomir commissioned and now producing concentrate at full capacity

Elginskoye Permit Approval

- At the beginning of October, the Company received permit authorisation from the Russian authorities to develop and mine the Elginskoye deposit, which is considered a strategic deposit by the authorities due to the size of its mineral resources base (JORC Resources of 2.8Moz at 1.1g/t)
- Elginskoye forms part of the Albyn cluster of assets with mining expected to commence in 2019 and production in 2020
- The reserves as currently defined are for only a proportion of the overall deposit. The remainder of the zone continues to be explored for additional mineral resources

Exploration Update

- Additional high-grade refractory mineralisation for potential open pit extraction proved at down-dip extension at Promezhutochnaya (Pioneer)
- Prospective gold east of Katrin (Pioneer) identified in early stage exploration
- Further down dip extensions for potential underground mining identified at Albyn
- New zone of gold mineralization discovered near Kazimirovskaya (Albyn)

IRC Debt Refinancing and Renegotiation of PetroPavlovsk Guarantee

- Subject to legally binding documentation, a leading Russian bank has received credit committee approval for a new US\$240 million facility that will provide for a significant decrease in PetroPavlovsk's guarantee, subject to the satisfaction of certain conditions
- The transaction will be subject to shareholder approval at an EGM in Q4 2018 and is expected to be completed by the year end

IRC Railway Bridge

- The Russian and Chinese sections of the cross-border railway bridge over the Amur River were successfully connected in early October 2018

- IRC will benefit from reduced transportation distance and shipment time; the bridge will not only reduce K&S transportation costs by up to US\$5 per tonne but may also alleviate railway congestion in the region

Board Update

- The appointment of two additional Non-Executive Directors, with a broad range of skills and experience, serves to further strengthen the Board

Hedging and forward sales

- Forward contracts to sell an aggregate of c.250,000oz of gold at an average price of US\$1,252/oz remained outstanding as at 30 September 2018

FY 2018 Outlook

- Production: c.420,000 – 450,000oz, including gold in concentrate
- TCC: c.US\$750 - 800/oz
- AISC: c.US\$1,050 – 1,100/oz
- Capex: c.US\$105 - 110 million

Gold production (incl. sellable gold concentrate), '000oz

	Three months to 30 Sept 2018 (Q3 2018)	Three months to 30 Sept 2017 (Q3 2017)	Nine months to 30 Sept 2018 (YTD 2018)	Nine months to 30 Sept 2017 (YTD 2017)
Pioneer	30.2	35.4	108.8	131.8
Pokrovskiy	0.7	8.6	6.3	22.8
Malomir*	32.6	15.1	79.5	43.8
Albyn	38.5	44.9	108.8	138.0
Total	102.0	104.0	303.4	336.4

*Including gold in concentrate

CEO's Statement – Dr Pavel Maslovskiy

"I am pleased to confirm that Petropavlovsk has made good operational progress during Q3 2018 with the key management priority being the development and commissioning of the POX Hub at Pokrovskiy. In addition, significant progress has been made in assisting IRC to refinance their outstanding ICBC loan, which is ultimately expected to remove all the risks associated with Petropavlovsk's guarantee of IRC's debt.

POX Hub Development

In July we successfully commissioned the first flotation line at Malomir with the second 1.8Mtpa line coming on stream in October. Both lines are now operating at full capacity and have enabled us to continue building up our stockpile of high-grade concentrate ready for processing at the POX Hub.

By the end of December, we aim to grow our high-grade refractory concentrate stockpile to over 40,000 tonnes, with an average grade c.36g/t (equivalent to approximately 50,000oz Au). The higher-than-projected quality of concentrate is a direct result of technological improvements made by our in-house scientific team. The quantity of concentrate that will be produced by the end of the year is more than is required to feed the POX plant during the early ramp up phase and, as such, we are in active discussions with several parties regarding the possibility of selling some of the excess.

POX plant commissioning has been progressing in line with our development plan. As we carefully transition from dry (80% complete) to wet commissioning, we enter the final stages of the pre-launch process, the most challenging stage during which the plant will be operating at higher pressures and temperatures. However, we are confident that our experienced in-house team, alongside our long-term project partner Outotec and quality control experts

MOGAS Systems & Consulting, will successfully steer the project through this period, going on to oversee ramp up in 2019, when additional optimisation and fine tuning of parameters will take place.

A distinguishing feature of our POX operation is that the treatment process is carried out between four independent autoclave vessels. With a total designed processing capacity of up to 500Kt per annum, as we ramp up the Hub throughout 2019, we will be utilising only around 50% of overall capacity to meet FY2019 production. As such, the availability of excess capacity provides us with additional room / comfort to counter any possible issues during the designated ramp up period.

Elginskoye Permit Approval

In addition to the operational progress, at the beginning of October, the Company secured the permit from the Russian authorities to develop and mine the Elginskoye deposit. Elginskoye, in which we have a 75% interest, forms a significant part of our long term plan due to the substantial size of its mineral resource base (JORC Resources of 2.8Moz at 1.1g/t) and should provide the Albyn plant with ore-feed for at least 15 years. The granting of the permit places us in a comfortable position to commence mining at the site from 2019 (with production from 2020). It should be noted that the current reserves were defined only for the portion of Elginskoye scheduled for initial production - the remainder is subject to ongoing exploration. Our in-house geologists believe there is significant further potential to be delivered from this deposit.

IRC Refinancing

Further progress with a leading Russian lender has been achieved in assisting IRC to refinance their outstanding US\$204 million project finance debt to ICBC and the US\$30 million bridge loan from Petropavlovsk. In addition to a finalised term sheet, good progress has been made in completing the relevant documentation and we are aiming to conclude the deal by year end.

Upon completion and immediately after repayment by IRC to the Company of both the bridge loan (c.US\$30 million) and the guarantee fee (c.US\$6 million), as expected before the end of 2018, Petropavlovsk will guarantee 75% of the outstanding amount under the new facility (US\$180 million of US\$240 million). It is currently expected that part of the conditions to reduce Petropavlovsk's share of the guarantee down to 50% will be achieved during 2019, with a full decrease to 0% likely to be achieved before the end of 2020.

Summary

A difficult and unstable start to the year has meant that the senior management team faced the twin challenges of mitigating H1 planning mistakes and underperformance as well as applying renewed focus on H2 delivery. Notwithstanding these challenges, our experienced team, supported by a new Board, aspires to deliver not only within our full year guidance but also on our strategically important development plans, on time and on budget."

Operations Report

Pioneer

Pioneer mining operations

	Units	Three months to 30 Sept 2018 (Q3 2018)	Three months to 30 Sept 2017 (Q3 2017)	Nine months to 30 Sept 2018 (YTD 2018)	Nine months to 30 Sept 2017 (YTD 2017)
Total material moved	m ³ '000	4,350	4,432	13,799	11,638
Ore mined	t '000	353	4,162	2,883	7,096
Average grade	g/t	1.09	0.64	1.11	0.75
Gold content	oz. '000	12.3	86.0	103.0	171.1

Pioneer processing operations

Resin-in-pulp ("RIP") plant					
	Units	Three months to 30 Sept 2018 (Q3 2018)	Three months to 30 Sept 2017 (Q3 2017)	Nine months to 30 Sept 2018 (YTD 2018)	Nine months to 30 Sept 2017 (YTD 2017)
Total milled	t '000	1,598	1,742	4,865	5,091
Average grade	g/t	0.65	0.59	0.78	0.72
Gold content	oz. '000	33.4	33.0	122.2	118.4
Recovery	%	82.7	74.3	79.9	76.1

Gold recovered	oz. '000	27.6	24.5	97.6	90.1
Heap leach operations					
Total stacked	t '000	354	349	678.6	708
Average grade	g/t	0.50	0.47	0.50	0.49
Gold content	oz. '000	5.7	5.2	10.9	11.1
Recovery	%	63.9	48.5	42.7	43.8
Gold recovered	oz. '000	3.6	2.5	4.7	4.9
Pioneer gold production - Dore	oz. '000	30.2	35.4	108.8	131.8

In Q3 2018, open-pit mining continued at the pits of ore zones Yuzhny, NE Bakhmut, Alexandra and Kulisnaya (Pioneer) and Katrin (Pioneer satellite).

The main mining works took place at the Alexandra, Kulisnaya and NE Bakhmut pits, where ore with a grade of 0.5-0.7 g/t was mined. Ores mined in the Katrin pit averaged 1.8 g/t.

Unconsolidated oxidized ore, with an average grade of 0.8 g/t, was mined in the northern side of NE Bakhmut pit 6.2, whilst stripping and mining operations that began in late 2017 at NE Bakhmut pit 6.4, continued.

Underground mining development was carried out at NE Bakhmut 3 (beneath open pit 6.3) particularly in the interval of horizons +55m and -35m. The capital development, pre-production development and mine preparation works, including sublevels, have been completed, and the stoping of the main ore body (1-7) and associated ore bodies 1-7/2 and 1-7/4 has commenced.

Year to date, 103Kt of ore, with a grade of 2.7 g/t, has been extracted via the underground workings. In Q3 2018 RIP and heap leaching operated as planned.

In Q4 2018, the Company plans to fully complete the development of open pit 10 (Alexandra), the southern flank of the Yuzhny open pit as well as extraction of high-grade ores with grades of up to 4 g/t from NE Bakhmut pit 6.4.

Stope mining works are planned at the main ore body in the interval of horizons between -5m and +40m, as well as development of lower horizons between -5m and -50m in 2019.

Pokrovskiy

Pokrovskiy mining operations

	Units	Three months to 30 Sept 2018 (Q3 2018)	Three months to 30 Sept 2017 (Q3 2017)	Nine months to 30 Sept 2018 (YTD 2018)	Nine months to 30 Sept 2017 (YTD 2017)
Total material moved	m ³ '000	-	899	152	2,972
Ore mined	t '000	-	476	116	996
Average grade	g/t	-	0.51	0.59	0.51
Gold content	oz. '000	-	7.8	2.2	16.3

Pokrovskiy processing operations

Resin-in-pulp ("RIP") plant					
	Units	Three months to 30 Sept 2018 (Q3 2018)	Three months to 30 Sept 2017 (Q3 2017)	Nine months to 30 Sept 2018 (YTD 2018)	Nine months to 30 Sept 2017 (YTD 2017)
Total milled	t '000	-	464	223	1,352
Average grade	g/t	-	0.49	0.55	0.46
Gold content	oz. '000	-	7.4	4.0	19.8
Recovery	%	-	87.9	94.2	81.9
Gold recovered	oz. '000	-	6.5	3.7	16.2

Heap leach operations					
Total stacked	<i>t '000</i>	-	197	-	443
Average grade	<i>g/t</i>	-	0.39	-	0.39
Gold content	<i>oz. '000</i>	-	2.4	-	5.6
Recovery	<i>%</i>	-	52.6	-	35.6
Gold recovered	<i>oz. '000</i>	-	1.3	-	2.0
Pokrovskiy gold production - Dore	<i>oz. '000</i>	0.7	8.6	6.3	22.8

In the first half of the year, mining was completed at pit 1 (Zeysky), Vodorazdelny pit and Yuzhny pit (Pokrovka II). All the mined ore, together with the ore from the stockpiles, was processed at the Pokrovsky RIP plant. As a result, all of the mining operations at the deposit were complete. The RIP plant has been undergoing reconstruction in order to meet the needs of the POX hub.

Malomir

Malomir mining operations

	<i>Units</i>	Three months to 30 Sept 2018 (Q3 2018)	Three months to 30 Sept 2017 (Q3 2017)	Nine months to 30 Sept 2018 (YTD 2018)	Nine months to 30 Sept 2017 (YTD 2017)
Total material moved	<i>m³ '000</i>	1,837	2,325	6,082	7,451
Ore mined	<i>t '000</i>	776	757	2,085	2,191
Average grade	<i>g/t</i>	1.38	0.91	1.26	0.83
Gold content	<i>oz. '000</i>	34.5	22.3	84.4	58.3

Malomir processing operations

Resin-in-pulp ("RIP") plant

Ore milled	<i>t '000</i>	459	851	2,104	2,503
Average grade	<i>g/t</i>	1.27	0.88	1.18	0.82
Gold content	<i>oz. '000</i>	18.8	24.1	79.6	65.8
Recovery	<i>%</i>	70.8	63.8	72.0	61.3
Gold recovered	<i>oz. '000</i>	13.3	15.4	57.3	40.3
Gold production - Dore	<i>oz. '000</i>	13.0	15.1	59.8	43.8

Flotation plant

Ore milled	<i>000 t</i>	518	-	518	-
Grade	<i>g/t</i>	1.37	-	1.37	-
Gold content	<i>oz. '000</i>	22.7	-	22.7	-
Recovery	<i>%</i>	86.9	-	86.9	-
Concentrate yield	<i>%</i>	3.3	-	3.3	-
Concentrate produced	<i>000 t</i>	17	-	17	-
Grade	<i>g/t</i>	36.4	-	36.4	-

Gold content	oz. '000	19.7	-	19.7	-
Total gold production (dore + concentrate)	oz. '000	32.6	-	79.5	-

In Q3 2018, the mining of non-refractory ores continued at Quartzitovoye (Quartzitovoye and Dorozhny pits). Pit expansion continued at Magnetitovoye with the view to commence ore extraction in Q4 2018, and further develop the zone in 2019.

At the northern part of Quartzitovoye 1, horizon 470m level, the upper section of ore body 55 was stripped from waste and extracted down to horizon 440m. Underground mining took place below the 410m elevation.

At the Central open pit, mining of refractory ores continues and material is processed at the first line of the flotation plant. As a result of processing, 17Kt of concentrate with a grade of c.36.4 g/t, was produced during Q3 using flotation.

Underground mining development works were carried out at the Quartzitovoye 1 area. Capital development, pre-production development, and mine preparation works with sublevel development between the +375 m and +270 m levels, and stoping along the ore body 55 between the +390m and +285m in the northern and central parts of the ore body.

Year to date, 221Kt of ore with an average grade of 4.7 g/t was mined from the underground operation. Underground ore was blended with low grade open pit material and processed via RIP plant using cyanidation.

In Q4 2018, it is expected that mining of non-refractory ore will take place at Quartzitovoye 1 pit down to the horizon of 430m and the extraction of non-refractory ore residues at the pit Dorozhny will be finished. The Magnetitovoye pit will reach an elevation of 720m, where ore mining will begin.

Mining of refractory ore will continue at the Central pit, where in addition to low grade ores with a grade of 0.8-1.0 g/t, the high-grade ores, with a grade up to 2-3 g/t are anticipated. A significant amount (more than 1.7 million tonnes) of refractory ore has been stockpiled.

By the end of the year, underground workings are expected to reach +240m level. Q4 production will come from the stopes located between +345m and +390m levels in the southern section of ore body 55, whilst stopes located between +285m and +360m levels will be mined in the northern and central sections.

Albyn

Albyn mining operations

	Units	Three months to 30 Sept 2018 (Q3 2018)	Three months to 30 Sept 2017 (Q3 2017)	Nine months to 30 Sept 2018 (YTD 2018)	Nine months to 30 Sept 2017 (YTD 2017)
Total material moved	m ³ '000	4,342	7,777	14,449	22,719
Ore mined	t '000	1,060	1,044	2,937	3,677
Average grade	g/t	1.12	1.10	1.02	1.13
Gold content	oz. '000	38.3	37.0	96.6	133.5

Albyn processing operations

Resin-in-pulp ("RIP") plant					
	Units	Three months to 30 Sept 2018 (Q3 2018)	Three months to 30 Sept 2017 (Q3 2017)	Nine months to 30 Sept 2018 (YTD 2018)	Nine months to 30 Sept 2017 (YTD 2017)
Total milled	t '000	1,163	1,175	3,454	3,464
Average grade	g/t	1.11	1.15	1.04	1.15
Gold content	oz. '000	41.6	43.3	115.6	127.6
Recovery	%	94.1	93.4	94.0	93.1
Gold recovered	oz. '000	39.1	40.4	108.7	118.8

Albyn gold production - Dore	oz. '000	38.5	44.9	108.8	138.0
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In Q3 2018, the overburden removal and mining works continued at the eastern, central and southern areas of the Central pit, in addition the development of the pit North-Western 1 (Sukholozhskoye) was finished.

During the first 9 months of the year, ores from the eastern and western flanks were mined at the Central pit while mining of the main high-grade ores, with a grade of 1.5 g/t at the central flank, commenced.

In Q4 2018, the central section of the pit is expected to be fully developed to the horizon 520m.

POX Development Update

This quarter, the project had the best month-to-month progress to date. Site acceptance tests (SAT), dry and cold commissioning of certain sections of the facility, are well under way and project development is on track for POX plant hot commissioning in December. Civil, structural, mechanical and electrical construction works are essentially complete.

The oxygen plant now has an emergency liquid storage and oxygen distribution section, both of which are essentially complete with hot commissioning currently under way. The area has been operationally tested and rectification work is taking place. The oxygen plant is expected to be ready to produce first oxygen by the end of October 2018.

Control and instrumentation work is complete with 972 loops of a total of 1,175 (83%) checked. The first of our four autoclaves is expected to be ready for brick curing in November with other autoclaves to follow.

The Central Control Room Building is complete, with the building functional and currently occupied. The control system has been installed and the SAT is progressing well.

Within the framework of construction supervision, specialists from Outotec are present on site alongside technical auditors MOGAS. The remit of MOGAS, as an independent contractor, extends to project implementation and quality control, providing management with detailed monthly reporting and recommendations.

The current development status allows for comprehensive pre-hot commissioning that would positively impact the overall project reducing hot commissioning risks. It is reassuring to note that the operational team is now functional and actively involved with the SAT.

It is expected that full hot commissioning of the POX plant will occur in Q4 with the plant fully completed and operational by the end of Q1 next year.

Malomir Flotation Plant

The first flotation line at Malomir was successfully commissioned in July and has been fully operational during Q3, producing 17kt of concentrate with an average grade of c.36g/t (19.7koz of contained gold). The concentrate has been stockpiled on site pending shipping to the Pokrovskiy POX hub or potentially to third party buyers.

The second flotation line was successfully commissioned at the beginning of October and is now fully operational. A total of 43kt of concentrate containing c.50koz of gold is expected to be produced by the year end. This includes concentrate produced to date.

Exploration Update

Pioneer

In Q3 2018 exploration continued at Andreevskaya, Shirokaya, Nikolaevskaya, Katrin and Zvezdochka.

Thirteen drill holes (3,915m) were drilled at Promezhutochnaya Zone, which is one of the principal Pioneer refractory ore bodies. Sample preparation and assays from this drilling are still in progress. The results received so far indicated a further 50 to 150m down dip ore body extension with best intersections at a 0.4g/t open pit mining cutoff grade. The results include:

- 45.2m @ 2.94g/t (C-6025)
- 56.9m @ 0.93g/t. (C-6019)
- 13.0m @ 1.15g/t + 33.5m @ 0.84g/t (C-6044)

- 54.5m @ 0.82g/t (C-6017)
- 39.9m @ 0.98g/t (C-6015)
- 42.0 @ 0.80g/t (C-6041)

These results when incorporated in the resource estimate are likely to increase refractory open pit reserves for the area. Mineralisation remains open at depth; potential exists for discovery of further resources for potential underground mining.

Zvezdochka: exploration identified additional high-grade non-refractory material as well as low grade refractory mineralisation. Best intersections from this area include:

- 11.1m @ 3.80g/t (C-2789)
- 7.1m @ 1.97g/t (C-2789)
- 11.2m @ 0.92g/t (C-2790)

These results are likely to increase Zvezdochka open pit Resources and Reserves. Drilling at the Andreevskaya zone identified further extensions of mineralisation potentially suitable for underground mining. List of the new significant intersections include:

- 3.3m @ 3.05g/t (C-5639)
- 0.9m @ 18.40g/t (C-5676)
- 2.2m @ 13.08g/t (C-5523)
- 2.2m @ 128.00g/t (C-5571)
- 0.9m @ 6.60g/t (C-5593)

The majority of Andreevskaya 2018 drilling was to in-fill the existing drill pattern aiming to improve confidence in the Resource and Reserve estimates ahead of underground mine development. As such, the extensions identified are relatively small and only a minor increase in the Andreevskaya Resources and Reserves is expected as the result of this work.

Deep drilling at Nikolaevskaya proved further down-dip extensions of the high-grade pay shoot discovered in 2017. Best drill intersections include 1.3m @ 23.10g/t and 1.0m @ 8.00g/t (both C-2332). Drilling here is in progress. This exploration is likely to result in an increase in the refractory Mineral Resource for potential underground extraction.

A new (albeit small) zone of mineralisation was identified and explored within North East Bakhmut 6.4 pit. The zone is c.250m with east-west strike dipping in a northern direction at 60 to 70 degrees. It was drilled over 40m spaced profiles to a depth of up to 130m from surface and remains open down dip. Best drill intersections include:

- 7.0m @ 4.84g/t (C-6438)
- 6.4m @ 2.60g/t (C-6403B)
- 2.0m @ 4.33g/t (C-6437)

This new discovery is expected to increase the refractory open pit Reserves of the area.

Early stage sparse exploration drilling at Katrin identified further 500m extensions of gold mineralisation in the east direction towards the Zheltunak deposit. To date gold grades identified here are low, below 0.7g/t. Nevertheless, this exploration proves a significant mineralised trend exists between Katrin and Zheltunak. Therefore, Group geologists believe this area offers potential for discovery of further non-refractory high-grade satellite deposits for Pioneer.

Q3 2018 drilling at Shirokaya proved gold mineralization extends to a depth of 400m from surface with no indication of pinching out.

Albyn

Exploration of the gold mineralisation continued at deeper extensions below the Main pit at Albyn. Further four drill holes were drilled in Q3.

Significant Albyn intersections include:

- 2.9m @ 9.05g/t (C-221-24)

- 4.3m @ 4.08g/t (C-225-26)

Deep drilling at Albyn confirms that mineralisation, potentially suitable for underground extraction, extends to a depth of at least 470m from surface with an explored strike length of 560m. It remains open in both down dip and strike directions.

In Q3 trenching and drilling started at Verkhne-Mayskiy, Kazimirovskiy, Georgievskiy and Astrochka Albyn satellite targets, all situated within the Afanasevskaya license. These targets were identified as a result of geochemical surveys and evaluation of historical data, undertaken in 2017 and earlier in 2018. The most significant results received from Kazimirovskiy was a 320m-long mineralised zone with intersections with an identified grade of between 2.55 and 3.85g/t. The zone is open in all directions and there is a potential to discover a viable open pit mining target, providing additional ore for the Albyn RIP plant.

Refinancing of ICBC Project Finance Facility

In June 2018, Petropavlovsk, the major shareholder of IRC and the guarantor of the ICBC Facility, provided IRC with a c.US\$30 million bridge loan (“Bridge Loan”) in order to help IRC repay its June instalment under the ICBC Facility. ICBC also showed its support to IRC by granting covenant waivers and waiving the need to maintain a deposit account.

In September 2018, IRC and Petropavlovsk were 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 K&S GOK, a wholly owned subsidiary of IRC (the “Borrower”).

The New Facility will be used to repay the ICBC Facility in full and thereafter to repay Petropavlovsk by December 2018 the Rouble equivalent of c.US\$30 million as full repayment inclusive of interest for the Bridge Loan, as well as the payment of a c.US\$6 million guarantee 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 total of US\$204 million to repay ICBC, the US\$30 million repayment of the bridge finance and the c.US\$6 million guarantee fee.

Under the proposed arrangements, the full release of Petropavlovsk's obligations as a guarantor of IRC's borrowings will happen in stages, eventually reducing Petropavlovsk's balance sheet exposure down to zero, subject to the fulfilling of certain conditions. Immediately upon repayment by IRC to the Company of the Bridge Loan amount and the Guarantee Fee, as expected before the end of 2018, Petropavlovsk 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% is expected to be achieved during 2019, whilst the full obligation will be removed before the end of 2020.

In parallel, Petropavlovsk's obligations will decrease in line with the amounts outstanding under the New Facility, periodically 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 pursuant to the New Facility will constitute a Class 1 transaction for Petropavlovsk under the Listing Rules and, as such, completion of the transaction will be conditional upon the approval of Petropavlovsk'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.

Board Update

As part of the Company's commitment to corporate governance, following an extensive search and selection process, Petropavlovsk recently announced the appointment of Mr. James W. Cameron Jr and Mr. Damien Hackett as Independent Non-Executive Directors, effective 15 October 2018. These new appointments mean that the Company now has three independent Directors with a diverse range of skills and experience.

Mr. Cameron, a US qualified lawyer, has extensive international experience, providing expertise and consulting services for companies, especially in the natural resources sector within Russia and the former Soviet Union, since 1988. He was formerly Founder, CEO and Chairman of Occupational Urgent Care Systems Inc., a company that traded on the NASDAQ National Market System until it was sold in 1992.

Mr. Hackett is Chairman of UrAmerica Ltd, a private uranium exploration company in Argentina. Mr. Hackett has 26 years' critical research experience covering globally diverse mining companies, initially as Global Head of Mining Research with Credit Suisse First Boston in Australia, following which he held similar roles with Credit Suisse and Canaccord Genuity in London. Latterly he was Vice Chairman Mining Advisory at Canaccord Genuity and responsible for developing investment themes in metals and mining across North America, Europe, Russia and Australia. Mr. Hackett's early career in resources was grounded in 4 years of exploration, resource development and mining in Western Australia followed by 7 years in mineral exploration and economic assessment in Saudi Arabia. Mr. Hackett holds a Bachelor of Science from the Australian National University in Canberra.

In addition to the above, Mr. Peter Hambro, who co-founded the Company with Dr. Pavel Maslovskiy, has been appointed to the non-Board position of President of the Company and has agreed to act as Senior Adviser to the Board.

FY 2018 Outlook

FY 2018 guidance reiterated as follows:

- Total gold production for the full year is expected to be within the range of c.420,000 – 450,000oz, including sellable gold in concentrate
- 2018 full year TCC is expected to be within US\$750 – 800/oz, a significant improvement on the US\$899/oz result reported for H1 2018
- Group AISC for the full year of 2018 expected to be c.US\$1,050 – 1,100/oz (a decrease compared to H1 2018 of US\$1,138/oz) mainly due to a decrease in production costs through operational optimisation being undertaken during H2 2018
- Capex for the year is expected to be c.US\$105 - 110 million, broadly in line with previous guidance, of which c.US\$70 million relates to the POX Hub and the flotation plant at Malomir

IRC Update

IRC Limited is a producer and developer of industrial commodities with its shares quoted on the Hong Kong Stock Exchange (Stock Code 1029). Petropavlovsk is a major shareholder in IRC, with a holding of 31.1%. On 16 October 2018, IRC announced that the Russian and Chinese sections of the cross-border railway bridge over the Amur River were successfully connected.

Key highlights from this report are as follows:

- The span between the fourth pier, belonging to Russia, and the fifth pier, belonging to China, was successfully joined during the week commencing 8 October 2018
- The bridge is approximately 2.2 km in length with two pairs of railway tracks. Construction is expected to be completed in mid-2019
- The K&S mine is situated approximately 240 km from the bridge site and IRC's nearest customer in China is approximately 180 km away from the bridge
- IRC will benefit from the bridge with reduced transportation distance and shipment time; the bridge will not only reduce K&S transportation costs by up to US\$5 per tonne but may also alleviate any railway congestion in the region

Please refer to the IRC website, <http://www.ircgroup.com.hk>, to access the full release.

About Petropavlovsk

With a Premium Listing on the London Stock Exchange, Petropavlovsk (LSE: POG) is one of Russia's largest gold producers. The Pioneer, Malomir and Albyn gold mines, as well as the Pokrovskiy and Blagoveschensk processing and R&D facilities, are all located in the Amur Region, the Russian Far East.

With total JORC Resources of almost 21Moz Au and a combined license area of over 3,000km², the Company has produced approximately 7Moz of gold since the commencement of its operations. Petropavlovsk is one of the region's largest employers and remains one of the largest contributors to the sustainable development of the local economy.

Gold production is poised to increase following the commissioning of a cutting edge technology which will extract gold from the Company's refractory ore through a pressure oxidation process, currently nearing completing at Pokrovskiy (the POX Hub). When fully commissioned, the POX Hub will have the capacity to treat approximately 500K tonnes of refractory concentrate each year. The new high grade underground operations at Pioneer and Malomir will further improve the gold production profile as they reach steady state over the near term whilst the Company looks to further increase the life of its mines through exploration.

Petropavlovsk is a shareholder (31.1%) of Hong-Kong listed IRC Limited, a vertically integrated Russian Far East iron ore producer. Petropavlovsk is the guarantor of IRC's US\$340 million project finance facility, of which US\$204 million was outstanding as at 30 September 2018.

Enquiries

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

Cautionary note on 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 future price of gold, the Group's results of operations, financial position, liquidity, prospects, growth, estimation of mineral reserves and resources and strategies, and exchange rates and the expectations of the industry. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances [outside the control of the Group. 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 results and/or developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, demand, supply and prices for gold and other long-term commodity price assumptions (and their effect on the timing and feasibility of future projects and developments), trends in the gold mining industry and conditions of the international gold markets, competition, actions and activities of governmental authorities (including changes in laws, regulations or taxation), currency fluctuations (including as between the US Dollar and Rouble), the Group's ability to recover its reserves or develop new reserves, changes in its business strategy, any litigation, and political and economic uncertainty. Except as required by applicable law, rule or regulation (including the Listing and Disclosure Guidance and Transparency Rules), the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a

result of new information, future events or otherwise. Past performance cannot be relied on as a guide to future performance. The content of websites referred to in this announcement does not form part of this announcement.