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If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000, if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you sell or transfer or have sold or transferred all of your Ordinary Shares, please forward this document, but not the personalised Form of Proxy enclosed with it, as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through or to whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document. If you receive this document from another Shareholder, as transferee, please contact the Company's Registrar for a Form of Proxy. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

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PETROPAVLOVSK

PETROPAVLOVSK PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4343841)

**PROPOSED ISSUE OF SHARES BY IRC LIMITED
CIRCULAR TO SHAREHOLDERS AND
NOTICE OF GENERAL MEETING OF THE COMPANY**

Your attention is drawn to the letter to Shareholders from Peter Hambro, the Chairman of Petropavlovsk, which is set out in Part I (Letter from the Chairman of Petropavlovsk) of this document in which the Board unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting of the Company. Please read the whole of this Circular and consider whether to vote in favour of the Resolution in light of the information contained in this document. In particular, please note the risks and uncertainties that might affect the value of your shareholding in Petropavlovsk, which are set out in Part II (Risk Factors) of this document.

A notice convening a general meeting of the Company to be held at 11.00 a.m. on 7 March 2013 at 11 Grosvenor Place, London SW1X 7HH is set out at the end of this document. A Form of Proxy for use at the General Meeting is also enclosed with this document. Whether or not you intend to attend the General Meeting in person, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received by the Registrar no later than 11.00 a.m. on 5 March 2013. Forms of Proxy received after this time will be invalid. If you hold your Ordinary Shares in uncertificated form (i.e. in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant ID RA10) by no later than 11.00 a.m. on 5 March 2013. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Completion and posting of the Form of Proxy or completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting in person at the General Meeting, if you wish to do so.

J.P. Morgan Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Petropavlovsk, and no one else, in connection with the Transaction, and will not be responsible to any person other than Petropavlovsk for providing protections afforded to customers of J.P. Morgan Limited or for advising any person on the Transaction, the contents of this document or any transaction or arrangement referred to herein.

Unless otherwise defined herein, capitalised terms have the meanings ascribed to them in Part IX (Definitions and Glossary) of this document.

18 February 2013

IMPORTANT NOTICE

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about, and observe, any applicable restrictions or requirements. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. This document has been prepared for the purposes of complying with English law and the Listing Rules and the applicable rules and the information disclosed may not be the same as those which would have applied and that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England and Wales.

This document and any accompanying documents do not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to the document or otherwise in any jurisdiction in which such offer or solicitation is unlawful. This document does not comprise a prospectus or a prospectus equivalent document.

No person has been authorised to give any information or to make any representations other than as may be contained in this Circular and, if given or made, such information or representations must not be relied on as having been authorised by the Company or J.P. Morgan Limited.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out herein since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Petropavlovsk or the Group, or of IRC, or of the Continuing Group, or of the IRC Group, except where otherwise stated.

FORWARD LOOKING STATEMENTS

This document contains forward looking statements which are subject to assumptions, risks and uncertainties. The Company believes that the expectations reflected in these forward-looking statements are reasonable. However, there can be no assurance that these expectations will prove to have been correct. Since these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward looking statements.

The Company does not undertake any obligation to update publicly or revise any forward looking statement as a result of new information, future events or other information, other than as required by the Listing Rules, Disclosure Rules, Prospectus Rules, the rules of the London Stock Exchange or by any other applicable law.

The statements above relating to forward looking statements should not be construed as a qualification to the opinion of the Company as to working capital set out in paragraph 8 of Part VIII (Additional Information) of this document.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Mr Peter Hambro Mr Sergey Ermolenko Mr Andrey Maruta Dr Alya Samokhvalova Mr Martin Smith Dr Graham Birch Sir Malcolm Field Field Marshal the Lord Guthrie of Craigiebank Sir Roderic Lyne Mr Charles McVeigh III Dr David Humphreys Ms Rachel English	<i>(Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Chief Financial Officer)</i> <i>(Strategic Director)</i> <i>(Deputy Chief Executive Officer)</i> <i>(Senior Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i>
Company Secretary	Ms Amanda Whalley	
Registered Office	11 Grosvenor Place London SW1X 7HH	
Sponsor	J.P. Morgan Limited 25 Bank Street Canary Wharf London E14 5JP	
Legal Advisers to the Company	Norton Rose LLP 3 More London Riverside London SE1 2AQ	
Auditors and Reporting Accountants	Deloitte LLP 2 New Street Square London EC4A 3BZ	
Registrar and Receiving Agent	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

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Expected Timetable of Principal Events

Publication of this Circular	18 February 2013
Latest time and date for receipt of Forms of Proxy for the General Meeting	11.00 a.m. on 5 March 2013
General Meeting	11.00 a.m. on 7 March 2013
Final date for exercise of General Nice Right (assuming that the First Completion takes place on 3 April 2013)	3 October 2013

Notes:

The times and dates set out in the expected timetable of principal events above and mentioned throughout this Circular are indicative only and subject to change.

If any of the times and/or dates change, the revised times and/or dates will be notified by the Company by announcement through a Regulatory Information Service.

References to times in this document are to London time.

EXCHANGE RATE

Save where otherwise stated, the following exchange rate is applied in this document:

US\$1.00: HK\$7.75

US\$1.00: RMB 6.22

Part I

Letter from the Chairman of Petropavlovsk



PETROPAVLOVSK

*(incorporated and registered in England and Wales under the Companies Act 1985
with registered number 4343841)*

Directors

Mr Peter Hambro
Mr Sergey Ermolenko
Mr Andrey Maruta
Dr Alya Samokhvalova
Mr Martin Smith
Dr Graham Birch
Sir Malcolm Field
Field Marshal the Lord Guthrie of Craigiebank
Sir Roderic Lyne
Mr Charles McVeigh III
Dr David Humphreys
Ms Rachel English

Registered Office

11 Grosvenor Place
London
SW1X 7HH

18 February 2013

Dear Shareholder,

Proposed issue of shares by IRC

1 Introduction and summary of the Transaction

I am writing further to our announcement on 17 January 2013 of a potential approximately US\$238 million investment in IRC, a Hong Kong-listed company of which Petropavlovsk currently holds 63.13 per cent. of the 3,494,034,301 IRC Shares currently in issue. Implementation of the Transaction is subject to a number of conditions (as described more fully in Part VI (Principal Terms of the Transaction Documentation)) including, for the reasons set out below, approval by Shareholders.

On 17 January 2013, IRC entered into the General Nice Subscription Agreement with General Nice (a member of a group of companies which collectively is one of the largest Chinese coking coal importers) and into the Minmetals Cheerglory Subscription Agreement with Minmetals Cheerglory (a wholly-owned subsidiary of China Minmetals Corporation, one of China's largest state-owned metals and mining corporations). The conditional agreements provide for an aggregate investment by General Nice and Minmetals Cheerglory in IRC Shares of up to approximately US\$238 million.

Pursuant to the General Nice Subscription Agreement, General Nice may be issued up to a total of 1,715,200,000 IRC Shares at a price of HK\$0.94 (approximately US\$0.12) per IRC Share. General Nice has conditionally agreed to subscribe for, and IRC has conditionally agreed to allot and issue to General Nice, 817,536,000 initial Subscription Shares at the First Completion. Up to a further 34,064,000 IRC Shares (**Deferred Shares**), for which General Nice will pay at First Completion, are to be allocated and issued at a later date as described below. Under the General Nice Subscription Agreement, IRC has also granted General

Nice the General Nice Right to subscribe for 863,600,000 Further Shares, which right may be exercised at General Nice's discretion during the General Nice Exercise Period.

The allotment and issue of the Deferred Shares (notwithstanding that an amount equal to the subscription price in respect thereof will have been paid at First Completion) will only take place (absent breach of the General Nice Subscription Agreement by IRC), at the Second Completion, if General Nice exercises the General Nice Right – 34,064,000 Deferred Shares will be issued if the General Nice Right is exercised within the first 3 months of the General Nice Exercise Period and 25,548,000 Deferred Shares if the General Nice Right is exercised within the second 3 months of the General Nice Exercise Period. If IRC breaches the General Nice Subscription Agreement in any material respects and General Nice does not exercise the General Nice Right within the General Nice Exercise Period, 34,064,000 Deferred Shares must be issued to General Nice on the tenth Business Day following expiry of the General Nice Exercise Period.

Whether or not General Nice exercises the General Nice Right is at its discretion. However, Second Completion will provide General Nice with additional offtake rights and entitlement to commission under the Offtake Agreement and Framework Agreement respectively, together with additional contractual rights (such as the ability to appoint directors of IRC) under the Shareholders Agreement. In addition, if General Nice does not exercise its right, the consideration General Nice will have paid at the First Completion for the Deferred Shares will be forfeited and General Nice will not be issued the Deferred Shares.

Pursuant to the Minmetals Cheerglory Subscription Agreement, Minmetals Cheerglory has conditionally agreed to subscribe for a total of 247,300,000 new IRC Shares at the price of HK\$0.94 (approximately US\$0.12) per new IRC Share. The Minmetals Cheerglory Subscription Agreement is conditional principally upon the General Nice Right being exercised and the receipt by Minmetals Cheerglory of the required Chinese regulatory approvals. If the conditions in the Minmetals Cheerglory Subscription Agreement have been satisfied and the completion of the allotment and issue of the Further Shares and Deferred Shares has taken place, Minmetals Cheerglory will be obliged to subscribe for the Minmetals Cheerglory Subscription Shares. Further information on the conditions in, and other provisions of, the General Nice Subscription Agreement and the Minmetals Cheerglory Subscription Agreement is contained in Part VI (Principal Terms of the Transaction Documentation).

All of the IRC Shares to be issued to General Nice and Minmetals Cheerglory pursuant to the Transaction will be issued at HK\$0.94 per IRC Share. The IRC share price as at 15 February 2013 (being the last practicable date prior to publication of this document) was HK\$1.16. If none, or less than the full amount, of Deferred Shares are issued, the amount equivalent to that price per unissued Deferred Share paid at First Completion will be forfeit by General Nice and retained by IRC.

Further information on General Nice and Minmetals Cheerglory is set out in paragraph 2 below.

The following table shows the percentage level of holdings of Petropavlovsk and the Subscribers following the different stages of the Transaction and assuming that no other IRC Shares are issued:

	<i>1</i>	<i>2</i>	<i>3</i>
<i>Shareholder</i>	<i>Percentage after First Completion</i>	<i>Percentage after Second Completion* (No Minmetals Cheerglory investment)</i>	<i>Percentage after Second Completion* (Minmetals Cheerglory investment)</i>
Petropavlovsk	51.16	42.35	40.43
General Nice	18.96	32.93	31.43
Minmetals Cheerglory	–	–	4.53
Others	29.88	24.73	23.61

Notes:

* The General Nice holding percentage in column 1 assumes no Deferred Shares have been issued. The General Nice holding percentages in columns 2 and 3 assume the issue of 34,064,000 Deferred Shares; this is the maximum number – the number will as described above vary depending on the timing of exercise of the General Nice Right. All percentages assume that no additional IRC Shares are issued other than to General Nice and (if applicable) Minmetals Cheerglory. Column 2 will apply if the Second Completion takes place but the Minmetals Cheerglory Subscription Agreement has not become unconditional.

As part of implementation of these arrangements, among other documentation, Petropavlovsk, Minmetals Cheerglory and General Nice have entered into the Shareholders' Agreement and Petropavlovsk and General Nice have entered into the Indemnity. The Shareholders' Agreement and the Indemnity will only come into effect if the Second Completion takes place as a result of General Nice exercising the General Nice Right. Petropavlovsk and General Nice have entered into the Indemnity to address the situation that Petropavlovsk will remain liable to guarantee all of the obligations of Kimkano-Sutarsky Mining and Beneficiation Plant LLC (**K&S**) (a subsidiary of IRC) under the ICBC Facility notwithstanding its diluted holding. Although Petropavlovsk will always remain fully liable to ICBC under the Bank Guarantee, it would have a contractual right to recover a proportion of any sums paid under the Bank Guarantee through the Indemnity if the Second Completion takes place as a result of General Nice exercising the General Nice Right. The amount which Petropavlovsk may recover under the Indemnity from General Nice is dependent on the level of General Nice's shareholding in IRC and could potentially be reduced to zero, in which event Petropavlovsk would remain contingently liable under the Bank Guarantee as at present, with no recourse under the Indemnity.

The Shareholders' Agreement and Indemnity, and other related agreements, are summarised in Part VI (Principal Terms of the Transaction Documentation).

IRC has also entered into the long-term Offtake Arrangements, which take effect from the First Completion Date, with General Nice and Minmetals Cheerglory in respect of certain of the IRC Group's products. The Offtake Arrangements with General Nice and Minmetals Cheerglory, who are experienced Chinese iron ore traders, will, if implemented, provide sales volume and cash-flow security to the IRC Group to the benefit of the Company and IRC's other shareholders.

The basic term of the Offtake Arrangements is from the First Completion Date until 15 years after the commencement of the first 12 month period after first commercial delivery of iron ore concentrate from the K&S Project where the aggregate production volume for that 12 months is equal to or greater than 1 million tonnes.

The Offtake Agreement provides that the Subscribers have the exclusive right and obligation to take or pay for all the relevant product (**Product**) delivered by sea (**Seaborne Product**), subject to scaling down as summarised below.

Under the Framework Agreement, the Subscribers are entitled to a marketing commission each year of 5 per cent. on sales revenue from **Dry Port Product** (being such of the Product which is delivered otherwise than by sea), provided that if in any year the total tonnage of Dry Port Products exceeds the **Dry Port Product Cap** (being for a relevant year, 65 per cent. of the total tonnage of Product for the relevant year (unless otherwise specified or adjusted)), no commission will be payable in respect of Dry Port Product sales in excess of the Dry Port Product Cap. As such, if all of the Product is Dry Port Product then the total commission will be 3.25 per cent. of Product sales (with no Seaborne Product take or pay), being 5 per cent. multiplied by 65 per cent. inherent in the Dry Port Product Cap.

The proportion of Seaborne Product which the Subscribers have the exclusive right to offtake under the Offtake Agreement and the Dry Port Product Cap will be adjusted downwards if the Second Completion does not take place or does so without Minmetals Cheerglory or its nominee completing its subscription and subsequently if the aggregate holdings of the Subscribers fall below certain thresholds of ownership relative to the number of IRC Shares in issue following the First or Second Completion as applicable. In the absence of agreement to the contrary, if this aggregate holding falls to below 5 per cent., the Offtake Agreement and Framework Agreement will terminate. If the percentages under the Offtake Arrangements are at a reduced level, then in relation to Seaborne Product, the Investors will have a reduced right to purchase such product and IRC will have a reduced obligation to sell such product to the Investors. However, IRC will still have a right to require the Investors to purchase all Seaborne Product if IRC elects to do so. In such circumstances, the commission will be payable on a lower proportion of the Dry Port Product. More information on these agreements is set out in Part VI (Principal Terms of the Transaction Documentation).

For the purposes of transaction classification under the Listing Rules, the Transaction is deemed to be of a type and a sufficient size relative to the size of the Company to constitute a Class 1 transaction. As a result, and as required by the Listing Rules, the Transaction is conditional, among other conditions (including IRC Shareholder approval) upon the approval of Shareholders. As described in paragraphs 6 and 9 of this Part I (Letter from the Chairman of Petropavlovsk), your approval of the Transaction is being sought at a general meeting of the Company to be held at 11.00 a.m. on 7 March 2013 at the Company's registered office.

A notice convening the General Meeting containing the full text of the Resolution to be considered at the General Meeting is set out at the end of this document. A summary of the action you should take is set out in paragraph 9 of this Part I (Letter from the Chairman of Petropavlovsk) and on the Form of Proxy that accompanies this document. If the Resolution is passed at the General Meeting and the other conditions for implementation of the Transaction are satisfied or waived, First Completion is expected to take place on or around 3 April 2013.

The purpose of this document is to provide you with information on the Transaction, to explain the background to and reasons for the Transaction and why the Board believes the Transaction is in the best interests of the Company's Shareholders taken as a whole and to recommend that you vote in favour of the Resolution.

Unless otherwise defined herein, capitalised terms used in this Circular are as defined in Part IX (Definitions and Glossary) of this document.

2 Information on IRC, General Nice and Minmetals Cheerglory

IRC is incorporated in Hong Kong and the IRC Shares are quoted on the Main Board of the Stock Exchange of Hong Kong under the number 1029. As at the date of this document, 63.13 per cent. of the IRC Shares are owned by Petropavlovsk.

IRC is an established explorer, developer and producer of iron ore and other industrial commodities in the Russian Far East and North-East of China. The IRC Group's main production and development sites produce iron ore concentrate products and are located in the Amur Region and the EAO, near the Chinese border. Further information in relation to IRC's main production and development sites and reserves and resources is contained in Part VII (Information on the IRC Assets and Reserves and Resources).

IRC also has a 46 per cent. interest in the Steel Slag Reprocessing Plant (**SRP**) which is a Sino-Russian partnership, with its largest iron ore customer in Heilongjiang in North-Eastern China. The plant is located adjacent to the customer's operations and achieved first production in November 2011. The project processes steel slag, a by-product from the customer's operations. The annual capacity is estimated at 50,000 tonnes throughput for production of 5,000 tonnes of vanadium pentoxide. It is envisaged that the life of operation is in excess of 30 years.

IRC has involvement in two infrastructure projects, a bridge project and a port. IRC is supporting the Russian and PRC initiatives to construct a railway bridge between Russia and Tongjiang close to its K&S Mine. The bridge could potentially provide significant saving in transport costs between Russia and the PRC for the IRC Group and significant benefits to the wider Russian and Chinese communities. IRC also continues to consider its participation in the development of a commercial sea port in Sovetskaya Gavan on the Russian Pacific coast. New capacity at Sovetskaya Gavan would address constraints at the established Vladivostok and Nakhodka ports, and provide some flexibility as a more northerly access route to the Pacific.

IRC holds a 70.3 per cent. interest in Giproruda, a technical mining research and consultancy institute with operations in Russia and Asia. Its work includes the design, coordination, construction and commissioning of quarries and mines for mining clients, particularly those located in challenging geological and climatic conditions, especially Russia. Giproruda is involved in the Kuranakh Mine and the K&S Project.

As summarised in Part VI (Principal Terms of the Transaction Documentation), both under the General Nice Subscription Agreement and, subject to and with effect from the Second Completion, the Shareholders' Agreement, the Subscribers will have certain rights of nomination to the IRC Board. Neither party expects to make any changes to the existing IRC Board members save for the addition of two non-executive directors

to be appointed by the Subscribers at First Completion. The Subscribers will have the right to nominate up to three representatives to serve as IRC directors once the Shareholders' Agreement comes into effect at Second Completion. No additional Directors are expected to be appointed by the Company as part of the Transaction.

General Nice is a private company incorporated in Hong Kong. It is the holding company for a group of companies which trades in and produces, among others, iron ore, coking coal and coke, with operations in China, South Africa, Singapore, India and other parts of the world and is a member of a group which collectively is one of the largest importers of coking coal and one of the largest exporters of coke in China. General Nice has three listed affiliates: Abterra Limited and Digiland International Limited, both listed on the Singapore Stock Exchange, and Loudong General Nice Resources (China) Holdings Limited, listed on the Stock Exchange of Hong Kong. General Nice does not publish audited financial figures, but has disclosed that as at 31 December 2011, its total assets were c.HK\$12.8 billion and for the year ended 31 December 2011, its revenue was more than HK\$16.4 billion. The ultimate controlling shareholder of General Nice is Mr Cai Sui Xin.

Minmetals Cheerglory, incorporated in Hong Kong, is a wholly-owned subsidiary of China Minmetals Corporation, which is one of China's largest state-owned international metals and mining corporations, and is primarily engaged in exploration, mining, smelting, processing and trading for metals and minerals and also in finance, real estate and mining and metallurgic technology. China Minmetals Corporation does not publish audited financial figures, but has disclosed that as at 31 December 2011 its total assets were c.RMB242.1 billion and revenue was more than RMB354.8 billion for the year ended 31 December 2011.

For the purposes of the Hong Kong Code on Takeovers and Mergers issued by the SFC, General Nice and Minmetals Cheerglory are regarded as acting in concert in relation to the Transaction.

3 Background to and reasons for the Transaction

IRC is currently implementing a substantial development programme for its mines and while it has existing debt facilities with ICBC sufficient to fund the processing plant and some of the infrastructure for the K&S Project, additional equity funding is required to complete that project.

IRC has had various discussions with potential equity providers and has now agreed with the Subscribers the terms for the issue of the Subscription Shares to raise the following gross proceeds:

	<i>First Completion</i>	<i>Second Completion (without Minmetals Cheerglory subscription)</i>	<i>Second Completion (with Minmetals Cheerglory subscription)</i>
Gross proceeds	HK\$800,504,000 US\$103.3m	HK\$811,784,000 US\$104.7m	HK\$1,044,246,000 US\$134.7m

Note:

The HK\$32,020,160 (US\$4.1m) attributable to the Deferred Shares is included in the First Completion total as this is when these funds will be received by IRC

The Transaction will strengthen IRC's mission to be a Sino-Russian industrial commodities champion and the proceeds will be applied to fund IRC's growth projects. The Transaction will also expand and diversify IRC's shareholder base with the inclusion of General Nice, a Chinese resources mining and trading group, and Minmetals Cheerglory, a subsidiary of one of the largest state-owned resource focussed conglomerates in China. The investment into IRC by General Nice and Minmetals Cheerglory would raise the profile of IRC in Hong Kong and China and also give IRC scope for further future cooperation with General Nice and Minmetals Cheerglory in the Chinese and international markets.

The net subscription proceeds if the First and Second Completion take place, will be used as follows:

- (i) no less than 90 per cent. of the proceeds are to be used for the development of the K&S Project and the Garinskoye Deposit, by first applying the proceeds to the on-going development of the K&S

Project (including but not limited to the development of phase 2 of the K&S Project), and the remaining balance to the expansion of the Garinskoye Deposit; and

- (ii) no more than 10 per cent. of the proceeds as general working capital of the IRC Group.

If only the First Completion takes place, assuming the above split would apply, approximately 90 per cent. of the net subscription proceeds will be used primarily for the development of the K&S Mine and approximately 10 per cent. would be used for general working capital purposes of the IRC Group.

If the First Completion takes place but the Second Completion does not, the Offtake Agreement will come into effect, but IRC will require additional funding in order to advance the expansion programme at the K&S Mine and develop the Garinskoye Deposit. If the First Completion does not take place, the Offtake Agreement will not take effect and IRC will require additional funding to advance the development of the K&S Mine. In both cases, IRC would expect to consider alternative sources of debt and equity financing. IRC believes that alternative financing options remain available on reasonable and market terms. Any resultant issue of IRC Shares would dilute Petropavlovsk's holding in IRC; the incurring of additional debt by IRC would be unlikely to have any direct effect on Petropavlovsk. Attention is drawn to paragraph 1 of Part II (Risk Factors).

As described more fully in Part VI (Principal Terms of the Transaction Documentation), the Offtake Arrangements will apply at lower percentage levels if the Second Completion does not take place, and will not come into effect if the First Completion does not take place.

Your Board considers that the provision of additional equity on the proposed terms, and the consequent strengthening of IRC's balance sheet and further capitalisation of IRC's development projects, together with the other factors listed above, represents an attractive proposal and will be beneficial to IRC and to its shareholders, including Petropavlovsk, notwithstanding the consequent reduction in Petropavlovsk's percentage holding in IRC.

4 Effects of the Transaction on Petropavlovsk

The Transaction will not involve any disposal or acquisition of IRC Shares by the Company, but if implemented will result in dilution of its holding in IRC, whose business is described in paragraph 2, "Information on IRC, General Nice and Minmetals Cheerglory" above and whose gross assets and losses for the stated financial periods are set out in Part III (Historical Financial Information).

Following First Completion, Petropavlovsk's interest in IRC will be reduced from 63.13 per cent. to 51.16 per cent. (assuming that there is no alteration to the issued share capital of IRC after the date of the General Nice Subscription Agreement, except for the issue of the Subscription Shares at First Completion). Petropavlovsk will remain the parent company of IRC and, despite the reduced ownership level, will benefit from the increased financial strength of IRC and the acceleration of the development of the K&S Mine. The Preliminary Agreement will come into effect at First Completion. Pursuant to the Preliminary Agreement, Petropavlovsk will agree for the duration of the General Nice Exercise Period, or if the General Nice Right is exercised, until Second Completion, not to dispose of its IRC Shares (save pursuant to certain permitted transfers).

The Offtake Agreement and Framework Agreement were entered into on 17 January 2013 and will, subject to their terms and conditions, come into effect upon First Completion. The production to which they relate will only commence in due course and the percentage of relevant production to which they apply will in part depend on whether or not the Further Shares and Minmetals Cheerglory Subscription Shares are issued and on any subsequent reduction in their holdings, as described in Part VI (Principal Terms of the Transaction Documentation).

As a result of the potential investment in IRC by the Investors, the Group has taken a decision to support new investment into IRC and to accept the resulting dilution of its holding in IRC to a non-controlling interest and accordingly the Group's investment in IRC will be treated for accounting purposes as "held for sale" as at 31 December 2012. As a result, the carrying value of the entire IRC net assets will be adjusted to fair value, less any costs to sell. Based on IRC's share price of HK\$1.170 as at close on 31 December 2012, the

estimated net adjustment would be a c.US\$225 million non-cash fair-value impairment, to be shown in the financial results for the year ended 31 December 2012, with c.US\$147 million allocated to equity holders of Petropavlovsk and c.US\$78 million to non-controlling interests. In the event that the Transaction does not complete or only Stage 1 completes and no other equity investors agree to invest in IRC, the Company may consider that a dilution of its investment in IRC is not highly likely and it will not therefore classify its investment in IRC as an 'asset held for sale'. The Company may then have to apply full consolidation of the assets and liabilities of IRC in its balance sheet for future periods, at which time the value of the Company's investment in IRC may have increased or decreased.

Following Second Completion Petropavlovsk's interest in IRC will be reduced from 51.16 per cent. to 40.43 per cent. (assuming that there is no alteration to the issued share capital of IRC except for the issue of the Subscription Shares at First Completion and Second Completion nor adjustment to the number of Deferred Shares, after the date of the General Nice Subscription Agreement). IRC will cease to be a subsidiary of Petropavlovsk and will become an associate that will be accounted for under the equity method of accounting. Petropavlovsk will continue to be a major shareholder in IRC and will further benefit from the increased financial strength of IRC and the acceleration of development of IRC's project portfolio.

The arrangements between Petropavlovsk and General Nice as IRC shareholders will, if Second Completion takes place, be governed by the Shareholders' Agreement which is summarised in Part VI (Principal Terms of the Transaction Documentation). These provisions include certain rights for both Petropavlovsk and the Subscribers for nomination of IRC Directors, depending on their actual and relative holdings of IRC Shares; restrictions in dealing in, *inter alia*, IRC Shares for a one year lock-up period following the Second Completion (and subsequent notification obligations); and obligations in respect of certain actual or prospective agreements between the parties and IRC. Petropavlovsk and the Investors have given mutual undertakings not to, and will procure that parties acting in concert with it will not, acquire voting rights in IRC which would result in an obligation to make a mandatory general offer by any or all of Petropavlovsk and the Investors in accordance with the Hong Kong Code on Takeovers and Mergers issued by the SFC.

Petropavlovsk will remain the guarantor of the ICBC Facility but if the General Nice Right is exercised, the Indemnity will come into effect from the Second Completion. Pursuant to the Indemnity, General Nice will, while the Indemnity remains in effect, indemnify Petropavlovsk in respect of payments made by Petropavlovsk under or in connection with the Bank Guarantee or loans made in accordance with the Recourse Agreement in proportion to their respective holdings in IRC as summarised in Part VI (Principal Terms of the Transaction Documentation). At the same time, a guarantee fee from IRC to Petropavlovsk provided for pursuant to the terms of the Recourse Agreement would become payable and be shared with General Nice in proportion to their liability under the Indemnity. This guarantee fee is proposed to be an amount not exceeding 1.75 per cent. per annum of the principal amount outstanding under the ICBC Facility. It is also contemplated under the Indemnity that payments or repayments to Petropavlovsk under the ICBC Facility or the Recourse Agreement will be shared by Petropavlovsk with General Nice in proportion to their respective holdings in IRC.

A range of services are currently provided, on arms' length terms, between members of the Group (other than the IRC Group) and the IRC Group. It is intended that these services will continue on the same basis following Completion. In addition, a tax indemnity provided by Petropavlovsk to the IRC Group in relation to a previous restructuring of the Group will remain in effect following completion, notwithstanding dilution of the Company's holding in IRC. Upon IRC ceasing to be a subsidiary of Petropavlovsk, the mutual non-competition obligations on IRC contained in the Deed of Non-Competition will terminate. However, given the different minerals on which the Continuing Group and the IRC Group focus, your Board does not consider that this will prejudice either Group.

If the First Completion takes place but the Second Completion does not, the Offtake Agreement will come into effect, but IRC will require additional funding in order to advance the expansion programme at the K&S Mine and develop the Garinskoye Deposit. If the First Completion does not take place, the Offtake Agreement will not take effect and IRC will require additional funding to advance the development of the K&S Mine. In both cases, IRC would expect to consider alternative sources of debt and equity financing. IRC believes that alternative financing options remain available on reasonable and market terms. Any

resultant issue of IRC Shares would dilute Petropavlovsk's holding in IRC; the incurring of additional debt by IRC would be unlikely to have any direct effect on Petropavlovsk. There is no contractual obligation on Petropavlovsk to provide further funding to IRC. Attention is drawn to paragraph 1 of Part II (Risk Factors).

If the First Completion takes place but the Second Completion does not, Petropavlovsk will also remain fully liable to ICBC under the Bank Guarantee, despite its reduced ownership level, and will not have any recourse to General Nice under the Indemnity.

If the First Completion does not take place, Petropavlovsk's holding in IRC will remain unchanged, the investment in IRC is expected to continue to be treated as a disposal group "held for sale" in Petropavlovsk's consolidated accounts and Petropavlovsk will remain the guarantor of the ICBC Facility. Under the Bank Guarantee, Petropavlovsk is required to fund payments of interest and principal under the ICBC Facility in the event that K&S is not able to do so. The ICBC Facility carries an interest rate of 2.80 per cent. above LIBOR and is repayable over sixteen equal semi-annual instalments, with the first repayment scheduled to occur in December 2014. The Group believes that the terms of the ICBC Facility allow it sufficient flexibility, if the First Completion does not take place, to evaluate alternative sources of funding to complete the K&S Project and generate cash flow or repayment before the loan falls due.

As described more fully in Part VI (Principal Terms of the Transaction Documentation), the Offtake Arrangements will apply at lower percentage levels if the Second Completion does not take place, and will not come into effect if the First Completion does not take place.

In all cases, Petropavlovsk and IRC will have incurred normal professional fees in relation to the Transaction.

5 Risk factors

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolution, please refer to Part II (Risk Factors) of this document.

6 General Meeting

A notice convening the General Meeting to be held at 11.00 a.m. on 7 March 2013 at the Company's offices at 11 Grosvenor Place, London, SW1X 7HH is set out at the end of this document. A Form of Proxy to be used in connection with the General Meeting is enclosed.

Given the classification of the Transaction under the Listing Rules and owing to the size of the Transaction as so classified relative to the size of the Company, the approval of Shareholders is required to enable the Transaction to proceed. The completion of the Transaction is, therefore, conditional on the passing of the Resolution at the General Meeting as well as on the satisfaction or waiver of the other conditions under the Transaction documentation, including IRC shareholder approval.

There is no certainty that the maximum number of IRC Shares will be issued pursuant to the Transaction and that it will result in IRC ceasing to be controlled by Petropavlovsk. If the First and/or Second Completion do not take place, IRC may seek to raise funding through alternative equity issues. Any alternative investors may or may not enter into offtake, indemnity or shareholder agreements in connection with their subscriptions. If passed, the Resolution will authorise implementation of the Transaction (allowing for any non-material modifications to the Transaction terms as described in this document) and if the maximum number of 1,962,500,000 Subscription Shares is not issued pursuant to the Transaction, the Resolution will approve the issue of additional IRC Shares (utilising existing or future IRC shareholder authorities) up to the number of IRC Shares not so issued to such persons and on such terms as IRC may determine.

The full text of the Resolution, which is to be proposed as an ordinary resolution at the General Meeting, is set out in the Notice of General Meeting at the end of this document. The passing of the Resolution requires a majority of the votes cast in respect of the Resolution to be in favour of the Resolution.

7 Trend information

7.1 *Petropavlovsk*

The Group has enjoyed year-on-year increases in its gold production since it first listed in 2002. From its four hard-rock mines and alluvial operations, Petropavlovsk produced 710,400oz of gold in 2012, exceeding its production target of 700,000oz and its 2011 production of 630,100oz by c.13 per cent. The Group is targeting a further increase in production in 2013 to between 760,000oz and 780,000oz.

In 2012, total gold sales stood at c.703,000oz, a c.4 per cent. increase compared to total gold sold in 2011 (676,000oz). With production expected to increase in 2013, the Group anticipates a further increase in total gold sales for the year. In 2012, the average realised gold sales price was US\$1,670/oz, c.3 per cent. higher than the average realised gold sales price in 2011 (US\$1,617/oz).

The Group conducts an active exploration programme in areas adjacent to its existing processing facilities. As a result, the Group has been able to add annually (before depletion) to its Mineral Resources and Ore Reserves, which currently stand at 10.0Moz and 25.4Moz respectively (figures as at 1 July 2012).

The Group is constructing a pressure oxidation plant at its Pokrovskiy mine which will act as a regional hub for the processing of the Group's flotation concentrate. The Group has a good track record of delivering its projects on time and construction of this plant continues to run as planned, with commissioning scheduled for Q1 2014.

As announced on 15 February 2013, the Group has entered into financing contracts to sell a total of 399,000 oz of gold over a period of 14 months ending in March 2014 at an average price of US\$1,633/oz.

7.2 *IRC*

IRC delivered record iron ore production at the Kuranakh Mine, IRC's first operation, for the Q4 2012. Production at the Kuranakh Mine for the year ended 31 December 2012 was 969,436t of iron ore concentrate, 18 per cent. above the 820,000t target and 125,095t of ilmenite concentrate, marginally above IRC's target of 125,000t. Iron ore sales were 980,543t for the year ended 31 December 2012 with ilmenite sales at 121,338t for the year. Iron ore prices recovered from a low of US\$90/t in Q3 2012 to US\$144.90/t at 31 December 2012.

As iron ore and ilmenite production are now both operating at full capacity, IRC's 2013 production targets are 900,000t of iron ore concentrate at 62.5 per cent. Fe grade content and 160,000t of ilmenite with a 48 per cent. grade.

8 Further information

Your attention is drawn to the further information set out in Parts II to Part IX of this document. You should read the whole of this document and, in particular, the risks and uncertainties set out in Part II (Risk Factors) of this document.

9 Action to be taken

You will find enclosed with this document a Form of Proxy for use in connection with the General Meeting or at any adjournment thereof. It is important to us that our Shareholders have the opportunity to vote, even if they are unable to come to the General Meeting. If you are unable to come to the General Meeting you can use the enclosed Form of Proxy to nominate someone else to come to the meeting and vote for you (this person is called a proxy).

To appoint a proxy you need to send back the Form of Proxy. As an alternative to returning the Form of Proxy, you can appoint a proxy electronically. Details of the procedure are set out in the notes to the Form of Proxy and the notes to the Notice of General Meeting at the end of this document.

You are requested to complete and sign the Form of Proxy whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received no later than 11.00 a.m. on 5 March 2013, by the Registrar at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you hold your Ordinary Shares in uncertificated form (i.e. in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by Capita (under CREST participant ID RA10), by no later than 11.00 a.m. on 5 March 2013.

Unless the Form of Proxy or CREST Proxy Instruction is received by the relevant date and time specified above, it will be invalid. Completion and posting of the Form of Proxy or completing and transmitting a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting if you wish to do so.

10 Recommendation

The Board considers the proposals referred to in the Resolution to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolution to be proposed at the General Meeting as they intend to do in respect of their own beneficial holdings, which amount in aggregate to 9,042,648 Ordinary Shares and represent approximately 4.81 per cent. of the Company's issued share capital as at 15 February 2013 (the latest practicable date prior to publication of this document).

Yours faithfully

Peter Hambro
Chairman

Part II

Risk Factors

Shareholders should carefully consider the risks and uncertainties set out in this Part II (Risk Factors) of this document when deciding whether or not to vote in favour of the Resolution.

The following risks and uncertainties are not exhaustive and do not purport to be a complete explanation of all the risks involved and should be used as guidance only. The risks and uncertainties set out below are those which the Board believes are the material risks specific to the Group in the context of the Transaction. Additional risks and uncertainties relating to the Group which are not known to the Board as at the date of this document, or that the Board currently deem immaterial, may also have a material adverse effect on the Group if they materialise.

If any or a combination of the following risks and uncertainties actually materialise, the business, operations, financial condition or prospects of the Group could be materially and adversely affected. In such circumstances, the market price of Ordinary Shares could decline and you may lose all or part of your investment.

These risks and uncertainties should be read in conjunction with all other information contained in this document.

1 Material risk factors to the Transaction

There is no certainty that the Transaction will proceed

The implementation of the Transaction is subject to a number of conditions including the passing of the Resolution, IRC Shareholder approval and various Hong Kong regulatory approvals. If these conditions are not satisfied or waived (where permitted) by 30 April 2013 or such later date as the parties may agree, or termination rights are exercised, the Transaction will not proceed. In such event, IRC will not receive the Subscription monies and the Group will have incurred costs for no benefit. These costs will be normal professional fees only and will not be material in the context of the Group.

If the First Completion takes place but the Second Completion does not, the Offtake Agreement will come into effect, but IRC will require additional funding in order to advance the expansion programme at the K&S Mine and develop the Garinskoye Deposit. If the First Completion does not take place, the Offtake Agreement will not take effect and IRC will require additional funding to advance the development of the K&S Mine. In both cases, IRC would expect to consider alternative sources of debt and equity financing. IRC believes that alternative financing options remain available on reasonable and market terms. Any resultant issue of IRC Shares would dilute Petropavlovsk's holding in IRC; the incurring of additional debt by IRC would be unlikely to have any direct effect on Petropavlovsk. There is no contractual obligation on Petropavlovsk to provide further funding to IRC. If funding is not available on terms which the Group considers acceptable, IRC may need to consider revising its capital expenditure and development plan to align it with the available funding, which may result in delaying the development of the K&S Mine pending such time that funding becomes available.

If the First Completion takes place but the Second Completion does not, Petropavlovsk will also remain fully liable to ICBC under the Bank Guarantee, despite its reduced ownership level, and will not have any recourse to General Nice under the Indemnity.

If the First Completion does not take place, Petropavlovsk's holding in IRC would remain unchanged, the investment in IRC is expected to continue to be treated as a disposal group "held for sale" in Petropavlovsk's consolidated accounts and Petropavlovsk will remain the guarantor of the ICBC Facility. Under the Bank Guarantee, Petropavlovsk is required to fund payments of interest and principal under the ICBC Facility in the event that K&S is not able to do so. The ICBC Facility carries an interest rate of 2.80 per cent. above LIBOR and is repayable over sixteen equal semi-annual instalments, with the first repayment scheduled to occur in December 2014. The Group believes that the terms of the ICBC Facility allow it sufficient

flexibility, if the First Completion does not take place, to evaluate alternative sources of funding to complete the K&S Project and generate cash flow or repayment before the loan falls due.

In the event that the Transaction does not complete or only Stage 1 completes and no other equity investors agree to invest in IRC, the Company may consider that a dilution of its investment in IRC is not highly likely and it will not therefore classify its investment in IRC as an 'asset held for sale'. The Company may then have to apply full consolidation of the assets and liabilities of IRC in its balance sheet for future periods, at which time the value of the Company's investment in IRC may have increased or decreased.

As described more fully in Part VI (Principal Terms of the Transaction Documentation), the Offtake Arrangements will apply at lower percentage levels if the Second Completion does not take place, and will not come into effect if the First Completion does not take place. In the event that the Offtake Arrangements do not come into effect, IRC would need to source other buyers for its products (which may or may not lead to alternative off-take arrangements being entered into at lower or higher prices for the products). In the event buyers are not found for IRC's products, this could have a material adverse effect on IRC's business, results of operations, financial condition and prospects which in turn could have a negative impact on the value of the Company's investment in IRC.

2 Material new risk factors to the Group or the Continuing Group as a result of implementation of the Transaction

Petropavlovsk's shareholding in IRC will be diluted and Petropavlovsk's ability to exert significant influence over IRC matters will be reduced

As a majority shareholder in IRC, Petropavlovsk has the power to control most matters which require shareholder approval, including the election of directors, significant corporate transactions, the issue of IRC Shares or other equity securities and the payment of any dividends on IRC Shares. Following the Second Completion, Petropavlovsk will no longer be the majority shareholder of IRC and will lose its ability to control such matters.

Petropavlovsk will be subject to restrictions on transfers of IRC Shares

Petropavlovsk will be restricted in its ability to deal in IRC Shares during the period commencing from the date of the signing of the General Nice Subscription Agreement during the General Nice Exercise Period and, if the Further Shares are issued, for a further 12 months after Second Completion.

3 Material risk factors to the Group or the Continuing Group which will be impacted by the proposed transaction

Petropavlovsk will continue to be contingently liable under the Bank Guarantee for obligations of IRC

Petropavlovsk is currently liable under the Bank Guarantee for the obligations of K&S under the ICBC Facility, more information on which is set out in paragraph 7.3 of Part VIII (Additional Information). Although Petropavlovsk may no longer be the majority shareholder in IRC as a result of the Transaction described herein, it will nonetheless remain contingently liable under the Bank Guarantee for all the obligations of K&S under the ICBC Facility.

Petropavlovsk's contingent obligation, and ability to perform, under the Bank Guarantee is not affected by the Transaction (whether it proceeds or not). The funding which IRC would receive through the Transaction would reduce the risk of the Bank Guarantee being called, because IRC would have additional funds with which to bring the K&S Mine into production and therefore to meet its obligations under the ICBC Facility.

Although Petropavlovsk will always remain fully liable to ICBC under the Bank Guarantee, following Second Completion, Petropavlovsk would have a contractual right to recover from General Nice a proportion of any sums paid under the Bank Guarantee through the Indemnity. The ability to recover financially from General Nice under the Indemnity could require the undertaking of enforcement proceedings and would depend on the financial status of General Nice at that time. Further details on General Nice are set out in paragraph 2 of Part I (Letter from the Chairman of Petropavlovsk).

In addition, the proportion for which General Nice has to indemnify Petropavlovsk would be reduced, potentially to zero, if General Nice's holding declines relative to Petropavlovsk's holding. General Nice will be subject to restrictions in dealing in IRC shares for one year following the Second Completion, but would thereafter be able to reduce its position in IRC so as to reduce its obligation to indemnify Petropavlovsk.

The Recourse Agreement remains effective following completion of the Transaction.

4 Material new risk factors to the IRC Group as a result of implementation of the Transaction

Depending on prevailing market conditions and the market price for the relevant commodities, the commission and price under the Offtake Arrangements could be less than IRC could achieve on the open market

As described in paragraph 5 of Part VI (Principal Terms of the Transaction Documentation), it is proposed that IRC will enter into the Offtake Arrangements with General Nice and Minmetals Cheerglory in relation to the offtake of iron ore concentrate from certain existing and future magnetite development projects of the IRC Group. Depending on the prevailing market conditions and the market price for the relevant commodities, the 5 per cent. commission in relation to Dry Port Product could affect the economics of the production of iron ore concentrate and the 7 per cent. discount to the prevailing market price in relation to Seaborne Product means that the IRC Group will be selling the Seaborne Product at a price which is potentially less than it could achieve on the open market.

As in many physical commodity supply contracts, there could be circumstances in which as a result of technical or other factors, the IRC Group production specification does not meet the purchase criteria under the Offtake Agreement which could preclude sale and/or oblige IRC to source the material to be sold from other producers or suppliers at prices which could differ from its own production costs.

If the aggregate of the holdings of the Subscribers reduces below certain thresholds the proportion of production the subject of the offtake provisions will also reduce or the Offtake Agreement and the Framework Agreement could terminate, as described in Part VI (Principal Terms of the Transaction Documentation).

The IRC Group is reliant on the Investors performing their obligations under the Offtake Arrangements

The IRC Group's mining operations will primarily be concentrated at the K&S Project and the Garinskoye Project and the IRC Group will be reliant on the Investors performing their obligations under the Offtake Arrangement.

The Kuranakh Mine is currently the IRC Group's sole producing mine and produced 969,436 tonnes of iron ore concentrate in 2012. IRC expects that the production volume of iron ore concentrate at the Kuranakh Mine would be maintained at a comparable level in 2014 and 2016. The K&S Project is at an advanced stage of construction and is scheduled to commence first commercial production of iron ore concentrate in 2014, producing 3.2 million tonnes in 2014 and ramping up production to 6.3 million tonnes in 2016.

Subject to obtaining adequate financing by the end of 2013 and the project being developed on a "best case" timetable, the Garinskoye Project is scheduled to commence first commercial production of iron ore concentrate in 2015, producing 2.1 million tonnes in 2015 and potentially ramping up production to 4.6 million tonnes in 2016 (subject to obtaining further financing on a timely basis and completion of a satisfactory feasibility study).

Accordingly, it is expected that by 2014 when the Kuranakh Mine and K&S Project are both in production, IRC's expected production volume from the K&S Project will make up approximately 76.7 per cent. of the IRC Group's total expected iron ore concentrate production volume. By 2016, when the Garinskoye Project commences production, IRC's expected iron ore concentrate production volume from the K&S Project and the Garinskoye Project are expected to make up approximately 53.08 per cent. and 38.76 per cent. of the IRC Group's total expected iron ore concentrate production volume, respectively.

Assuming the Second Completion (including the subscription by Minmetals Cheerglory) has occurred, the Investors shall have the exclusive right to purchase 100 per cent. of the IRC Group's Product which is sold

as Seaborne Product for the term of the Offtake Arrangement i.e. from the date of First Completion until the date falling 15 years from the commencement of commercial production of iron ore concentrate from the IRC Group's K&S Project (i.e. greater than or equal to 1 million tonnes over a 12 month period).

The ability of the IRC Group to receive payment for Product sold to the Investors depends on the continued creditworthiness of the Investors and the Investors complying with their obligations under the Offtake Arrangement. If the IRC Group is unable to collect payment from the Investors, the IRC Group's business, prospects, results of operations and financial condition may be materially and adversely affected.

In addition, the Investors have agreed to assist the IRC Group in developing its sales and marketing capacity in the dry port market (i.e. Product to be exported by rail crossing rather than by sea) and in the identification of customers for Dry Port Product. In the event that the Investors do not adequately provide these services, the IRC Group may not be able to develop its Dry Port Product sales which could materially and adversely affect the IRC Group's business, prospects, results of operations and financial condition.

Furthermore, if the Offtake Arrangement is terminated for whatever reason or is not renewed without being replaced after its initial term, the IRC Group may experience difficulties in selling the products mined at the K&S Project and Garinskoye Project in the period after such termination. In particular, the IRC Group may not have developed a separate seaborne marketing capability to commence sales immediately, since the IRC Group is obliged to sell 100 per cent. of the IRC Group's Product which is sold as Seaborne Product to the Investors (assuming Second Completion (including the subscription by Minmetals Cheerglory) has occurred).

5 Material risk factors to the IRC Group which will be impacted by the proposed transaction

The IRC Group faces competition for mineral interests from other mining companies

The IRC Group faces competition from other mining companies in all areas of its operations, including the acquisition of mineral licences, exploratory prospects and producing properties. Some of these companies may have significantly greater resources than those of the IRC Group. Other companies may have a competitive advantage due to Russia's foreign investment legislation. Existing or future levels of competition in the mining industry could materially and adversely affect the IRC Group's prospects for mineral exploration and success in the future. The IRC Group also faces competition from numerous other resource exploration and development companies, both domestic and foreign, in discovering, acquiring and producing resources, in attracting and retaining experts and labour, in securing appropriate equipment and supplies and in securing financing and joint venture partners for its operations. Some of the IRC Group's competitors have substantially greater financial, technical, marketing, distribution and other resources. If the IRC Group is not able to maintain or improve its competitiveness, it may lose or be unable to grow its market share, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

As a result of the Transaction, the Deed of Non-Competition with Petropavlovsk will no longer be in place which could result in Petropavlovsk securing opportunities which IRC may otherwise have secured.

The Petropavlovsk Group will remain the biggest shareholder of the IRC Group. The interests of Petropavlovsk may differ from those of other IRC Shareholders

Following implementation of the Transaction, Petropavlovsk will, through Cayiron Limited, its wholly owned subsidiary, remain the largest holder of IRC Shares. As a result, Petropavlovsk's interests may differ from or be adverse to those of other shareholders in IRC, and Petropavlovsk will still be able to exercise significant influence over most matters requiring shareholder approval, including the election of directors, significant corporate transactions, the issue of IRC Shares or other equity securities and the payment of any dividends on the IRC Shares.

The interests of Petropavlovsk may conflict with the interests of other IRC Shareholders and there is no assurance that Petropavlovsk will vote its IRC Shares in a manner that benefits any minority IRC Shareholders. Additionally, the concentration of ownership may: (i) delay or deter a change in control of the IRC Group; (ii) deprive IRC Shareholders of an opportunity to receive a premium for their IRC Shares as part of a sale of the IRC Group; and (iii) affect the market price and liquidity of the IRC Shares.

Although Petropavlovsk will initially be restricted in its ability to deal in IRC Shares as described above, following the expiry of the restricted period, Petropavlovsk may sell all or part of its holdings of IRC Shares in the market, which may negatively affect the price of IRC Shares.

The presence of additional major IRC Shareholders will affect the percentage of IRC Shares subject to free float

Following Second Completion, if it takes place, up to 76.39 per cent. of the IRC Shares will be held by three IRC Shareholders. This will negatively impact the percentage of IRC Shares subject to free float.

Part III

Historical Financial Information

1 Introduction

The historical financial information presented below, in connection with the Transaction, represents the consolidated income statement of the IRC Group for the three years to 31 December 2011 and the six months to 30 June 2012 and consolidated balance sheets as at 31 December 2011 and 30 June 2012.

2 Basis of preparation

This financial information has been extracted without material adjustment from the consolidation schedules used in preparing the audited consolidated financial statements of Petropavlovsk. The information for the six months to 30 June 2012 and the balance sheet at that date is unaudited.

The IRC Group was acquired by Petropavlovsk in April 2009 and therefore the income statement for the twelve months ended 31 December 2009 includes four months where the IRC Group was not consolidated as part of the Group. The financial information for that four month period has been extracted without material adjustment from the accounting records of the IRC Group.

3 Income statement

	<i>Year ended 31 December 2009 USD'000</i>	<i>Year ended 31 December 2010 USD'000</i>	<i>Year ended 31 December 2011 USD'000</i>	<i>Six months ended 30 June 2012 USD'000 unaudited</i>
Revenue	8,260	25,792	122,208	56,948
Operating expenses	(46,806)	(96,072)	(122,697)	(68,030)
Share of results of joint ventures	(90)	(135)	(515)	(1,878)
Operating loss	(38,636)	(70,415)	(1,004)	(12,960)
Investment income	15,145	10,929	716	194
Interest expense	(10,337)	(11,813)	(555)	(843)
Other finance losses	0	0	0	0
Loss before taxation	(33,828)	(71,299)	(843)	(13,609)
Taxation	(3,302)	(614)	(985)	(110)
Loss for the period	(37,130)	(71,913)	(1,828)	(13,719)

Notes to the Income Statement (all amounts are in thousands):

- (1) Included within IRC's interest income are transactions with Petropavlovsk of US\$12,905 for 2009 and US\$10,585 for 2010.
- (2) Included within IRC's interest expense are transactions with Petropavlovsk of US\$9,849 for 2009 and US\$11,254 for 2010.
- (3) The loss for each of the periods above differs from that reported in the financial statements published by IRC due to the differences in the accounting policies and management estimates between Petropavlovsk and IRC.

4 Balance sheet

	<i>31 December 2011 USD'000</i>	<i>30 June 2012 USD'000 unaudited</i>
Assets		
Non-current assets		
Intangible assets	44,493	45,196
Property, plant and equipment	566,872	583,325
Prepayments for property, plant and equipment	68,580	147,289
Interests in joint ventures	7,086	5,220
Other non-current assets	36,483	30,540
	<u>723,514</u>	<u>811,570</u>
Current assets		
Inventories	41,809	47,786
Trade and other receivables	57,353	40,563
Cash and cash equivalents	33,188	18,496
	<u>132,350</u>	<u>106,845</u>
Total assets	<u>855,864</u>	<u>918,415</u>
Liabilities		
Current liabilities		
Trade and other payables	(21,959)	(24,307)
Current income tax payable	(293)	(275)
Borrowings	(15,000)	(17,000)
	<u>(37,252)</u>	<u>(41,582)</u>
Net current assets	<u>95,098</u>	<u>65,263</u>
Non-current liabilities		
Borrowings	(6,343)	(75,233)
Deferred tax liabilities	(59,886)	(59,800)
Provision for close down and restoration costs	(4,093)	(4,059)
	<u>(70,322)</u>	<u>(139,092)</u>
Total liabilities	<u>(107,574)</u>	<u>(180,674)</u>
Net assets	<u>748,290</u>	<u>737,741</u>

Notes to the Balance Sheet (all amounts are in thousands):

- (1) Included within IRC's trade and other receivables are balances with Petropavlovsk of US\$2,357 as at 31 December 2011 and US\$2,086 as at 30 June 2012.
- (2) Included within IRC's trade and other payables are balances with Petropavlovsk of US\$3,517 as at 31 December 2011 and US\$3,543 as at 30 June 2012.
- (3) The net assets at both dates above differ from those reported in the financial statements published by IRC due to the differences in the accounting policies and management estimates between Petropavlovsk and IRC.

Part IV

Unaudited Pro Forma Financial Information for the Group following First Completion and for the Continuing Group

The unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Transaction on the net assets of the Group as if it had occurred at 30 June 2012. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Group's actual financial position or results.

The unaudited pro forma statement of net assets is based on the unaudited consolidated balance sheet of the Company as set out in the published interim results of the Company for the six months ended 30 June 2012 and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information. The unaudited pro forma statement of net assets is compiled on the basis of the notes set out below and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II of the Prospectus Rules as applied by Listing Rule 13.3.3R.

Unaudited pro forma net assets statement

<i>USD'000</i>	<i>As of 30 June 2012 Historical⁽ⁱ⁾</i>	<i>Stage 1 Adjustments</i>	<i>Stage 1 Pro Forma</i>	<i>Stage 2 Adjustments</i>	<i>Stage 2 Pro Forma</i>
Non-current assets					
Goodwill	21,675	–	21,675	–	21,675
Intangible assets	351,636	(45,196) ⁽ⁱⁱ⁾	306,440	–	306,440
Property, plant and equipment	2,068,439	(583,325) ⁽ⁱⁱ⁾	1,485,114	–	1,485,114
Investment in associates	–	–	–	267,300 ^(vii)	267,300
Other non-current assets	344,711	(183,049) ⁽ⁱⁱ⁾	161,662	–	161,662
	<u>2,786,461</u>	<u>(811,570)</u>	<u>1,974,891</u>	<u>267,300</u>	<u>2,242,191</u>
Current assets					
Inventories	446,860	(47,786) ⁽ⁱⁱ⁾	399,074	–	399,074
Trade receivables and other current assets	202,624	(40,563) ⁽ⁱⁱ⁾	162,061	–	162,061
Cash and cash equivalents	190,214	(18,496) ⁽ⁱⁱ⁾	171,718	–	171,718
	<u>839,698</u>	<u>(106,845)</u>	<u>732,853</u>	<u>–</u>	<u>732,853</u>
Assets classified as held for sale	–	642,899 ⁽ⁱⁱⁱ⁾	642,899	(642,899) ^(vii)	–
Total assets	<u>3,626,159</u>	<u>(275,516)^(iv)</u>	<u>3,350,643</u>	<u>(382,598)</u>	<u>2,968,045</u>

<i>USD'000</i>	<i>As of 30 June 2012 Historical⁽ⁱ⁾</i>	<i>Stage 1 Adjustments</i>	<i>Stage 1 Pro Forma</i>	<i>Stage 2 Adjustments</i>	<i>Stage 2 Pro Forma</i>
Liabilities					
Liabilities directly associated with assets classified as held for sale	–	(127,420) ^(v)	(127,420)	127,420 ^(vii)	–
Current liabilities					
Trade payables and other liabilities	(177,734)	24,582 ⁽ⁱⁱ⁾	(153,152)	–	(153,152)
Borrowings	(197,222)	17,000 ⁽ⁱⁱ⁾	(180,222)	–	(180,222)
	<u>(374,956)</u>	<u>41,582</u>	<u>(333,374)</u>	<u>–</u>	<u>(333,374)</u>
Net current assets	464,742	(65,263)	399,479	–	399,479
Non-current liabilities					
Borrowings	(1,122,751)	75,233 ⁽ⁱⁱ⁾	(1,047,518)	–	(1,047,518)
Other non-current liabilities	(225,580)	63,859 ⁽ⁱⁱ⁾	(161,721)	–	(161,721)
	<u>(1,348,331)</u>	<u>139,092</u>	<u>(1,209,239)</u>	<u>–</u>	<u>(1,209,239)</u>
Total liabilities	<u>(1,723,287)</u>	<u>53,254</u>	<u>(1,670,033)</u>	<u>127,420</u>	<u>(1,542,613)</u>
Net assets	<u>1,902,872</u>	<u>(222,262)^(vi)</u>	<u>1,680,610</u>	<u>(255,178)</u>	<u>1,425,432</u>

Notes to the unaudited pro forma statement of net assets (all numbers are in thousands):

- (i) The net assets for the Group have been extracted without adjustment from the published interim results of Petropavlovsk for the six months ended 30 June 2012.
- (ii) Following the decision by Petropavlovsk to dispose of its controlling interest in IRC, Petropavlovsk's investment in IRC has been treated as a disposal group "held for sale". The adjustment reflects the reclassification of IRC assets and liabilities as "assets held for sale" and liabilities directly associated with assets held for sale in accordance with the disclosure requirements of IFRS 5 "Non-current Assets Held for Sale".
- (iii) Net adjustment of US\$642,899 represents:
- (a) US\$918,415 being the reclassification of IRC assets to assets held for sale;
 - (b) US\$96,000 being the consideration of US\$103,000 at First Completion from the issue of new shares by IRC at a price of HK\$0.94 per IRC Share net of Petropavlovsk and IRC estimated transaction costs of US\$7,000; and
 - (c) US\$378,516 being the pro forma write-down to adjust the carrying value of IRC assets to fair value less costs to sell.
- (iv) Net adjustment of US\$275,516 represents the difference between the consideration at completion of Stage 1 of US\$103,000 received from the issue of new shares by IRC and a pro forma write-down of US\$378,516 to adjust the carrying value of the IRC assets to fair value less costs to sell, based on the subscription price of HK\$0.94 per IRC Share.
- (v) Net adjustment of US\$127,420 represents:
- (a) US\$180,674 being the reclassification of IRC liabilities to liabilities directly associated with assets classified as held for sale; and
 - (b) US\$53,254 being the reversal of the deferred tax liability on the pro forma loss to adjust IRC assets to fair value less costs to sell.
- (vi) Net adjustment of US\$222,262 represents the difference between the consideration at completion of Stage 1 of US\$103,000 received from the issue of new shares by IRC and a pro forma write down of US\$325,262 (net of reversal of associated deferred tax liabilities of US\$53,254) to adjust the carrying value of IRC assets to fair value less costs to sell, based on the subscription price of HK\$0.94 per IRC Share.

The net adjustment of US\$222,262 is allocated as follows:

- (a) To owners of the company US\$145,137; and
- (b) To non-controlling interest US\$77,125.

(vii) Upon further dilution of Petropavlovsk's interest in Stage 2, the assets and liabilities held for sale are deconsolidated and the residual interest in IRC is accounted for as an associate. The carrying amount of the associate is based on 2,205,900 IRC Shares at the subscription price of HK\$0.94 per IRC Share, being a 40.3 per cent. interest in IRC.

Non-controlling interest of US\$255,178 (being 2,105,670 IRC Shares at the subscription price of HK\$0.94 per IRC Shares) is de-recognised following completion of Stage 2 and accordingly has no impact on equity shareholders funds.

New IRC shares issued and proceeds from the issuance of new IRC shares at completion of Stage 2 are not reflected in the pro forma. The proceeds from Stage 2 do not affect the pro forma since Petropavlovsk will not have control of IRC after completion of Stage 2. Proceeds from the issue of new IRC shares have no impact on the net asset per share value of IRC as the subscription price of HK\$0.94 per IRC share at Stage 2 is equal to the price used to determine fair value at completion of Stage 1.

(viii) No account has been taken of trading or any other events or transactions subsequent to 30 June 2012.

Impact on earnings

The effect of the disposal of Petropavlovsk's controlling interest, before the exceptional pro forma impairment adjustment described in "Notes to the unaudited pro forma statement of net assets" paragraph (iv), will be earnings enhancing as IRC is currently contributing a loss to Petropavlovsk. The effect of the disposal of Petropavlovsk's controlling interest after the exceptional pro forma adjustment will be earnings dilutive.

Part V

Accountant's Report in respect of the Unaudited Pro Forma Financial Information for the Group following First Completion and for the Continuing Group

Deloitte LLP
2 New Street Square
London EC4A 3BZ

The Board of Directors
on behalf of Petropavlovsk PLC
10-11 Grosvenor Place
London SW1X 7HH

J.P. Morgan Limited
25 Bank Street
Canary Wharf
London E14 5JP

18 February 2013

Dear Sirs,

Petropavlovsk PLC (Company)

We report on the unaudited pro forma statement of net assets (**Pro forma financial information**) set out in Part IV (Unaudited Pro Forma Financial Information for the Group following First Completion and for the Continuing Group) of the Class 1 circular dated 18 February 2013 (**Circular**), which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the Transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2011. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (**Prospectus Directive Regulation**) as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (**Directors**) to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept

responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

Part VI

Principal Terms of the Transaction Documentation

1 Subscription Agreements

General Nice Subscription Agreement

On 17 January 2013, IRC and General Nice entered into the General Nice Subscription Agreement which provides for a conditional two stage equity investment into IRC. Pursuant to the General Nice Subscription Agreement, subject to the conditions being satisfied, at Stage 1, at the First Completion General Nice will subscribe for a total of 851,600,000 Subscription Shares, of which 817,536,000 initial Subscription Shares will be allotted and issued upon First Completion with the allotment and issue of the remaining Subscription Shares (being the Deferred Shares described below) conditional upon, among other things, the allotment and issue of the Further Shares. General Nice will pay to IRC a subscription amount upon First Completion of approximately US\$103.3 million at HK\$0.94 per IRC Share, to achieve an interest of 19.60 per cent. in IRC (with Petropavlovsk's holding being diluted to 50.76 per cent.), assuming no other IRC Shares are issued and the maximum number of Deferred Shares are issued. Pursuant to the General Nice Subscription Agreement, the General Nice Right will entitle General Nice at any time during the General Nice Exercise Period to subscribe for 863,600,000 Further Shares. General Nice will pay to IRC a subscription amount upon Second Completion of approximately US\$104.7 million, being the total consideration for the 863,600,000 Further Shares at HK\$0.94 per IRC Share.

The number of Deferred Shares to be issued (if any) will depend on whether and when the General Nice Right is exercised or, if the General Nice Right has not been exercised, whether there was default on the part of IRC. In each case, no additional subscription moneys are payable on issue as the subscription amount payable as part of First Completion will include the subscription price in respect of the maximum number of Deferred Shares. IRC will be entitled to retain the full subscription price paid in respect of the maximum number of Deferred Shares, irrespective of the number of Deferred Shares actually issued. If the General Nice Right is exercised in the first half of the General Nice Exercise Period 34,064,000 Deferred Shares will be issued, if in the second half 25,548,000 Deferred Shares will be issued, in each case at the Second Completion. If IRC breaches the General Nice Subscription Agreement in any material respects and General Nice does not exercise the General Nice Right within the General Nice Exercise Period, 34,064,000 Deferred Shares must be issued to General Nice on the tenth Business Day following expiry of the General Nice Exercise Period.

The First Completion is conditional upon, *inter alia*:

- (a) the granting of the Whitewash Waiver;
- (b) the SFC having granted its consent in relation to the Special Deals;
- (c) the IRC Shareholders having approved the Whitewash Waiver, Investors' Subscription Agreements, the Offtake Arrangements, the Special Deals and other incidental matters and the Indemnity in an extraordinary general meeting (EGM) of IRC in accordance with applicable requirements of the Hong Kong Listing Rules;
- (d) the Listing Committee of the HKSE granting the listing of, and permission to deal in, the General Nice initial Subscription Shares (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the General Nice initial Subscription Shares); and
- (e) the passing of the Resolution.

If these conditions are not satisfied or (where permissible) waived by the relevant party or parties by 30 April 2013, or such later date as the parties may agree, the General Nice Subscription Agreement will terminate and the Transaction will not proceed.

There are no conditions to the completion of the subscription by General Nice for the Further Shares.

General Nice will be subject to a one year lock-up in relation to its IRC Shares (subject to certain exemptions) with effect from the First Completion and, if it exercises the General Nice Right, from the Second Completion.

IRC has also undertaken to General Nice that, save for the issue of the Subscription Shares and for the issue of IRC Shares in connection with the acquisition of the molybdenum project (as described in paragraph 7.3(f) of Part VII (Additional Information), it will not *inter alia* issue further IRC Shares for the IRC Lock-up Period.

Minmetals Cheerglory Subscription Agreement

On 17 January 2013, IRC and Minmetals Cheerglory entered into the Minmetals Cheerglory Subscription Agreement pursuant to which Minmetals Cheerglory has conditionally agreed to subscribe for and IRC has conditionally agreed to allot and issue a total of 247,300,000 new IRC Shares at the price of HK\$0.94 per new IRC Share (**Minmetals Cheerglory Subscription Shares**). Minmetals Cheerglory will pay to IRC a subscription amount of approximately US\$30 million upon Second Completion (subject to the conditions to its investment having been satisfied).

The Minmetals Cheerglory Subscription completion is conditional upon, *inter alia*:

- (a) the granting of the Whitewash Waiver;
- (b) the SFC having granted its consent in relation to the Special Deals;
- (c) the IRC Shareholders having approved the Whitewash Waiver, Subscription Agreements, the Offtake Arrangements, other incidental matters including the issuance of the Subscription Shares and the granting of the General Nice Right in an EGM of IRC in accordance with applicable requirements of the Hong Kong Listing Rules;
- (d) the Listing Committee of the HKSE granting the listing of, and permission to deal in, the Minmetals Cheerglory Subscription Shares (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Minmetals Cheerglory Subscription Shares);
- (e) the passing of the Resolution;
- (f) the General Nice Right having been exercised; and
- (g) Minmetals Cheerglory having completed all registration and filing processes with the National Development and Reform Commission (NDRC) and the Chinese State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) for the subscription of the Minmetals Cheerglory Subscription Shares, and having received a certificate of registration from NDRC, and neither the NDRC nor the SASAC having raised any objection to the subscription of the Minmetals Cheerglory Subscription Shares within 25 Business Days after completion of such registration and filing processes.

If these conditions are not satisfied or (where permissible) waived by the relevant party or parties by the date that is 6 months after the First Completion, or such later date as the parties may agree, the Minmetals Cheerglory Subscription Agreement will terminate and the subscription by Minmetals Cheerglory will not proceed.

Minmetals Cheerglory will be subject to a one year lock-up in relation to its IRC Shares (subject to certain exemptions) with effect from the Second Completion.

IRC has also undertaken to Minmetals Cheerglory that, save for the issue of the Subscription Shares and for the issue of IRC Shares in connection with the acquisition of the molybdenum project (as described in paragraph 7.3(f) of Part VII (Additional Information), it will not *inter alia* issue further IRC Shares for the IRC Lock-up Period.

IRC Shares to be issued

If these three Subscriptions take place and no further IRC Shares are issued the holdings in IRC would be as follows:

<i>Shareholder(s)</i>	<i>Number of IRC Shares*</i>	<i>Percentage of enlarged share capital</i>
Petropavlovsk	2,205,900,000	40.43
General Nice	1,715,200,000	31.43
Minmetals Cheerglory	247,300,000	4.53
Other shareholders	1,288,134,301	23.61
Total	5,456,534,301	100.00

Note:

* Assuming 34,064,000 Deferred Shares are issued

An application will be made by IRC for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange of Hong Kong.

2 Shareholders' Agreement

On 17 January 2013, Petropavlovsk, General Nice and Minmetals Cheerglory entered into the Shareholders' Agreement. The Shareholders' Agreement will however only come into effect at the Second Completion, if that takes place. The term of the agreement is from the Second Completion until the earlier of (i) the Petropavlovsk Group's relevant interest in IRC Shares or the Subscriber group's relevant interest in IRC Shares (as calculated under the Shareholder's Agreement) becoming less than 5 per cent., and (ii) a party being in material breach of the Shareholders' Agreement and a non-defaulting party electing to terminate it.

Under this agreement each of Petropavlovsk and the Subscribers (in all cases in this section including Minmetals Cheerglory only if it is an IRC Shareholder) will have rights of nomination of executive and/or non-executive IRC Directors, with the rights of nomination depending on their actual and relative sizes of holdings of IRC Shares (as calculated under the Shareholders' Agreement). While Petropavlovsk retains a holding of 20 per cent. or more of the IRC Shares, it will be entitled to nominate three IRC Directors, of whom two will be executive (one being the Chairman) if Petropavlovsk's holding is greater than the Subscribers' holding, and one if the holding is less. There are also appointment rights for the IRC Board executive committee, with Petropavlovsk being able to appoint a majority of the committee if its holding exceeds that of the Subscribers, and the Subscribers being entitled to appoint a majority if they have the larger holding.

Petropavlovsk undertakes to exercise its procurement and voting rights (i) in favour of any resolutions in the general meeting(s) of IRC relating to the Offtake Arrangements and any subsequent renewal, amendment or fixing or revision of annual caps in respect of the Offtake Arrangements and (ii) so that the board of IRC considers any proposed sale of mineral assets by General Nice to IRC in good faith. In addition, Petropavlovsk undertakes to procure its respective nominated director(s) (if any), subject to any fiduciary duties of such nominated director(s) and other relevant restrictions under law, vote in favour of any resolutions in the board meeting(s) of IRC relating to the Offtake Arrangements and any subsequent renewal, amendment or fixing or revision of annual caps in respect of the Offtake Arrangements. However, Petropavlovsk will abstain from voting on the Offtake Arrangements at the extraordinary general meeting of IRC shareholders to approve, amongst other things, the Transaction, as the resolution for approving the Offtake Arrangement is interconditional with the resolution approving the Indemnity, in which Petropavlovsk has an interest. In respect of any future resolution of IRC shareholders falling within this undertaking, Petropavlovsk will abstain from voting if required under the listing rules of the Stock Exchange of Hong Kong.

Petropavlovsk and the Investors have given mutual undertakings not to, and will procure that parties acting in concert with it will not, acquire voting rights in IRC which would result in an obligation to make a

mandatory general offer by any or all of Petropavlovsk and the Investors in accordance with the Hong Kong Code on Takeovers and Mergers issued by the SFC.

Petropavlovsk is subject to a lock-up obligation precluding it from dealing in any interests in, *inter alia*, IRC Shares for 12 months following the Second Completion, save with consent or for permitted transfers which include (i) any acceptance of a general offer made by a third party for the IRC Shares or granting of an irrevocable undertaking to accept such an offer; (ii) the granting of security in respect of IRC Shares to a *bona fide* third party financial institution for the purpose of securing any indebtedness of the person granting such security or an affiliate; or (iii) any disposal of IRC Shares to an affiliate, in each case subject to detailed provisions.

Without prejudice to the lock-up provisions described in the previous paragraph, for the term of the Shareholders' Agreement each of Petropavlovsk and the Investors must notify the other of proposed transfers not falling within various exemptions.

Each of General Nice and Minmetals Cheerglory agrees to use its respective reasonable efforts to assist Petropavlovsk with the removal or reduction of its obligations under the Bank Guarantee, including (but not limited to) negotiating with ICBC to procure either (a) the release of the Bank Guarantee; or (b) the amendment of the Bank Guarantee so that it becomes a several obligation of each of Petropavlovsk and General Nice in proportion to their respective shareholdings in IRC.

The parties are required to use their voting and procurement powers to give effect to the provisions of the Shareholders' Agreement.

3 Preliminary Agreement

On 17 January 2013, Petropavlovsk and General Nice entered into a preliminary agreement which will be effective until the expiry of the General Nice Exercise Period or, if the General Nice Right is exercised, until the Second Completion, under which (i) Petropavlovsk will support the appointment of two representatives nominated by General Nice to serve as non-executive directors to the IRC Board; (ii) Petropavlovsk undertakes to General Nice not to dispose of IRC Shares held by it; and (iii) General Nice undertakes to Petropavlovsk to use its best endeavours, at the request of Petropavlovsk, to assist Petropavlovsk, including discussing with ICBC, to procure the release of the Bank Guarantee.

4 Indemnity

On 17 January 2013, Petropavlovsk and General Nice entered into the Indemnity to address the situation that Petropavlovsk will remain liable to guarantee all of the obligations of K&S under the ICBC Facility notwithstanding its diluted holding. The Indemnity will however only come into effect at the Second Completion, if that takes place.

Under the Indemnity, in the event that any Finance Party (as defined in the ICBC Facility) has given a demand or other notice to Petropavlovsk under the ICBC Facility demanding payment by Petropavlovsk in respect of an outstanding facility amount and Petropavlovsk has made such payment in full to that Finance Party or a Credit Default (as defined in the Indemnity) has occurred and Petropavlovsk has provided a loan to IRC in accordance with the Recourse Agreement, General Nice irrevocably and unconditionally undertakes to pay to Petropavlovsk, an amount equal to the proportion of such payment or loan made by Petropavlovsk which is equal to the proportion which the General Nice holding of IRC Shares bears to the aggregate holding of General Nice and Petropavlovsk in IRC – with such holdings being calculated by reference to the average of their respective (direct or indirect) holdings in IRC over a 45 day period (or a 30 day period, depending on the circumstances) immediately prior to notification of the indemnity claim.

5 Offtake Agreement

On 17 January 2013, IRC and the Subscribers entered into the Offtake Agreement which will take effect from the First Completion Date. The term is from the First Completion Date until 15 years from the commencement of the first 12 month period after first commercial delivery of iron ore concentrate from the

K&S Project where the aggregate production volume for that 12 months is equal to or greater than 1 million tonnes.

The agreement relates to offtake of iron ore concentrate from all existing and future magnetite development projects of the IRC Group, including, but not limited to, the K&S Project and the Garinskoye Deposit but excluding (i) the Kuranakh project; (ii) projects to be acquired by the IRC Group in China; and (iii) projects acquired by the IRC Group which have offtake arrangements in place at the time of acquisition for 100 per cent. of their production (**Projects**). Any iron ore concentrate production containing Fe content of 32 per cent. or above from any of the Projects (except for (i) production from Projects acquired by the IRC Group after the date of the Offtake Agreement and which are covered by an offtake agreement existing at the time of acquisition and (ii) product sold by any member of the IRC Group to another member of the IRC Group) (**Product**) may be Seaborne Product or Dry Port Product, with the allocation to be determined by IRC in its absolute discretion.

The obligations of the Investors to purchase the Take or Pay Quantity shall be joint and several, save that in respect of each specific shipment, the Investors may notify IRC which of them shall take delivery of, and make payment for, the specific shipments of Seaborne Product and as notified to IRC (the **Specified Investor**) in respect of that shipment, in which case that Specified Investor shall be solely responsible for taking delivery of, and making payment for, that shipment (or, if it nominates another entity to do so, guaranteeing the obligations of that other entity).

The pricing mechanism for Seaborne Product from the K&S Project has been agreed between the parties, but the pricing mechanism for Seaborne Products other than Seaborne Product from the K&S Project (such as those from other Projects) has not yet been determined because the nature of those other Products are not yet known to the parties. The price for each shipment of Seaborne Product from the K&S Project will be the average relevant Platts IODEX iron ore fines price for the 20 days prior to the bill of lading date which such index has been published less 7 per cent. of such price, based upon the dry weight and the iron content of such Product, with further agreed adjustments for certain impurities. It is intended that the Platts IODEX will also be used as the relevant third party index to price Garinskoye Seaborne Product. However, the exact indices of Platts IODEX to be used in respect of Garinskoye Seaborne Product has not yet been determined by the parties as the Fe content of the Garinskoye Seaborne Product is not yet known.

The terms for pricing and adjustments for product quality and impurities for Seaborne Product other than Seaborne Product from the K&S Project shall be determined by agreement between the parties (acting in good faith) prior to commencement of commercial production of the relevant Project taking into consideration the particular physical and commercial characteristics of the Product. In the unlikely event that the parties (acting in good faith) are unable to agree terms for pricing and adjustments for product quality and impurities in relation to Seaborne Product other than Seaborne Product from the K&S Project, it is expected that such Seaborne Product shall not be subject to the terms of the Offtake Arrangement but will remain subject to the terms of the Framework Agreement. Accordingly, IRC would be free to sell such Seaborne Product to other potential buyers other than General Nice and Minmetals Cheerglory but any sale of such Seaborne Product which is classed as dry port product would be subject to the Dry Port Marketing Commission.

The price for Seaborne Product has been determined after arms' length negotiation between IRC and the Investors with reference to recent trading prices of iron ore concentrate and the commitment by the Investors to purchase up to the entire production from the Projects for a long-term period. The 7 per cent. discount to the relevant Platts IODEX is also intended to compensate the Investors for the obligation to buy all the Seaborne Product as nominated by IRC over the term of the Offtake Arrangement.

At the time the Offtake Agreement was entered into, neither Subscriber was a connected person of IRC. However, upon First Completion, General Nice will become a connected person of IRC as a substantial shareholder. Accordingly, each Subscriber may be a connected person of IRC during the period in which sales are made under the Offtake Agreement (assuming the Subscriber is still a substantial shareholder in IRC at the relevant time) and the sales under the Offtake Agreement will constitute continuing connected transactions of IRC under the Hong Kong Listing Rules (although such sales are not expected to be made until 2014 when the K&S Mine commences iron ore concentrate production).

Since the annual aggregate value of the sales under the Offtake Agreement (once they commence) are expected to exceed 25 per cent. of the applicable percentage ratios under the Hong Kong Listing Rules, the Offtake Agreement will be subject to the reporting, announcement and Independent IRC Shareholders' approval requirements under Rule 14A.35 of the Hong Kong Listing Rules.

6 Framework Agreement

On 17 January 2013, IRC and the Subscribers entered into the Framework Agreement which will take effect upon First Completion and the approval of the Framework Agreement, the Subscription Agreements, the Offtake Agreement and the Indemnity by the Independent IRC Shareholders. The term is 15 years from the commencement of the first 12 month period after first commercial delivery of iron ore concentrate from the K&S Project where the aggregate production volume for that 12 months is equal to or greater than 1 million tonnes, subject to earlier termination if the Offtake Agreement is terminated or the aggregate holdings of General Nice and Minmetals Cheerglory in IRC (calculated by reference to the number of IRC Shares in issue at the date of completion under the Minmetals Cheerglory Subscription Agreement) reduce to less than 5 per cent. and the parties are unable to reach agreement on re-negotiated terms within 30 days of the aforementioned reduction in holdings.

Under the Framework Agreement, the Subscribers are entitled to a marketing commission each year of 5 per cent. on sales revenue from Dry Port Product provided that if in any year the total tonnage of Dry Port Product exceeds the Dry Port Product Cap, no commission will be payable in respect of Dry Port Product Sales in excess of the Dry Port Product Cap.

The amount of Seaborne Product which the Subscribers have the exclusive right to offtake under the Offtake Agreement and the Dry Port Product Cap will be adjusted downwards if the Second Completion does not take place or does so without Minmetals Cheerglory or its nominee completing its subscription under the Minmetals Cheerglory Subscription Agreement. Subsequently such levels will be reduced (if applicable from the already reduced levels) if the aggregate holdings of the Subscribers fall below certain thresholds of ownership relative to the number of IRC Shares in issue following the First or Second Completion as applicable.

Part VII

Information on the IRC Assets and Reserves and Resources

1 Information on IRC's assets and reserves and resources

IRC is a vertically integrated producer of industrial commodities. Upstream, IRC explores, develops and operates mines in the Russian Far East and North-Eastern China. Downstream, IRC beneficiates, transports and markets intermediary and finished products for sale to the local and international markets.

The IRC Group has a diversified portfolio of projects, which includes:

- the Kuranakh Mine (consisting of the Kuranakh and Saikta deposits) located in the Amur Region, IRC's first producing mine with final products being an iron ore concentrate with a 62.5 per cent. iron (Fe) content and ilmenite concentrate with a 48 per cent. titanium dioxide content (TiO₂);
- the K&S Mine, a magnetite project, which is under construction and is located in the EAO;
- Garinskoye, a magnetite project, which is located in the Amur Region;
- iron exploration projects including Kostenginskoye, located in the EAO; the Garinskoye Flanks, which surround Garinskoye, in addition to Bolshoi Seym, an ilmenite deposit located in the Amur Region and a molybdenum exploration portfolio (through the IRC Group's 50 per cent. plus one share stake and an option over the remaining shares in Caedmon Limited); and
- the vanadium joint venture, a downstream development joint venture project, located in the PRC, relating to vanadium pentoxide.

In addition, the IRC Group has considerable in-house technical expertise and a 70.3 per cent. interest in Giproruda, a Russian mining engineering institute.

1.1 *Kuranakh*

Kuranakh (in which IRC has a 100 per cent. interest), located in the north-west of the Amur Region, is IRC's first producing mine and celebrated its second anniversary of commercial production in 2012. The operation is the first vertically integrated titanomagnetite mining, processing and production facility in Russia, which was designed and built and is managed by IRC. The operation covers 85km² and comprises the Kuranakh and Saikta deposits, an on-site crushing and screening plant (which ramped up throughput during 2011) and the nearby Olekma processing plant (which also ramped up capacity in 2011 in line with other activities). The final products: iron ore concentrate with 62.5 per cent. Fe content and ilmenite concentrate with 48 per cent. TiO₂ content are directly loaded onto railcar wagons for transportation via the Baikal-Amur Mainline railway line and Trans Siberian Railways to IRC's customers. The operation currently employs approximately 1,300 people and is a significant contributor to the local economy and communities through a range of environmental and social activities.

Between 2004 and 2006 geological exploration and confirmation works were conducted at the deposit. Currently two ore zones have been allocated for mining: zone 1, called Saikta and zone 3, called Kuranakh. The mining operations at the deposit commenced in 2008 and were concentrated at Saikta. The resources at 31 December 2011 are 41.32 million tonnes. The existing reserves of 34.5 Mt of ore ensure a life-of-mine of 15 years with the annual mining capacity of 2.6 million tpa.

Production at the Kuranakh Mine for the year ended 31 December 2012 was 946,436t of iron ore concentrate containing Fe 62.5 per cent. and 125,0095t of ilmenite concentrate containing TiO₂ 49 per cent.

The tables below set out the resources of the Kuranakh deposit (ore zones 1 and 3) at January 2012 estimated in accordance with the guidelines of the JORC Code (2004):

Saikta Mineral Resources* (WAI January 2012)

<i>Resource Classification</i>	<i>Ore Resources</i>						
	<i>(Mt)</i>	<i>Fe_{total} (%)</i>	<i>Fe_{Magn} (%)</i>	<i>TiO₂ (%)</i>	<i>Fe_{total} (Mt)</i>	<i>Fe_{Magn} (,t)</i>	<i>TiO₂ (,t)</i>
Indicated	21.67	31.39	21.09	9.69	6.80	4.57	2.10

Kuranakh Mineral Resources* (WAI January 2012)

<i>Resource Classification</i>	<i>Ore Resources</i>						
	<i>(Mt)</i>	<i>Fe_{total} (%)</i>	<i>Fe_{Magn} (%)</i>	<i>TiO₂ (%)</i>	<i>Fe_{total} (Mt)</i>	<i>Fe_{Magn} (,t)</i>	<i>TiO₂ (,t)</i>
Indicated	14.06	30.50	19.04	9.40	4.29	2.68	1.27
Inferred	5.59	31.65	19.65	9.97	1.77	1.10	5.57

The table below sets out the reserves of Kuranakh deposit (ore zones 1 and 3) at 31 December 2011 estimated in accordance with the guidelines of the JORC Code 2004:

Kuranakh Ore Reserves* (WAI 01 February 2011)

	<i>Tonnage (Mt)</i>	<i>Fe (%)</i>	<i>Fe (Mt)</i>
Proven	–	–	–
Probable	13.9	30.0	4.2
Total	13.9	30.0	4.2

Saikta Ore Reserves* (WAI 01 January 2011)

	<i>Tonnage (Mt)</i>	<i>Fe (%)</i>	<i>Fe (Mt)</i>
Proven	–	–	–
Probable	20.6	31.6	6.5
Total	20.6	31.6	6.5

1.2 **K&S**

The K&S ('Kimkan' & 'Sutara') deposits (in each of which the IRC Group has a 100 per cent. interest) are located close to both the Trans-Siberian Railway (4km) and the Chinese border (c.60km) in the Obluchenskoye District of the EAO in the Russian Far East. The Kimkan deposit (which is divided into four distinct ore zones) is located approximately 15km north-north-east of the Sutara deposit (which is divided into three ore zones). The licence relating to the Kimkan deposit covers an area of approximately 22.4km² and the licence relating to the Sutara deposit covers an area of 27km². The licences over the two deposits have a term of 20 years (from February 2006), which is extendable with the consent of the licensing authority.

The K&S Project is under construction and due to commence production in 2014. It is a large magnetite operation with a first phase targeted production capacity of 3.2 million tonnes of iron ore concentrates with a 65 per cent. (Fe) content per annum for 25 years. It should be noted, however, that the plant will have a maximum throughput capacity of 20 million RoM tonnes, 100 per cent. above the initial required capacity to allow for expansion and treatment of ore feeds. The K&S processing plant is a turnkey project for delivery of a strict volume and quality of material over a 30-month period, for delivery by mid-2014. It is funded through a project finance facility provided by ICBC and is being constructed by China National Electric Equipment Corporation (CNEEC) with supervision from IRC. The plant site has been designed in a modular way so that it can be expanded to process ores from an expanded K&S operation and the Garinskoye Deposit. An optimisation study for a second stage development suggests the potential to almost double production to 6.3 million tonnes of iron ore concentrates per annum whilst lowering operating expenses due to economies of scale.

To date all of the necessary exploration activities as well as confirmation drilling have been completed and the deposit is already being mined to generate stockpiles for the operational start-up. The current mining plan is that the Kimkan Center and Kimkan West will be mined first. The Sutara Deposit will be mined simultaneously with Kimkan and will commence in the third year of operations at Kimkan. The total proven and probable reserves as of 31 December 2011 is 555 Mt with an average Fe grade of 32.6 per cent., ensuring the life of mine in excess of 30 years at a rate of 20 million tonnes per annum.

The total resources of the K&S Project, estimated in accordance with the guidelines of the JORC Code, is 764 Mt with an average grade of Fe 32.4 per cent.

The table below sets out K&S Mineral Resources in accordance with the guidelines of the JORC Code 2004 (WAI August 2011/February 2011):

	<i>Resources</i>	<i>Ore (Mt)</i>	<i>Fe grade (%)</i>	<i>Fe (Mt)</i>
Kimkan	Measured & Indicated	166.2	33.1	55.0
	Inferred	105.7	32.8	34.7
Sutara	Measured & Indicated	426.6	32.3	137.9
	Inferred	65.5	31.0	20.4
Total	Measured & Indicated	592.8	32.5	192.9
	Inferred	171.2	32.2	55.1

* Kimkan @ cut-off grade — 17%, Sutara @ cut-off grade — 18%

The table below sets out K&S Proven and Probable Reserves (WAI January 2012) in accordance with the guidelines of the JORC Code 2004:

<i>Ore Zone</i>	<i>Proven And Probable Reserves</i>		
	<i>Ore (Mt)</i>	<i>Fe grade (%)</i>	<i>Fe (Mt)</i>
Kimkan Center	95.1	33.1	32
Kimkan West	50.1	33.4	17
Sutara	409.7	32.4	133
Total	554.9	32.6	181

1.3 *Garinskoye*

The Garinskoye Deposit (in which the IRC Group has a 99.58 per cent. interest) is located in the Mazanovsky district in the central Amur Region, 148 kilometres from the Shimanovsk Station on the Trans-Siberian Railway and approximately 300km from the regional capital, Blagoveschensk.

The licence area is 11.2 km² and the estimated life of the reserves is 26 years. Increased capacity for this project may be achieved through the Garinskoye Flanks referred to below. Ore from Garinskoye will be sent to a beneficiation plant at K&S where iron ore concentrate will be produced. The Garinskoye Project has advanced following the announcement in April 2012 of a Direct Shipment Ore (DSO) style operation as an intermediate opportunity before proceeding with the original full-scale open-pit mining operation. The initial DSO operation is for production potential of 2.1 Mt of iron ore per annum (Fe 60 per cent. iron ore fines). The project is attractive on a range of measures due to low capital costs and a short construction period. Furthermore, the use of simple technology and production facilities suggests low operating costs, and proximity to the Chinese border will result in lower transportation costs. IRC has commenced discussions with a range of potential financial providers for the construction of the Garinskoye DSO project. The project's position at one of the lowest points on both the operational and capital cost curves has generated a range of financing opportunities.

The Garinskoye Deposit is one of the few large iron ore deposits in the Russian Far East which was explored and studied extensively during the Soviet era. The deposit was first discovered in 1949 through an aeromagnetic anomaly. Between 1950 and 1958, detailed exploration was carried out including pits, trenches, shafts and underground development, together with drill holes. The current

geological exploration works have been conducted at Garinskoye since 2007. The final stage of the field works was completed in August 2011.

Investigation of the historic exploration data by IRC geologists has determined that selective mining of DSO at a grade of over Fe 54 per cent., which occurs close to the surface, may be possible in the first years of mine development. A priority of the confirmation drilling programme at Garinskoye was to delineate these DSO zones for early mining. Samples are being analysed and when complete a re-estimation of the resources and identification of the high grade zones for primary mining will be possible. This work is currently ongoing.

As of 31 December 2011 (yet estimated in 2008) the resources of the Garinskoye Deposit totalled 220 Mt of ore in measured and indicated category and 156 Mt in the inferred category. The average grade of Fe 32 per cent. Proven and Probable reserves of the Garinskoye Deposit are 212 Mt with the average grade of Fe 36 per cent.

The table below contains Mineral Resources for Garinskoye in accordance with the guidelines of the JORC Code 2004:

<i>Project</i>	<i>Cut-off Grade</i>	<i>Resource Category</i>	<i>Mineral Resources (Mt)</i>	<i>Fe (%) (total)</i>
Garinskoye	20%	Indicated	219.86	32.0
		Inferred	155.94	29.3
		Total	375.80	30.9

1.4 *Garinskoye Flanks*

The Garinskoye Flanks deposit is located in the Mazanovksy administrative district, in the Amur Region and lies approximately 300km from the regional capital of Blagoveschensk. The Garinskoye Flanks licence covers an area of 3,530km² and contains a number of iron ore deposits that are in the preliminary stages of exploration. The licence covers both exploration and extraction. The Group is preparing and reviewing the exploration programme.

The table below shows JORC equivalent reserves and resources information for the Garinskoye Flanks:

<i>Category</i>	<i>Ore (mt)</i>	<i>Grade (%)</i>	<i>Contained metal (mt)</i>
Indicated	–	–	–
Inferred	6.3	41.3	2.6
Total	6.3	41.3	2.6

1.5 *Bolshoi Seym*

The Bolshoi Seym deposit, in which the IRC Group holds a 100 per cent. interest and which is currently in the exploration stage, is located in the Tynda district of the Amur region, 40km south east of the Kuranakh deposit. The Bolshoi Seym licence covers an area of 26km². The attractive geology with approximately 330 Mt of reserves and resources demonstrates the potential for annual production capacity of approximately 200,000t of ilmenite concentrate. Because the deposit is located adjacent to IRC's established Kuranakh operation, economies of scale could be leveraged from an enlarged operation.

Potentially economic mineralisation at Bolshoi Seym comprises massive ilmenite and magnetite. Massive mineralisation comprises 90-99 per cent. (by volume) of ilmenomagnetite, magnetite and ilmenite. The Bolshoi Seym mineralisation was initially discovered during the apatite-ilmenite ore exploration programme conducted in 1979–1982 by Kalarskaya GRP, a subsidiary of the state company Dalgeologiya. Systematic exploration of the Bolshoi Seym Deposit was conducted between 2007 and 2009 by Vostokgeologia. A total of 170 diamond drill holes have been drilled in all zones totalling 39,277 metres of which 158 were exploration holes, 3 were grade control holes, 5 were

technological holes, and 4 were hydrogeological holes. In addition to the drilling, 17 trenches have been excavated over a linear distance of 7,893 metres.

A mineral resource estimate of the Bolshoi Seym Deposit was prepared by Micon in compliance with the Canadian Institute of Mining, Metallurgy and Petroleum valuation standards. The estimate utilised geological and assay data from diamond drilling and trenching completed by Vostokgeologia in 2007–2009.

The table below shows resources in accordance with the guidelines of the NI43-101 for Bolshoi Seym as of December 2011*:

Zone		Tonnage (Mt)	Metal			
			Grade (%)		Resources (Mt)	
			TiO ₂	Fe _{total}	TiO ₂	Fe _{total}
Eastern Area	Indicated Resources	201.7	7.5	17.3	15.2	34.9
	Inferred Resources	27.7	6.9	16.3	1.9	4.5
Western Area	Inferred Resources	102.1	7.6	16.5	7.8	16.8
Total Indicated Resources			201.7	7.5	17.3	34.9
Total Inferred Resources			129.8	7.5	16.4	21.3

* Prepared by Micon

1.6 *Kostenginskoye*

The Kostenginskoye deposit is located 18km south of the Sutara deposit. The Kostenginskoye licence covers an area of 24km². It has a similar structure to the Sutara deposit. Almost all accumulations are concentrated in one orebody which is 5,700 metres long with intersection changes from 11 to 50 metres (with an average 36 metres) and an average grade of Fe 31.7 per cent.

Exploration between 2008 and 2011 concentrated on the southern portion of the deposit in the range of 12–80 exploration offset. At the end of 2011, nearly 50 per cent. of samples had been analysed and preliminary results of the exploration so far suggest that the core intersection has no significant changes. The average content of the samples is 28–30 per cent. iron with content of the magnetic iron at 17 to 19 per cent.

The table below shows work completed at the Kostenginskoye deposit:

Type of work	Unit	2011	2008–2011
Magnetic exploration Including exploration across the 100/10m cell	km ²	–	13
20x5m specification	km	19	19
Hand trenching	m ³ /m	3,104/1,167	5,497/1,981
Core drilling	m	17,535	24,593
Trenching	sample	579	970
Core sampling	sample	4,069	4,069
Chip sampling of host rocks (ditches and wells)	sample	4,538	5,799
Compilation of the group samples	sample	72	72
Lumps to determine the density of the ore	lump	350	350
Pillar drawing to determine the volumetric weight of ore	pillar	3	3

1.7 *Molybdenum*

In July 2012, IRC completed the acquisition of a controlling 50 per cent. plus one share stake, and an option over all remaining shares, in a molybdenum exploration project. The low-cost acquisition provides IRC with an attractive new development opportunity whilst enhancing commodity and regional diversification. Early stage exploration has identified metallised zones hosting high-grade pockets which are well located close to rail, energy and water infrastructure.

2 Specific material terms of IRC's material exploration, mining and production licences

The specific material terms of each material exploration, mining and production licence which are applicable to the relevant licence holders are summarised below:

2.1 *Kuranakh*

The Kuranakh deposit has one licence (licence number BLG 01244 TR) which is held by LLC Olekminsky Rudnik. The licence holder must ensure the following development phases of the project are performed:

- (i) commence geology explorations works in Q4 2001;
- (ii) complete the prospecting and evaluation works in Q4 2006 and provide final report to the State expert in Q1 2007;
- (iii) complete the exploration works on the objects of the first line with the submission of the geological report with the calculation of the Russian System reserves to the State expert in Q2 2006;
- (iv) complete the exploration works regarding the objects of the second line, including the submission of the geological report, with the calculation of the Russian System reserves to the State expert in Q1 2010; and
- (v) ensure the completion of the first production line of the processing plant in 2008 and commence the extraction of titanium ore in 2008 at the extraction rate of 100,000 tpa.

2.2 *K&S – Kimkan*

The Kimkan deposit has one licence (licence number BIR 14037 TE) which is held by K&S. The licence holder must ensure the following development phases of the project are performed by 2015:

- (i) perform geological exploration works by 30 June 2013 for the purpose of verifying exploration results received during the period 1950-1955; the minimum programme of works shall be:
 - (i) 2010:
 - (A) core drilling – not less than 1000 running m;
 - (B) surface trenching – not less than 5000m³;
 - (ii) 2011:
 - (A) core drilling – not less than 2000 running m;
 - (B) surface trenching – not less than 10000m³;
 - (iii) 2012:
 - (A) core drilling – not less than 2000 running m;
 - (B) surface trenching – not less than 10000m³;
 - (C) provide a geological report on the calculation of the Russian System reserves of iron ore of categories A+B+C1 for State expert review;
- (ii) preparation and coordination of the technical project of development of the deposit and commencement of construction of the infrastructure of the mining processing plant, not later than 30 December 2013;
- (iii) commencement of industrial extraction of iron ore not later than 30 December 2014; and

- (iv) attainment of the mining enterprise for the projected capacity with an extraction rate envisaged by the approved technical design for development of the deposit, not later than 30 December 2015.

On environmental matters, the licence holder is, *inter alia*, obliged to:

- (i) conduct a baseline analysis of the state of the environment within the licensed area not later than 30 June 2007; and
- (ii) commence monitoring the condition of the environment within the licensed area from 30 December 2007.

2.3 ***K&S – Sutara***

The Sutara deposit has one licence (number BIR 14038 TE) which is held by LLC KS GOK. The licence holder must ensure the following exploration and development phases of the project are performed up to 2014:

- (i) prepare and agree with the licensing authorities (subject to State ecological expert review) the geological study works project by 30 December 2006;
- (ii) commence the geological study works by 30 March 2007;
- (iii) completion of the geological exploration works, providing feasibility study report and geological report with calculation of Russian System reserves of the deposit to the State expert by 30 December 2010;
- (iv) technical development plan shall be agreed with the licensing authorities subject to State ecological expert review and State industrial development expert review by 30 December 2013;
- (v) construction of infrastructure of the processing plant shall be commenced by 30 December 2014; and
- (vi) extraction of iron ore shall commence not later than 30 December 2015 with an extraction rate of 5,000,000 tpa by 30 December 2016.

On environmental matters, the licence holder is, *inter alia*, obliged to:

- (i) conduct a baseline analysis of the state of the environment within the licensed area by 30 June 2007; and
- (ii) begin monitoring the condition of the environment within the licensed area by 30 December 2007.

2.4 ***Garinskoye***

The Garinskoye Deposit has one licence (licence number BLG 14123 TE) which is held by LLC GMMC. The licence holder has to ensure the following development phases of the project are performed:

- (i) prepare and agree by 31 July 2010 the geological exploration works for verification of the results of exploration of the deposit conducted in the period from 1950-1957 and verification of discovered magnetic anomalies;
- (ii) commence the geological exploration works by 1 September 2010; the minimum programme of works shall be:
 - (i) 2010 – core drilling – not less than 1000 running m;
 - (ii) 2011 – core drilling – not less than 2000 running m;
 - (iii) 2012 – core drilling – not less than 2000 running m;

- (iii) prepare the feasibility study report of permanent conditions for the purpose of calculation of reserves of iron ore by 1 January 2013;
- (iv) complete the exploration works and provide geological report with the calculation of the Russian System reserves for State expert review by 1 June 2013;
- (v) prepare and coordinate the project design documentation for development of the deposit by 1 January 2015;
- (vi) commence the construction of the infrastructure of the mining enterprise, processing plant and metals processing facility by 1 June 2015;
- (vii) commence the commercial extraction of ore by 1 June 2016;
 - (i) begin mining operations with the production capacity envisaged by the technical project but not less than 10 Mt of ore per year by 1 June 2017; and
 - (ii) attain metals processing capacity of not less than 1 Mt of crude iron per year by 1 June 2021.

On environmental matters, the licence holder is, *inter alia*, obliged to:

- (i) perform the baseline analysis of the state of the environment within the licensed area under the programme agreed with the Amurnedra and other authorised state bodies by 1 July 2008; and
- (ii) begin monitoring the condition of the environment within the licensed area under the programme coordinated with Amurnedra by 1 January 2009.

2.5 ***Garinskoye Flanks***

The Garinskoye Flanks deposit has one licence (licence number BLG 14664 TR) which is held by LLC Orlovsko-Sokhatinskiy Rudnik. The licence holder must ensure the following development phases of the project are performed up to 2019:

- (i) prepare and agree with the licensing authorities (subject to state expertise review) the project design for prospecting and evaluation works by 1 December 2008;
- (ii) commence by 1 March 2009 prospecting and evaluation works;
- (iii) complete prospecting and valuation works and prepare the geological report with calculation of C2 reserves and P1 resources under the Russian System by 1 March 2012 (minimum annual amount of works shall be 20,000m³ of trenching and 2,000m of drilling works);
- (iv) prepare, co-ordinate and get approval of the exploration project with the preliminary evaluated reserves under the Russian System (subject to relevant State expert review) by 1 September 2012;
- (v) commence exploration by 1 March 2013;
- (vi) complete exploration and provide the geological report with calculation of C1 and C2 reserves under the Russian System by 1 March 2016;
- (vii) prepare, co-ordinate and obtain approval of the technical project of development of the deposit by 1 September 2016;
- (viii) commence the construction of infrastructure of the processing plant by 1 March 2017;
- (ix) put the processing plan into operation by 1 March 2018; and
- (x) attain processing capacity by 1 March 2019.

On environmental matters, the licence holder is, *inter alia*, obliged:

- (i) perform the baseline analysis of the state of the environment within the licensed area under the programme agreed with the Amurnedra and other authorised state bodies by 1 September 2009; and
- (ii) monitor the condition of the environment within the licensed area under the programme coordinated with Amurnedra beginning not later than 1 March 2010.

2.6 ***Kostenginskoye***

The Kostenginskoye deposit has one licence (licence number BIR 14650 TE) which is held by LLC Kostenginskiy GOK. The licence holder has to ensure the following development phases of the project are performed up to 2015:

- (i) prepare, co-ordinate and obtain approval of the project design for geological exploration works (subject to relevant State expert reviews) by 28 February 2009;
- (ii) commence exploration works by 31 May 2009;
- (iii) complete the exploration works by 28 February 2011 (minimum amount of works shall be 20,000 running (long/linear) metres of drilling works and analysis of at least two technological samples);
- (iv) prepare the geological report with calculation of C1 and C2 reserves under the Russian System by 30 September 2013;
- (v) prepare, co-ordinate and obtain approval of the technical project of development of the areas with approved reserves by 28 February 2013;
- (vi) commence the construction of infrastructure of the processing plant by 31 August 2016;
- (vii) put the processing plan into operation by 28 February 2018; and
- (viii) attain processing capacity by 28 February 2019.

On environmental matters, licence holder is, *inter alia*, obliged to:

- (i) perform the baseline analysis of the state of the environment within the licensed area under the programme agreed with the Birnedra and other authorised state bodies by 30 June 2009; and
- (ii) monitor the condition of the environment within the licensed area under the programme coordinated with Birnedra beginning not later than 31 December 2009.

Part VIII

Additional Information

1 Responsibility statement

The Company and the Directors of the Company, whose names appear in paragraph 2.2 of this Part VIII (Additional Information), accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Company and the Directors

2.1 *The Company*

The Company was incorporated and registered in England and Wales as a public limited company on 20 December 2001 under the Companies Act 1985 with number 4343841 and the name Excelsior Corporation PLC. The name of the Company was changed to Peter Hambro Mining plc on 14 March 2002 and to Petropavlovsk PLC on 23 September 2009. The legal and commercial name of the Company is Petropavlovsk PLC. The principal legislation under which Petropavlovsk operates is set out in the Companies Acts and the regulations made thereunder.

The Company is domiciled in the United Kingdom with its registered office and the principal place of business at 11 Grosvenor Place, London SW1X 7HH. The telephone number of the Company's registered office is +44 (0)20 7201 8900.

2.2 *The Directors*

The Directors of the Company are listed below.

Mr Peter Hambro	<i>(Chairman)</i>
Mr Sergey Ermolenko	<i>(Chief Executive Officer)</i>
Mr Andrey Maruta	<i>(Chief Financial Officer)</i>
Dr Alya Samokhvalova	<i>(Strategic Director)</i>
Mr Martin Smith	<i>(Deputy Chief Executive Officer)</i>
Dr Graham Birch	<i>(Senior Non-Executive Director)</i>
Sir Malcolm Field	<i>(Non-Executive Director)</i>
Field Marshal the Lord Guthrie of Craigiebank	<i>(Non-Executive Director)</i>
Sir Roderic Lyne	<i>(Non-Executive Director)</i>
Mr Charles McVeigh III	<i>(Non-Executive Director)</i>
Dr David Humphreys	<i>(Non-Executive Director)</i>
Ms Rachel English	<i>(Non-Executive Director)</i>

3 Interests of Directors

3.1 *Directors' Shareholdings*

As at 15 February 2013 (being the latest practicable date prior to the publication of this document) the interests of each of the Directors, their immediate families and related trusts and, insofar as is known to them or could with reasonable diligence be ascertained by them, persons connected (within the meaning of sections 252-255 of the Companies Act 2006) with the Director (all of which, unless otherwise stated, are beneficial), in the share capital of the Company, including interests arising pursuant to any transaction notified to the Company pursuant to rule 3.1.2 of the Disclosure Rules, are as follows:

<i>Name</i>	<i>As at 15 February 2013</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Directors		
Mr Peter Hambro	8,672,558 ¹	4.62%
Mr Sergey Ermolenko	302,500	0.16%
Mr Andrey Maruta	3,333	0.0018%
Dr Alya Samokhvalova	Nil	Nil
Mr Martin Smith	Nil	Nil
Dr Graham Birch	10,000	0.005%
Sir Malcolm Field	50,312	0.03%
Lord Guthrie	Nil	Nil
Sir Roderic Lyne	1,625	0.001%
Mr Charles McVeigh	500	0.0003%
Mr David Humphreys	1,820	0.001%
Ms Rachel English	Nil	Nil

Notes:

- 1 This figure includes the current holdings of Mr Peter Hambro and companies in which Mr Peter Hambro is interested and persons deemed to be connected pursuant to section 252 of the Companies Act 2006 Act.
- 2 2 million Ordinary Shares held by J.P. Morgan Securities were the subject of a stock lending transaction entered into in January 2010 by Peter Hambro Limited for the period up to April 2012 as collateral for its obligations under a financing transaction. The financing was extended for a further year on 4 April 2012. As a consequence Peter Hambro Limited agreed to extend its stock lending arrangements with J.P. Morgan Securities by one year to April 2013 and to increase by 223,800 Ordinary Shares to 2,233,800 the number of Ordinary Shares subject to those arrangements. The 2,233,800 Ordinary Shares the subject of the stock lending transaction are included in (1) above.

3.2 The Directors' long term incentives

Performance share awards, being awards delivering free shares granted as conditional awards, have been granted to the Executive Directors under the Company's Long-Term Incentive Plan approved by Shareholders in 2009 (**LTIP**). As at 15 February 2013 (being the latest practicable date prior to the publication of this document), the Executive Directors held the following awards:

<i>Director</i>	<i>Date of Award</i>	<i>Performance Period</i>	<i>Number of Ordinary Shares subject to Awards</i>
Mr Peter Hambro	12 May 2011	12 May 2011 to 11 May 2014	147,083
Mr Sergey Ermolenko	12 May 2011	12 May 2011 to 11 May 2014	17,433
Mr Martin Smith	25 June 2009	25 June 2009 to 30 June 2012	41,666
	12 May 2011	12 May 2011 to 11 May 2014	76,605
Mr Andrey Maruta	25 June 2009	25 June 2009 to 30 June 2012	41,666
	12 May 2011	12 May 2011 to 11 May 2014	76,605
Dr Alya Samokhvalova	25 June 2009	25 June 2009 to 30 June 2012	41,666
	12 May 2011	12 May 2011 to 11 May 2014	76,605

Independently of the Transaction, a total of 42.5 per cent. of the awards made to the Executive Directors on 25 June 2009 are expected to vest following announcement of the financial results for the year ended 31 December 2012 if the Company is in a position to allow the awards to vest at that time. The vesting of these options is independent of the Transaction. Details of the performance conditions that have been satisfied will be included in the 2012 Directors' Remuneration Report. These Ordinary Shares will continue to be held in trust for the benefit of the Executive Director and their family.

Vesting of the awards made to the Executive Directors on 12 May 2011 is subject to the satisfaction of certain performance conditions and continuous employment with the Company during the vesting period, subject to certain good leaver provisions.

4 Details of the service contracts and letters of appointment of the Directors

Each of the Executive Directors has a service contract with Petropavlovsk. It is the Group's policy that Executive Directors' service contracts have no fixed term, but are capable of termination giving a maximum of 12 months' notice. There are no provisions in any of the Executive Directors' appointment arrangements for compensation payable on early termination of their directorship. The appointments can be terminated by paying in lieu of the notice period with such pay in lieu being limited to the Executive Director's basic salary only. Petropavlovsk has the right to "clawback" this payment and/or make the payment in monthly instalments in the event that the Director finds alternative employment and mitigates his loss.

<i>Name</i>	<i>Date of Contract</i>	<i>Notice Period</i>	<i>Total emoluments and compensation for year ended 31</i>	
			<i>Current Basic Salary</i>	<i>December 2011</i>
			<i>(£)</i>	<i>(£)</i>
Mr Peter Hambro	1 September 2009	12 months	555,000	1,507,584
Mr Sergey Ermolenko	20 December 2011	12 months	400,000	10,959 ¹
Mr Andrey Maruta	4 January 2011	12 months	395,000	674,741
Dr Alya Samokhvalova	4 January 2011	12 months	380,000	674,424
Mr Martin Smith	4 January 2011	12 months	380,000	677,381

Note:

1 Appointed as a Director on 20 December 2011. The remuneration disclosed in this table relates to the period 20 December to 31 December 2011.

Non-Executive Directors, who are appointed for an initial term of three years, have formal letters of appointment setting out their duties and responsibilities. These letters are available for inspection at Petropavlovsk's registered office and at its annual general meetings. There are no provisions in any of the current Non-Executive Directors' appointment arrangements for compensation payable on early termination of their directorship. The appointments can be terminated by paying in lieu of the notice period with such pay in lieu being limited to the Non-Executive Director's basic fee only. Each Director is subject to re-election at the first annual general meeting following his or her appointment by the Board and this will apply to Mr Sergey Ermolenko and Ms Rachel English at the Company's 2013 annual general meeting. In addition, in accordance with the provision in the UK Corporate Governance Code, all eligible Directors will stand for re-election at the Company's 2013 annual general meeting.

<i>Name</i>	<i>Date of Contract</i>	<i>Notice Period</i>	<i>Total emoluments and compensation for year ended 31</i>	
			<i>Current Basic Salary</i>	<i>December 2011</i>
			<i>(£)</i>	<i>(£)</i>
Dr Graham Birch ¹	12 February 2010	3 months	94,600	89,991 ³
Sir Malcolm Field ²	12 April 2009	3 months	94,600	90,000
Lord Guthrie	12 April 2009	3 months	92,000	87,550
Sir Roderic Lyne	12 April 2009	3 months	92,000	87,550
Mr Charles McVeigh	25 June 2009	3 months	92,000	87,550
Dr David Humphreys	24 August 2011	3 months	92,000	34,204 ⁴
Ms Rachel English ⁵	28 March 2012	3 months	92,000	Nil ⁵

Notes:

- 1 Dr Birch is the Company's Senior Independent Director.
- 2 Sir Malcolm Field is Chairman of the Audit and the Remuneration Committees.
- 3 Appointed as Senior Independent Non-Executive Director on 4 January 2011. The remuneration disclosed in this column relates to his appointment as a Director from 1 January 2011 to 31 December 2011 and his appointment as Senior Independent Non-Executive Director from 4 January 2011 to 31 December 2011.
- 4 Appointed as a Director on 24 August 2011. The remuneration disclosed in this column relates to the period 24 August 2011 to 31 December 2011.
- 5 Ms English was appointed as a Non-Executive Director on 28 March 2012.

5 Details of key individuals

The individuals listed below are deemed as key to the operations of IRC. They will all remain in office following First Completion and Second Completion.

<i>Name</i>	<i>Position</i>
Mr Jay Hambro	Chairman
Mr Yuri Makarov	Chief Executive Officer
Mr Raymond Kar Tung Woo	Chief Financial Officer

6 Major interests in Ordinary Shares**6.1 Major shareholdings**

The Company has been notified under the Financial Services Authority's Disclosure and Transparency Rule 5 (**DTR5**) as at 15 February 2013 (being the latest practicable date prior to the publication of this document) of the following significant holdings of voting rights in its Ordinary Shares.

<i>Shareholder</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
BlackRock, Inc.	18,759,363	9.99
Vanguard Precious Metals and Mining Fund	11,388,584	6.06
Peter Hambro & Associates	8,672,558	4.62
The Capital Group Companies Inc	7,534,114	4.01
Norges Bank	7,523,884	4.01

Note:

The shareholding previously notified to the Company as owned by "Pavel Maslovskiy and Associates" is held through various structures where Dr Maslovskiy has no ability to determine how the shares are voted. Accordingly DTR5 does not require these holdings to be aggregated. As at 31 December 2011 and as at the present time none of these holdings comprised of 3 per cent. or more of the Company's issued share capital and accordingly no disclosure has been made to the Company pursuant to DTR5. Accordingly no interest is shown for Dr Pavel Maslovskiy and Associates in the above table.

7 Material contracts**7.1 The Group**

Save as set out in paragraphs 7.2 and 7.3 below, no contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Group either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to the Group; or (ii) at any time, which contain any provisions under which any member of the Group (as relevant) has any obligation or entitlement which is, or may be, material to the Group (as relevant) as at the date of this document and which is considered relevant for consideration by Shareholders in the context of deciding how to vote on the Resolution.

7.2 *The Continuing Group*

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Continuing Group either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to the Continuing Group; or (ii) at any time, which contain any provisions under which any member of the Continuing Group (as relevant) has any obligation or entitlement which is, or may be, material to the Continuing Group (as relevant) as at the date of this document and which is considered relevant for consideration by Shareholders in the context of deciding how to vote on the Resolution, save as disclosed below:

- (a) the Recourse Agreement – see paragraph 7.3(c) below;
- (b) the ICBC Facility Agreement – see paragraph 7.3(b) below;
- (c) the Preliminary Agreement – see paragraph 3 of Part VI (Principal Terms of the Transaction Documentation); and
- (d) the Indemnity – see paragraph 4 of Part VI (Principal Terms of the Transaction Documentation).

7.3 *The IRC Group*

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the IRC Group either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to the IRC Group; or (ii) at any time, which contain any provisions under which any member of the IRC Group (as relevant) has any obligation or entitlement which is, or may be, material to the IRC Group (as relevant) as at the date of this document, save as disclosed below:

- (a) *Transaction Documents:*
 - (i) Subscription Agreement – see paragraph 1 of Part VI (Principal Terms of the Transaction Documentation);
 - (ii) Shareholders' Agreement – see paragraph 2 of Part VI (Principal Terms of the Transaction Documentation);
 - (iii) Offtake Agreement and Framework Agreement – see paragraphs 5 and 6 of Part VI (Principal Terms of the Transaction Documentation);

- (b) *ICBC Facility*

On 13 December 2010, K&S and Petropavlovsk entered into a project finance facility agreement (**ICBC Facility Agreement**) with ICBC pursuant to which ICBC would lend US\$340,000,000 to K&S to fund the construction of the IRC Group's mining operations at the K&S Mine. Interest under the facility was charged at 2.80 per cent. above LIBOR per annum.

The facility is repayable over sixteen equal semi-annual instalments, with the first repayment scheduled to occur in December 2014.

Under the ICBC Facility Agreement Petropavlovsk guarantees to each finance party under the facility punctual performance by K&S of all its obligations under the Finance Documents (as defined in the Facility Agreement) and undertakes with each finance party that, whenever K&S does not pay any amount when due under or in connection with any Finance Document, Petropavlovsk must within three Business Days of demand by the facility agent pay that amount as if it were the principal obligor in respect of that amount. The guarantee currently covers the entire amount outstanding under the facility notwithstanding that Petropavlovsk holds, as at the date of this document, only 63.13 per cent. of the issued share capital of IRC. Although Petropavlovsk will always remain fully liable to ICBC under the Bank Guarantee, General Nice has granted an indemnity in favour of Petropavlovsk, to take effect upon Second Completion, to share part of any liability of Petropavlovsk under the guarantee and any loans

made to IRC or K&S under the Recourse Agreement. The Indemnity would cover such percentage of the amounts paid by Petropavlovsk under the guarantee or loan made to IRC by Petropavlovsk under the Recourse Agreement as represented by General Nice's shareholdings in IRC as a proportion of the combined shareholdings of Petropavlovsk and General Nice in IRC.

Under the ICBC Facility Agreement, each of the following constitutes a covenant and non-compliance with any such covenant will constitute an event of default upon which the ICBC Facility Agreement may (upon notice from the finance parties) become immediately due and payable:

- (A) Petropavlovsk must retain a not less than 30 per cent. direct or indirect interest in IRC;
 - (B) Petropavlovsk has an obligation to maintain a minimum consolidated tangible net worth of not less than US\$750,000,000, a minimum consolidated interest cover ratio of 3.5:1 and a maximum consolidated leverage ratio of 4:1; and
 - (C) there are also certain limited restrictions on Petropavlovsk's ability to grant security over its assets, make disposals of its assets, or enter into merger transactions.
- (c) **Recourse Agreement** – Petropavlovsk, IRC and K&S entered into an agreement (**Recourse Agreement**) on 13 December 2010 setting out the terms on which Petropavlovsk provides the guarantee. No fee will be payable by IRC in respect of the provision of the guarantee by Petropavlovsk while IRC remains a subsidiary of Petropavlovsk for the purposes of producing Petropavlovsk's consolidated accounts. In the event that Petropavlovsk ceases to be the parent company of IRC, the Guarantee Fee will be payable. No security will be granted by the IRC Group to Petropavlovsk in respect of the guarantee. Pursuant to the Recourse Agreement, Petropavlovsk has the right to inject funds into the IRC Group by shareholder loan (on normal commercial terms at the time) in order to enable the IRC Group to make payments under the ICBC Facility Agreement or for other working capital purposes. The Recourse Agreement also contains reporting obligations and customary covenants from the IRC Group which require Petropavlovsk's consent as guarantor (acting reasonably and taking into account the effect upon the IRC Group's ability to fulfil its obligations under the ICBC Facility Agreement) for certain actions including the issuance, acquisition or disposal of securities, and entry into joint ventures.
- (d) **Deed of Non-Competition dated 22 September 2010 between Petropavlovsk and IRC** – Petropavlovsk and IRC entered into the Deed which commenced from the date of listing of the IRC Shares on the Stock Exchange of Hong Kong (being 21 October 2010) and continues for the time during which IRC's Shares are listed on the Stock Exchange of Hong Kong and until such time as Petropavlovsk controls less than 50 per cent. of the issued share capital of IRC. Petropavlovsk has agreed that it will not, and will procure its subsidiaries (excluding IRC Group) not to, engage, carry on, be concerned with or interested in, directly or indirectly in whatever capacity (other than being a director or a shareholder of the IRC Group or its associated companies), in a business concerned with the acquisition, exploration, development and production of industrial commodity projects in the Russian Far East and/or the PRC (the **Restricted Activity of Petropavlovsk**). In respect of any investment opportunities in relation to the Restricted Activity of Petropavlovsk, Petropavlovsk will use its best efforts to procure that such an opportunity is offered to IRC which shall be entitled to a right of first refusal. Petropavlovsk shall provide sufficient information to the independent non-executive directors of IRC who shall be the only people that are entitled to consider and vote on a decision in relation thereto. Petropavlovsk shall be entitled to make its own decisions if IRC resolves not to acquire the opportunity or does not proceed within one month from the date it was offered the opportunity. Conversely, IRC agrees to be subject to similar restrictions for its activities in respect of the acquisition, exploration, development and production of precious metal deposits in the Russian Far East and/or the PRC (the **Restricted Activity of IRC**). In respect of any investment opportunities in relation to the Restricted Activity of IRC, similarly, IRC shall

procure that Petropavlovsk has a right of first refusal and its independent non-executive directors are provided with sufficient information to consider and vote on a decision. IRC shall be entitled to make its own decisions if Petropavlovsk resolves not to acquire the opportunity or does not proceed within one month from the date it was offered the opportunity.

- (e) **Acquisition of Bolshoi Seym Deposit** – on 9 April 2012, the IRC Group, through its wholly-owned subsidiary, Brasenose Services Limited, concluded an agreement to acquire from LLC Intergeo Managing Company (**Intergeo**) the remaining 51 per cent. interest in LLC Uralmining (**Uralmining**) (which holds the exploration and mining licences of Bolshoi Seym Deposit) not previously owned by the IRC Group. The agreement also provides for the assignment of indebtedness owing by Uralmining to IRC. The transaction was completed on 24 July 2012 and the consideration was satisfied through the issue and allotment of 74,681,360 IRC Shares to Intergeo.
- (f) **Acquisition of Molybdenum Exploration Project** – on 6 April 2012, the IRC Group concluded an agreement to acquire from Sangritta Limited (**Sangritta**) and Lania Consulting Limited (**Lania**), a 50 per cent. equity interest plus one share stake in Caedmon Limited (**Caedmon**), which, through its wholly-owned subsidiary, LLC Gorniy Park, holds the exploration and mining licences for the Molybdenum exploration project. In addition, the IRC Group also acquired the related shareholder indebtedness and an option to acquire the remaining 50 per cent. equity interest minus one share stake in Caedmon (**Option**) from Sangritta. The IRC Group may exercise the Option at any time over a two-year period commencing on the date of completion of the transaction. The transaction was completed on 11 July 2012 and the total consideration was satisfied through the issue and allotment of 54,491,029 and 2,861,912 IRC Shares to Sangritta and Lania, respectively. US\$180,000 and US\$320,000 is payable to Sangritta for the grant of the Option, and the shareholder indebtedness, respectively within one year of the completion of the transaction.

8 Working capital

The Company is of the opinion that the Group following First Completion and the Continuing Group following Second Completion has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

9 Significant change

9.1 The Group or the Continuing Group

Save for (i) the estimated net write-down of c.US\$225 million as a result of IRC's net assets being adjusted to fair value less any costs to sell, based on IRC's share price as at 31 December 2012; (ii) a further potential impairment of c.US\$75-100 million resulting from a review of the Company's exploration and development assets as set out in the Company's trading statement issued on 17 January 2013 and (iii) the entry by the Group into financing contracts to sell gold as announced by the Company on 15 February 2013, there has been no significant change in the financial or trading position of the Group or of the Continuing Group since 30 June 2012 (being the date to which the Group's latest published results have been prepared).

9.2 IRC

There has been no significant change in the financial or trading position of IRC since 30 June 2012 (being the date to which the financial information on IRC presented in Part III (Historical Financial Information) of this Circular has been prepared).

10 Related party transactions

Save as set out below and as disclosed in note 30 of the Petropavlovsk 2009 Annual Report and note 28 of the Petropavlovsk 2010 Annual Report, each incorporated by reference into this document, the Group did not enter into any related party transactions (which for these purposes are those set out in the standards

adopted according to Regulation (EC) 1606/ 2002) during any of the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and up to the date of this document.

On 4 December 2012, the Company entered into a share purchase agreement with OJSC Susumanzoloto (**Susumanzoloto**) relating to the transfer of 65 per cent. of the issued shares in Omchak to Susumanzoloto. The total consideration for the sale is US\$21,650,000, payable in four equal tranches during 2013. The Company remains a 25 per cent. shareholder in Omchak.

11 Litigation

11.1 *The Group or the Continuing Group*

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the Company and/or the Group and/or the Continuing Group's financial position or profitability.

11.2 *IRC*

Save as set out below, there are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which IRC is aware) during the 12 months preceding the date of this Circular which may have or have had in the recent past a significant effect on IRC and/or the IRC Group's financial position or profitability.

The IRC Group is involved in legal proceedings with Gatnom Capital & Finance Limited and O.M. Investments & Finance Limited, who are the minority shareholders in Lapwing, the IRC Group's 99.58 per cent. owned subsidiary incorporated in Cyprus and holding a 100 per cent. interest in LLC Garinsky Mining and Metallurgical Complex. The claim was filed in September 2008 in Cyprus and the respondents are Lapwing and Aricom UK Limited. The claimants allege their holdings in Lapwing were improperly diluted as the result of the issuance of additional shares following a shareholders' meeting held in September 2007. The claimants have asked the court to dissolve Lapwing or, alternatively, to order that their shares be purchased at a price allegedly previously agreed upon or to be determined by an expert appointed by the court. On 20 January 2010, the claimants withdrew their joint winding-up petition against Lapwing and re-filed on the same day two separate ones in substantially similar form. After the two petitions were consolidated, the IRC Group submitted on 2 June 2011 an application to have both of them dismissed on the grounds that the non-controlling shareholders had potentially available to them alternative remedies which they could have pursued and hence their claim for winding up Lapwing was a too disproportionate and drastic remedy. The Court accepted on 26 April 2012 the IRC Group's application and accordingly dismissed both petitions on the above basis. The petitioners have appealed this decision and the parties are awaiting a hearing date on the merits of the appeal. The petitioners have also applied to amend the grounds of appeal, which the Appeal court would have to dispose of first. The quantum of the claim cannot be identified at this point.

12 Consents

- (i) J.P. Morgan Limited has given, and has not withdrawn, its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- (ii) Deloitte LLP has given, and not withdrawn, its written consent to the inclusion in this document of its report on the unaudited pro forma financial information in Part V (Accountant's Report in respect of the Unaudited Pro Forma Financial Information for the Group following First Completion and for the Continuing Group) of this document, in the form and context in which it appears.

13 Documents available for inspection

Copies of the following documents will be available for inspection at the offices of the Company at 11 Grosvenor Place, London SW1X 7HH and at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the General Meeting:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the consolidated audited accounts of the Company and its subsidiary undertakings for the three financial periods ended 31 December 2011, 31 December 2010 and 31 December 2009 and unaudited financial information for the period ended 30 June 2012;
- (iii) the report prepared by Deloitte LLP on the unaudited pro forma financial information set out in Part V (Accountant's Report in respect of the Unaudited Pro Forma Financial Information for the Group following First Completion and for the Continuing Group) of this Circular;
- (iv) the written consent letters referred to in paragraph 12 of this Part VIII;
- (v) the IRC Circular; and
- (vi) this document.

Part IX

Definitions and Glossary

1 Definitions

Amur Region	a federal subject of the Russian Federation, situated in the Russian Far East
Bank Guarantee	means the guarantee given by Petropavlovsk in relation to the ICBC Facility
Board or Directors	means together the Executive Directors and the Non-Executive Directors
Business Day	means any day (other than a Saturday or a Sunday) on which commercial banks are open for ordinary banking business in Hong Kong
Circular or this document	means this circular issued by the Company and dated 18 February 2013
Companies Acts	has the meaning given in Section 2 of the Companies Act 2006
Company	means Petropavlovsk PLC
Completion	means the completion of the relevant Subscription in accordance with the terms of the Subscription Agreement
Continuing Group	means the Group as it will be following the Second Completion, assuming Second Completion takes place
CREST	means the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations)
CREST Manual	means the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof
CREST Proxy Instruction	means the instruction whereby CREST members send a CREST message appointing a proxy for the meeting and instructing the proxy on how to vote
CREST Regulations	means the Uncertificated Securities Regulations 2001 (SI 2001/3755)
Deed of Non-Competition	means the deed of non-competition dated 22 September 2010, entered into between the Company and IRC
Deferred Shares	up to 34,064,000 IRC Shares to be paid for at the First Completion but only to be issued to General Nice subsequently as described in Part VI (Principal Terms of the Transaction Documentation)
Disclosure Rules	means the Disclosure and Transparency Rules made by the FSA pursuant to FSMA governing the disclosure of information by listed companies

EAO	means the Evreyskaya Avtonomnaya Oblast or the Jewish Autonomous Region of the Russian Federation, situated in the Russian Far East
Euroclear	means Euroclear UK & Ireland Limited, the operator of CREST
Executive Directors	means the executive directors of the Company at the date of this Circular, being Peter Hambro, Sergey Ermolenko, Andrey Maruta, Alya Samokhvalova and Martin Smith
First Completion	means completion of the initial subscription by General Nice pursuant to the General Nice Subscription Agreement
First Completion Date	means the date on which First Completion takes place
Form of Proxy	means the form of proxy accompanying this document for use by Shareholders in connection with the General Meeting
Framework Agreement	means the framework agreement further information on which is set out in Part VI (Principal Terms of the Transaction Documentation)
FSA	means the Financial Services Authority of the United Kingdom
FSMA	means the Financial Services and Markets Act 2000, as amended
Further Shares	means the new IRC Shares the subject of the General Nice Right
Garinskoye Deposit	means a magnetite exploration project in the IRC Group's portfolio, which is situated in the Amur Region
Garinskoye Project	the project to explore, develop and/or exploit iron ore product at the Garinskoye Deposit
Garinskoye Seaborne Product	Seaborne Product produced at Garinskoye
General Meeting	means the General Meeting of the Company convened by the Notice of General Meeting to be held at 11.00 a.m. on 7 March 2013 at 11 Grosvenor Place, London SW1X 7HH or any reconvened meeting following any adjournment thereof
General Nice	means General Nice Development Limited, and/or any one or more of its subsidiaries (if the context so requires)
General Nice Exercise Period	means the period commencing on the First Completion Date and ending on the date which is six months after the First Completion Date
General Nice Right	means the right to be granted pursuant to the General Nice Subscription Agreement giving General Nice the right to subscribe for the Further Shares
General Nice Subscription Agreement	means the subscription agreement dated 17 January 2013 entered into between IRC and General Nice, further information on which is set out in Part VI (Principal Terms of the Transaction Documentation)
Giproruda	means OJSC Giproruda, an indirect subsidiary of IRC, which carries out mining engineering services
Group	means in respect of any time prior to Second Completion, Petropavlovsk and its subsidiaries and subsidiary undertakings

	including IRC and, in respect of periods any time following Second Completion, the Continuing Group
Guarantee Fee	means a monthly fee payable by IRC to Petropavlovsk under the Recourse Agreement, which is to be agreed by IRC and Petropavlovsk and will be based on normal commercial terms
Hong Kong	means the Hong Kong Special Administrative Region of the PRC
Hong Kong Listing Rules	means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong
HK\$	means Hong Kong dollars, the lawful currency of Hong Kong
ICBC	means the Industrial and Commercial Bank of China Limited
ICBC Facility	means the US\$340 million credit facility agreement entered into between (<i>inter alia</i>) K&S and ICBC on 13 December 2010
IFRS	means International Financial Reporting Standards as adopted by the Council of the European Union
Indemnity	means the deed of indemnity between General Nice and Petropavlovsk relating to the ICBC Facility dated 17 January 2013
Independent IRC Shareholders	means shareholders in IRC other than Petropavlovsk and the IRC Board executive committee members, any parties acting in concert with any of them and any shareholders in IRC who are involved in, or interested in the General Nice Subscription Agreement and/or Minmetals Cheerglory Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Offtake Agreement and the transactions contemplated thereunder
IRC	means IRC Limited and/or (where the context so requires) any one or more of its subsidiaries (if the context so requires)
IRC Board	means the board of directors of IRC
IRC Circular	means the circular to be issued by IRC to its shareholders relating to the Transaction
IRC Director	means a director of IRC
IRC Group	means IRC and its subsidiary undertakings
IRC Lock-up Period	the period commencing from the date of each of the General Nice Subscription Agreement and the Minmetals Cheerglory Subscription Agreement up to the expiry of six months following (i) First Completion; (ii) if the General Nice Right is exercised, Second Completion or (iii) the date of completion of the subscription by Minmetals Cheerglory
IRC Shares	means ordinary shares of par value HK\$0.01 per share, in the share capital of IRC
JORC Code	means the Joint Ore Reserve Committee of the Australian Institute of Mining and Metallurgy; for reporting of Mineral Resources and Ore Reserves which sets out the minimum standards, recommendations and guidelines for the public reporting of exploration results, Mineral Resources and Ore Reserves

K&S	Kimkano-Sutarsky Mining and Beneficiation Plant LLC
K&S Mine or K&S Project	means a magnetite development project in the IRC Group's portfolio consisting of the Kimkan deposit and Sutara deposit which is situated in the EAO
Kuranakh Mine	means a titanomagnetite and ilmenite project currently in production, consisting of the Saikta deposit and the Kuranakh project, which is situated in the EAO
Lapwing	means Lapwing Limited, a company incorporated in Cyprus which indirectly holds the licence for the Garinskoye Deposit
Listing Rules	means the Listing Rules made by the FSA pursuant to FSMA governing, <i>inter alia</i> , admission of securities to the Official List
London Stock Exchange	means London Stock Exchange plc
Minmetals Cheerglory	means Minmetals Cheerglory Limited, and/or any one or more of its subsidiaries (if the context so requires)
Minmetals Cheerglory Subscription Agreement	means the subscription agreement dated 17 January 2013 entered into between IRC and Minmetals Cheerglory, further information on which is set out in Part VI (Principal Terms of the Transaction Documentation)
Minmetals Cheerglory Subscription Shares	means the 247,300,000 new IRC Shares at the price of HK\$0.94 per new IRC Share which Minmetals Cheerglory has conditionally agreed to subscribe for and IRC has conditionally agreed to allot and issue pursuant to the Minmetals Cheerglory Subscription Agreement
Non-Executive Directors	means the non-executive directors of the Company at the date of this Circular, being Graham Birch, Sir Malcolm Field, Field Marshal the Lord Guthrie of Craigiebank, Sir Roderic Lyne, Charles McVeigh, David Humphreys and Rachel English
Notice of General Meeting	means the notice of the General Meeting set out at the end of this document
Official List	means the Official List of the Financial Services Authority
Offtake Agreement	means the offtake agreement further information on which is set out in Part VI (Principal Terms of the Transaction Documentation)
Offtake Arrangements	means the offtake and associated arrangements governed by the Offtake Agreement and the Framework Agreement
Omchak	CJSC ZRK Omchak
Ordinary Shares	means ordinary shares of 1 pence each in the capital of the Company
Petropavlovsk	means the Company and/or any one or more of its subsidiaries (if the context so requires)
PRC	means the People's Republic of China, excluding (for the purposes of this document only) Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

Preliminary Agreement	means the preliminary agreement between Petropavlovsk and General Nice further information on which is set out in Part VI (Principal Terms of the Transaction Documentation)
Prospectus Rules	means the rules made for the purposes of Part VI of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market
Recourse Agreement	means the recourse agreement entered into between Petropavlovsk, IRC and K&S on 13 December 2010
Registrar or Capita	means Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Regulatory Information Service	means one of the regulatory information services authorised by the Financial Services Authority to receive, process and disseminate regulatory information from listed companies
Resolution	means the ordinary resolution as set out in the Notice of General Meeting
Russian Far East	refers to the Far Eastern Federal district of the Russian Federation, which covers the area of Russia between Lake Baikal in Siberia and the Pacific Ocean. The Far Eastern Federal district includes the Amur Region, EAO, Kamchatka Krai, Magadan Region, Primorsky Krai, Sakha Republic (Yakutia), Sakhalin Region, Khabarovsk Krai, and Chukotka Autonomous District
Second Completion	means completion of the issue of the Further Shares and Deferred Shares to General Nice and, if applicable, the issue of IRC Shares to Minmetals Cheerglory pursuant to the Minmetals Cheerglory Subscription Agreement
SFC	means the Securities and Futures Commission of Hong Kong
Shareholders	means holders of Ordinary Shares
Shareholders' Agreement	means the voting undertakings agreement entered into on 17 January 2013 between the Investors and Petropavlovsk with respect to the exercise of their voting rights and certain other aspects in relation to their shareholdings in IRC, further information on which is set out in Part VI (Principal Terms of the Transaction Documentation)
Special Deals	means the agreement of the amount of the Guarantee Fee as a special deal under note 4 to Rule 25 of the Code on Takeovers and Mergers issued by the SFC and the entry into the Indemnity as a special deal under note 5 to Rule 25 of the Code on Takeovers and Mergers issued by the SFC, each being a "Special Deal"
Stage 1	means the first stage of the proposed subscriptions under the General Nice Subscription Agreement, comprising the first General Nice subscription
Stage 2	means the second stage of the proposed subscriptions to take place at the Second Completion if the General Nice Right is exercised
Stock Exchange of Hong Kong or HKSE	means the Stock Exchange of Hong Kong Limited

Subscribers or Investors	means General Nice and Minmetals Cheerglory, and/or any one or more of their respective subsidiaries (if the context so requires)
Subscription Shares	means the up to 1,962,500,000 IRC Shares proposed to be issued pursuant to the General Nice and Minmetals Cheerglory Subscription Agreements
Subscriptions	means the subscriptions proposed to be implemented pursuant to the General Nice and Minmetals Cheerglory Subscription Agreements
Take or Pay Quantity	means the amount of Seaborne Product (in tonnes) specified for each month in a vessel loading schedule agreed by IRC and the Investors
Transaction	means the Subscriptions and related transactions
UK or United Kingdom	means the United Kingdom of Great Britain and Northern Ireland
uncertificated or in uncertificated form	means recorded on the Company's register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
US\$	means United States dollars, the lawful currency of the United States
Whitewash Waiver	means the granting of a waiver by the SFC on the dispensation from the obligation on the part of General Nice and parties acting in concert with it (including Minmetals Cheerglory) to make a mandatory general offer to the IRC shareholders for all issued shares and other securities of IRC not already owned or agreed to be acquired by General Nice and parties acting in concert with it as a result of the exercise of the General Nice Right and the issue and allotment of the Deferred Shares, Further Shares and 247,300,000 new IRC Shares under the Minmetals Cheerglory Subscription Agreement

2 Glossary

beneficiate or beneficiation	to improve the grade by removing associated impurities; preparation of ores for smelting by drying, flotation or magnetic separation
concentrate	the clean product recovered from a treatment plant
cut-off grade	lowest grade of mineralised material considered economic, used in the calculation of ore resources
deposit	mineral deposit or ore deposit is used to designate a natural occurrence of a useful mineral, or an ore, in sufficient extent and degree of concentration
exploration	method by which ore deposits are evaluated
Fe	chemical symbol for iron
feasibility study	an extensive technical and financial study to assess the commercial viability of a project

magnetite	isometric mineral, $8\text{FeOFe}_2\text{O}_3$; major mineral in banded iron formations, generally low grade (<30% iron)
Moz	million ounces
Mt	million tonnes
open-pit	a large scale hard rock surface mine; mine working or excavation open to the surface
ore	material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives
oz	troy ounce (= 31.1035 grams)
processing	methods employed to clean, process and prepare materials or ore into the final marketable product
RoM	run of mine
t	a metric tonne, a unit of mass equivalent to 1,000kg
TiO₂	chemical symbol for titanium dioxide
titanomagnetite	concentrate which is a variation of a magnetite concentrate typically with a high vanadium and titanium content
tpa	tonnes per annum

3 Classification of Mineral Resources and Ore Reserves in accordance with the JORC Code

Mineral Resource	concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form that there are reasonable prospects for the eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided into Inferred, Indicated and Measured categories.
Inferred Resource	that part of a Mineral Resource for which the tonnage and grade and mineral content can be estimated with a low level of confidence. It is inferred from the geological evidence and has assumed but not verified geological and/or grade continuity. It is based on information gathered through the appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.
Indicated Resource	that part of a Mineral Resource which has been sampled by drill holes, underground openings or other sampling procedures at locations that are too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability. An Indicated Resource will be based on more data and therefore will be more reliable than an Inferred Resource estimate.
Measured Resource	that part of a Mineral Resource for which the resource has been intersected and tested by drill holes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known. A measured resource estimate will be based on a substantial

amount of reliable data, interpretation and evaluation which allows a clear determination to be made of the shapes, sizes, densities and grades.

Ore Reserve

economically mineable part of a Measured or Indicated Mineral Resource only. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of increasing confidence into Probable and Proven.

Note:

Inferred Resources are not included in any estimation of an Ore Reserve under the JORC Code.

Probable Ore Reserve

the economically mineable part of an Indicated, and in some circumstances Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Proven Ore Reserve

the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Notice of General Meeting

Notice is hereby given that a General Meeting of Petropavlovsk PLC (the **Company**) will be held at 11.00 a.m. on 7 March 2013 at the offices of the Company at 11 Grosvenor Place, London SW1X 7HH, to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

Ordinary Resolution

THAT the proposed issue by IRC of:

- (i) up to 1,962,500,000 new shares of IRC (**IRC Shares**) and the related transactions (the **Transaction**) on the terms and subject to the conditions of the General Nice Subscription Agreement and Minmetals Cheerglory Subscription Agreement each as defined and described in the circular to shareholders of the Company dated 18 February 2013 of which this Notice forms part (the **Circular**), and
- (ii) if 1,962,500,000 IRC Shares are not issued pursuant to the Transaction, up to the number of IRC Shares equal to 1,962,500,000 less the number of IRC Shares issued pursuant to the Transaction to such persons and on such terms as IRC may determine

be approved and that each and any of the Directors and the Secretary of the Company, be authorised to conclude and implement the Transaction in accordance with such terms and conditions and the related documentation and to make such non-material modifications, variations, waivers and extensions of any of the terms of the Transaction and be further authorised to approve the issue of any such additional IRC Shares whose issue is authorised in (ii) above.

By Order of the Board,

18 February 2013

Amanda Whalley

Secretary

Registered office: 11 Grosvenor Place
London SW1X 7HH

Notes:

- 1 A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
- 2 A Form of Proxy is provided with this Notice for members. If a member wishes to appoint more than one proxy and so requires additional Forms of Proxy, the member may photocopy the enclosed Form of Proxy. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notorially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's Registrars, Capita Registrars, the Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Completion and return of the Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Amended instructions must also be received by the Company's Registrars by the deadline for receipt of Forms of Proxy.
- 3 Alternatively, members may vote or register the appointment of a proxy for the meeting electronically, by using the Shareportal Service at www.capitashareportal.com where full details of the procedure are given. This website is operated by the Company's Registrars. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Capita not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. Please note that any electronic communication sent to the Company or to the Shareportal Service that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the General Meeting is governed by Capita's conditions of use set out on the website, www.capitashareportal.com, and may be read by logging on to that site. If a

member wishes to appoint more than one proxy electronically they should contact the Company's registrar on the Capita Telephone Helpline on 0871 664 0300 (calls cost 10p per minute plus extras, lines are open 8.30 a.m.-5.30 p.m Mon-Fri) or if the member is calling from overseas they should call +44 20 8639 3399.

- 4 Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 Companies Act 2006 (a **Nominated Person**) should note that the provisions in Notes 1-3 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

Nominated persons are reminded that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

- 5 The Company specifies that only those members registered on the register of members of the Company at 11.00 a.m. on 5 March 2013 (the **Specified Time**) (or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 7 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy, or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Notes 2 and 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 8 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).
- 9 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
- 10 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- 11 Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:
 - (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
 - (b) if the answer has already been given on a website in the form of an answer to a question; or
 - (c) if it is undesirable in the interests in the Company or the good order of the meeting that the question be answered.
- 12 As at 15 February 2013, being the latest practicable date prior to the printing of this Notice, the Company's issued capital consisted of 187,860,093 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 15 February 2013 are 187,860,093.

- 13 This Notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 15 February 2013, being the latest practicable date prior to the printing of this Notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be available on the Company's website at <http://www.petrodavlovsk.net>.
- 14 Any electronic address provided either in this Notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

