



PRESS RELEASE

27 November 2018

Petrovavlovsk PLC

Successful Commissioning of the Pressure Oxidation Hub at Pokrovskiy and IRC Project Facility Refinancing Update

Petrovavlovsk PLC ("Petrovavlovsk" or the "Company" or, together with its subsidiaries, the "Group") today announces the successful progress in the commissioning of the Company's Pressure Oxidation (POX) Hub, located at the site of the Pokrovskiy mine, as well as an update on the refinancing of the IRC project finance facility.

Key Highlights

Pressure Oxidation Commissioning

- Autoclave 1, alongside its supporting infrastructure and equipment, has successfully been put through hot commissioning
- First refractory ore concentrate processing scheduled for 28 November
- Initial success suggests the Company is on track for gold production from the POX plant in Q1 2019, with production ramping up throughout 2019

Refinancing of the IRC Project Finance Facility

- The Group is in the final stages of concluding the refinancing agreement and subsequent staged guarantee reduction of a new US\$240 million facility with a leading Russian Bank ("Bank")
- The transaction is subject to approval by shareholders at a General Meeting expected to be held in January 2019 with funds available for draw down later that month
- Discussions with ICBC are at an advanced stage with a view to IRC obtaining a waiver for the upcoming 20 December 2018 payment until the refinancing is finalised

Hot Commissioning of Autoclave 1 – Operational Details

During the week commencing 5 November 2018, the Group's in-house pressure oxidation experts together with our partners from Outotec, MOGAS Systems & Consulting and representatives from various equipment manufacturers, successfully commenced hot commissioning of the first of four autoclaves, associated flash tanks, high pressure circuits and concentrate re-grinding and lime preparation sections of the POX facility.

The hot commissioning process involved filling autoclave 1 with an acid solution, which replicates the usual operational conditions under which the autoclave is processing refractory concentrate. The autoclave vessel was heated in stages over a period of three days, before being allowed to cool down over a period of two days. The hot commissioning process helped to expose certain minor defects, including a leak caused by a faulty seal within an agitator. All defects have now been rectified and the autoclave is being heated in preparation for final commissioning tests with refractory ore concentrate, scheduled for 28 November. The flash tanks and receivers associated with autoclave vessel 1 have also successfully passed the hot commissioning stage.

In addition, management are pleased to confirm that both the cold and wet commissioning of all other principal equipment at the POX and filtration sections of the plant have been completed, with wet commissioning confirming the quality of the welding and piping work at the POX section of the plant. The concentrate loading, re-grinding and lime preparation sections (formerly part of the Pokrovskiy RIP plant) have also been commissioned, and first concentrate and limestone are currently being loaded into the plant ahead of autoclave commissioning using refractory ore concentrate.

The oxygen plant has been fully commissioned and is being prepared to commence oxygen production to supply autoclave 1 once tests on refractory concentrate begin later this week.

The Company is on track for maiden gold production from the POX plant shortly and to ramping up to sustainable commercial production throughout 2019.

IRC Debt Refinancing and Renegotiation of Petropavlovsk Guarantee

The Company announced on 24 September 2018 that IRC and Petropavlovsk had been advised by the Bank, that its credit committee had granted approval for a new US\$240 million facility ("New Facility") to be provided to LLC KS GOK, a wholly owned subsidiary of IRC Limited ("IRC"). The New Facility will be used to refinance IRC's outstanding US\$204 million project finance facility with Industrial and Commercial Bank of China Ltd ("ICBC"), as well as pay back US\$36 million to Petropavlovsk in relation to its short term loan and costs associated with the loan. Petropavlovsk acts as guarantor for the ICBC Facility and has a 31.1% shareholding in IRC.

Pursuant to the New Facility, the Company will be required to provide a new, reduced, guarantee ("Guarantee") to the Bank which will constitute a Class 1 Transaction under the Listing Rules of the Financial Conduct Authority and, as such, completion of the transaction will be conditional, among other things, upon the passing of a resolution by Petropavlovsk's shareholders at a general meeting.

The Company reports that significant progress has been made in connection with the New Facility and formal documentation is being finalised. It is expected that the New Facility will be entered into in mid-December 2018, conditional upon, among other things, entry into the Guarantee, which is subject to shareholder approval. A circular to convene the general meeting and setting out full details of the New Facility and Guarantee will be distributed to shareholders shortly thereafter. On this basis, the replacement of the ICBC Facility will take place in January 2019.

Under the proposed arrangements, the full release of Petropavlovsk's obligations under the Guarantee will happen in stages. It is anticipated that a reduction in the Company's guarantee obligations to zero will be achieved before the end of 2020.

It was noted in the Company's Half Year Report, announced on 27 September 2018, that the next scheduled repayment instalment under the ICBC Facility of US\$29.75 million is due on 20 December 2018. IRC and Petropavlovsk are at an advanced stage in discussions to obtain a waiver from ICBC in respect of the 20 December 2018 repayment and expect this to be received during December, prior to the publication of the circular. In addition, the Company and IRC are in discussions to postpone the repayment of the bridge loan provided by the Company to IRC in June 2018, until the New Facility is complete and has been drawn down.

The implementation of the refinancing transaction described herein remains subject to the agreement and execution of legally binding finance documentation, concluding the granting of security and other conditions precedent typical for a transaction of this nature. Though management at Petropavlovsk have been satisfied with the progress to date, there can be no certainty that these arrangements will be successfully implemented.

Accordingly, both IRC and the Company are also prepared to fund the 20 December repayment which may include Petropavlovsk providing a further bridge loan to IRC.

CEO's Statement – Dr Pavel Maslovskiy

"The POX operations are the key to unlocking the significant value embedded in Petropavlovsk, partly contained in our 9.6Moz of refractory gold resources in highly prospective, easily accessible, low strip deposits. Having worked on this project for almost a decade, the Petropavlovsk POX team have reached a key milestone by commissioning the first of four autoclaves. The commissioning tests using refractory ore concentrate are scheduled for 28 November and we look forward to our maiden production from the autoclave in the very near future. As we proceed in line with our launch schedule, I expect a ramp up of the POX facility throughout the year, materially contributing towards our full year production target of c.500Koz of gold per annum.

I am also pleased to report tangible progress in assisting IRC to refinance its outstanding US\$204 million project finance facility, for which Petropavlovsk acts as guarantor. Following credit committee approval by a leading Russian lender for the new facility in Q3 2018, a final term was received and legal documentation is in its closing stages. It is anticipated that documentation will be entered into in December subject to shareholder approval at a general meeting to be convened in January 2019, with funds available to be drawn down later that month.

The refinancing of the guarantee is an important catalyst for the Group and it is worth reminding investors that 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), 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% anticipated to be achieved before the end of 2020.

IRC are in advanced discussions with ICBC regarding granting of a waiver for the 20 December repayment. I am hopeful that a waiver will be forthcoming based on the similar supportive stance shown by ICBC in previous arrangements with the Group."

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

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

Petropavlovsk PLC

Alya Samokhvalova
+44 (0) 20 7201 8900
TeamIR@petropavlovsk.net

Buchanan

Bobby Morse
Chris Judd
+44 (0) 207 466 5000
POG@buchanan.uk.com

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.