



PRESS RELEASE

19 December 2018

Petropavlovsk PLC

Update on IRC Loan Refinancing Transaction

Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group") is pleased to make this further announcement in connection with the proposed refinancing of IRC Limited's ("IRC") outstanding project finance facility with Industrial and Commercial Bank of China Ltd ("ICBC") (the "ICBC Facility"). Petropavlovsk acts as guarantor for the ICBC Facility and has a 31.1% shareholding in IRC.

Highlights

- The first stage of Petropavlovsk's plan to reduce its guarantee to ICBC is completed with IRC entering into a new US\$240 million facility (the "New Facility") with Gazprombank (Joint-Stock Company) ("Gazprombank"). The amount of Petropavlovsk's current guarantee will initially reduce from US\$204 million to US\$160 million being a US\$120 million corporate guarantee ("the Corporate Guarantee") and a US\$40 million two year fixed guarantee. The Corporate Guarantee will be released subject to certain operational conditions of the K&S project being satisfied, which are expected to be completed within two to three years.
- The New Facility:
 - Provides IRC with an extended period to repay its debt finance and will mature in 2026.
 - Is on more favourable terms than the existing ICBC facility.
 - Consists of two tranches, with the first tranche being amortised over the life of the loan and the second tranche of US\$80 million being payable in full at the end of the term of the New Facility.The New Facility is expected to alleviate the cashflow position of IRC and provide it with a more manageable repayment schedule in comparison to the ICBC Facility
- IRC has been granted waivers by ICBC, subject to the fulfilment of certain conditions precedent, from the obligations to maintain a debt service reserve account and for K&S and Petropavlovsk to comply with certain financial covenants until the earlier of the date on which the security under the ICBC Facility is released and 21 March 2019.
- The Board of IRC has today announced that Mr Peter Hambro, a Non-Executive Director of IRC, has been appointed as Non-Executive Chairman of IRC with immediate effect. Consequently, Mr Hambro will no longer act as the Company's nominee director on the IRC Board. Mr Hambro will continue to be the President of Petropavlovsk and Senior Adviser to the Board on issues where there is no conflict with his Chairmanship of IRC.

New Facility

IRC has today advised that its wholly owned subsidiary LLC Kimkano-Sutarsky Mining and Beneficiation Plant (K&S) has entered into a new US\$240 million facility (the "New Facility") with Gazprombank (Joint-Stock Company) ("Gazprombank").

The New Facility will consist of two tranches. The principal under the first tranche amounts to US\$160 million with interest being charged at 5.7% above LIBOR per annum and will amortise over the life of the loan. The second tranche of US\$80 million has an interest rate of 7.7% above LIBOR per annum and is repayable at the end of the term of the New Facility.

This is a first stage in Petropavlovsk's plan to reduce its guarantee exposure to the IRC Group. Under the proposed terms, the Company will provide the US\$120 million Corporate Guarantee and three US\$40 million sequential two year fixed term guarantees and from the sixth anniversary of first utilisation a further US\$120 million guarantee. The total initial guarantee will therefore be for US\$160 million which should reduce to US\$40 million subject to certain operational conditions at the K&S project being met. . For the final year of the New Facility, the guarantee will increase to US\$120 million to cover the final principal and interest repayments.

The four fixed term guarantees, the first three with maximum liability of US\$40 million each and the final with maximum liability of US\$120 million, will come into effect consecutively, commencing on the date of the first utilisation of the New Facility and will be effective for two years each (the 'Fixed Term Guarantees').

The provision of the Corporate and Fixed Term Guarantees (the "Guarantees") will in aggregate constitute a Class 1 Transaction under the Listing Rules of the Financial Conduct Authority and, as such, utilisation of the New Facility will be conditional, among other things, upon the passing of a resolution by Petropavlovsk's shareholders at a general meeting. It is expected that a circular setting out details of the New Facility and Guarantees and convening a general meeting will be distributed to shareholders in January 2019 with the general meeting taking place in February 2019. On this basis, and subject to shareholder approval, the replacement of the ICBC Facility is expected to take place in February 2019, with funds available for draw down later that month.

In the interim, the Company has agreed to provide IRC with a further bridging loan, in the amount of US\$27 million at an interest rate of 16% p.a. (the "Bridge Loan") to enable K&S to pay its half-yearly debt service of interest and principal due under the ICBC Facility on 20 December 2018. The bridge loan will be repaid to Petropavlovsk upon full completion of the New Facility which is expected to be in late February 2019. The Company has also agreed to extend the existing bridge loan of c.US\$30 million to the later of utilisation of the New Facility and 21 March 2019. Taken together the two bridge loans due for repayment will amount to approximately US\$57 million. In addition to this IRC will repay to Petropavlovsk the guarantee fee of approximately US\$6 million owed by IRC to Petropavlovsk in respect of the ICBC Facility and certain other associated costs.

The Company's liquidity position significantly strengthened after entering into a number of gold sales contracts with Gazprombank and is sufficient to finance the second bridge loan to IRC and for general operational purposes. The arrangements are set up for the next 24 months and provide the Group with the flexibility during the POX plant ramp up period.

Following the scheduled 20 December repayment by K&S under the ICBC Facility, the total amount outstanding under the ICBC Facility will be c.US\$169 million which is expected to be repaid in full using the New Facility.

ICBC Waiver Update

In addition, IRC has announced today that it has been granted waivers by ICBC subject to the fulfilment of certain conditions precedent, which include the payment by IRC of approximately US\$5.4 million in favour of ICBC Moscow and the scheduled 20 December 2018 repayment ("Waiver Conditions Precedent") and thus reducing the total outstanding amount of the debt.

Effective immediately upon fulfilment of the Waiver Conditions Precedent, ICBC has granted K&S a waiver from the obligations to maintain a debt service reserve account and for K&S and Petropavlovsk to comply with certain financial covenants until the earlier of the date on which the security under the ICBC Facility is released and 21 March 2019.

CEO's Statement – Dr Pavel Maslovskiy

"Petropavlovsk has taken a decisive step in de-risking the Company's liability with regard to IRC's debt obligations. The attractive terms of the New Facility with Gazprombank provide IRC with the ability to maintain its ramp up to full production, generating sufficient cash to meet its repayment schedule whilst Petropavlovsk's guarantee obligations will be reduced.

With the twin events of concluding the restructuring of the IRC Facility, and with the successful ongoing ramp up of Petropavlovsk's Pressure Oxidation Hub, the Company is poised to generate returns for its stakeholders in 2019 and beyond.

We look forward to obtaining shareholder support for the Guarantee at the forthcoming general meeting."

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 Blagoveshchensk 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 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- 6 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.