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PETROPAVLOVSK PLC

(Incorporated in England and Wales with registered number 04343841)

CIRCULAR

relating to

**the recommended proposal to guarantee the obligations of Kimkano-Sutarsky Mining and Beneficiation Plant LLC under two facility agreements with Gazprombank (Joint Stock Company) and
Notice of General Meeting**

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Petropavlovsk PLC (the “Company”) which is set out in Part 1 (*Letter from the Chairman*) of this document in which the Board unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting.

Your attention is also drawn to the section headed “Risk Factors” set out on pages 4 to 23 of this document. Notice of the General Meeting, which is to be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN on 12 March 2019, is set out on pages 68 to 72 of this document. The General Meeting will start at 10.30 a.m.

The effectiveness of the Proposed Guarantees is subject to the approval of Shareholders at the General Meeting.

The action to be taken by Shareholders in respect of the General Meeting is set out on page 26 of this document. Whether or not you intend to be present at the General Meeting, please complete and sign the Form of Proxy accompanying this document, in accordance with the instructions printed on it, and return it to the Company’s Registrars, Link Asset Services, (PXS), as soon as possible, and in any event so as to be received by Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 10.30 a.m. on 8 March 2019.

The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting if you wish to do so and are so entitled.

This document is not a prospectus, but a shareholder circular, and does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or offer to sell, dispose of, issue, purchase, acquire or subscribe for, any security. This document is a circular relating to the Proposed Guarantees which has been prepared in accordance with the Listing Rules. This document has been approved by the Financial Conduct Authority (the “FCA”).

The information provided in this document is provided solely in compliance with the Listing Rules for the purposes of enabling Shareholders to consider the Resolution. Peel Hunt LLP (“Peel Hunt” or the “Sponsor”), which is regulated by the FCA in the United Kingdom, is acting as sponsor to the Company and no one else in connection with the Proposed Guarantees. In connection with

such matters, Peel Hunt, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to anyone other than the Company for providing the protections afforded to clients of Peel Hunt nor for providing advice in connection with the Proposed Guarantees, the contents of this document or any matter referred to herein.

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The information provided in this document is provided solely for the purpose of considering the Resolution. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering the Resolution is prohibited.

The contents of this document should not be construed as legal, business or tax advice. Each Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Overseas Shareholders may be affected by the laws of other jurisdictions in relation to the distribution of this document. Persons who are not resident in the United Kingdom and into whose possession this document comes should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the transaction and the distribution of this document. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

Dated: 15 February 2019

CONTENTS

	Page
RISK FACTORS.....	4
GENERAL INFORMATION.....	24
EXPECTED TIMETABLE OF PRINCIPAL EVENTS.....	25
ACTION TO BE TAKEN.....	26
DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS.....	27
Part 1 – Letter from the Chairman.....	28
Part 2 – Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees.....	44
Part 3 – Additional Information.....	57
Part 4 – Definitions.....	64
NOTICE OF GENERAL MEETING.....	68

RISK FACTORS

Prior to making any decision to vote in favour of the Resolution, Shareholders should carefully consider all the information contained in this document and the documents incorporated by reference herein, including, the specific risks and uncertainties described below. The risks and uncertainties set out below are those which the Directors believe are the material risks relating to the Facility Agreements and the Proposed Guarantees, material new risks to the Group as a result of the Facility Agreements and the Proposed Guarantees or existing material risks to the Group which will be impacted by the Facility Agreements and the Proposed Guarantees. If any, or a combination, of these risks actually materialise, the business operations, financial condition and prospects of the Group could be materially and adversely affected. The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that face the Group, K&S and the IRC Group. The information given is as at the date of this document and, except as required by the FCA, the London Stock Exchange, the Listing Rules and DTRs (and/or any regulatory requirements) or applicable law, will not be updated. Additional risks and uncertainties not currently known to the Directors or that they currently deem immaterial, may also have an adverse effect on the business, financial condition, results of operations and prospects of the Group. If this occurs, the price of Shares may decline and Shareholders could lose all or part of their investment.

1 RISKS ASSOCIATED WITH THE FACILITY AGREEMENTS AND THE PROPOSED GUARANTEES

1.1 If the Proposed Guarantees are not approved by the Shareholders, assuming the other conditions under the Facility Agreements are satisfied, K&S will not be able to draw down on the Gazprombank Facility to repay the ICBC Facility in full. K&S will therefore be under an obligation to fund and maintain the DSRA from 21 March 2019 and to continue to meet the scheduled repayments pursuant to the ICBC Facility in June 2019 and both K&S and the Company will have to comply with the financial covenants thereunder in June 2019.

On 18 December 2018, K&S entered into two broadly identical facility agreements with Gazprombank (the “**Facility Agreements**”) for the provision of a US\$240 million facility in aggregate (the “**Gazprombank Facility**”). One of the purposes of the Gazprombank Facility is to repay in full the outstanding amount due by K&S under K&S’s existing project finance facility with ICBC (the “**ICBC Facility**”). The Company is currently the guarantor under the ICBC Facility and it is proposed that subject to Shareholder approval, the Company will guarantee the repayment obligations of K&S under the Facility Agreements under a series of guarantee agreements (the “**Proposed Guarantees**”). The Proposed Guarantees were entered into by the Company and Gazprombank on 15 February 2019 and the effectiveness of each of the Proposed Guarantees, in accordance with their respective terms, is conditional upon Shareholder approval being obtained at the General Meeting.

In addition, the Company, IRC and K&S obtained a waiver from ICBC pursuant to which the December 2018 test date for various financial covenants under the ICBC Facility was waived and K&S’s obligation to maintain US\$27.25 million in a debt service reserve account (the “**DSRA**”) has been waived until the earlier of the date on which the security under the ICBC Facility has been released or 21 March 2019.

Before being able to draw down on the Gazprombank Facility, K&S must satisfy various conditions which are typical and market standard for a refinancing transaction of this size and nature. The conditions in both Facility Agreements relate to the delivery of various documents, for example legal opinions which are routinely given on financing transactions, the constitutional documents of K&S, the Proposed Guarantees which have become effective in accordance with their respective terms following Shareholder approval being obtained at the General Meeting, security documents and certain reports from a technical adviser in respect of the Kimkano-Sutarsky Mining and Beneficiation Plant (the “**K&S Mine**”), the latter of which have already been prepared and delivered to Gazprombank.

If any of the conditions are not satisfied (including the failure of each of the Proposed Guarantees to become effective in accordance with their respective terms), and Gazprombank does not waive the requirement for such conditions, K&S will not be able to draw down on the Gazprombank Facility. Therefore if Shareholder approval is not received for the Proposed

Guarantees, assuming all other conditions under the Facility Agreements are met and Gazprombank does not waive the requirement for the Proposed Guarantees, K&S will not be able to draw down on the Gazprombank Facility.

If K&S is unable to draw down on the Gazprombank Facility:

- (a) K&S will not be able to fund and maintain US\$27.25 million in the DSRA from 21 March 2019. If K&S cannot fund and maintain the DSRA, and in order to avoid a default by K&S under the ICBC Facility and a call on the Company under the ICBC Guarantee, the Company will need to provide another bridge loan to the IRC Group to ensure K&S can fund and maintain the DSRA. Such a provision of an additional bridge loan would cause a liquidity shortfall for the Company in around June 2019;
- (b) IRC will not be able to repay the bridge loans of approximately US\$57 million in aggregate made by the Company to the IRC Group in June 2018 and December 2018 nor the arrangement fee owed to the Company by K&S and IRC in respect of the ICBC Guarantee without an alternative funding solution;
- (c) K&S will not be able to make the next repayment under the ICBC Facility on 20 June 2019 and a failure to make the June 2019 repayment would give ICBC the right to demand immediate repayment of the full outstanding amount of the ICBC Facility, which is approximately US\$169 million, and call on the Company under the ICBC Guarantee for full repayment of this amount; and
- (d) pursuant to the terms of the ICBC Facility, even if K&S is able to fund and maintain the DSRA and make the 20 June 2019 repayment, the financial covenants which K&S and the Company are subject to will be tested on 20 June 2019 and unless further waived by ICBC, neither K&S nor the Company will meet the covenants at this date which again will give ICBC the right to demand immediate repayment of the ICBC Facility in full and call on the Company under the ICBC Guarantee for full repayment of this amount.

In the event of ICBC demanding immediate repayment of the full amount outstanding under the ICBC Facility from the Company under the ICBC Guarantee, the Company will not be able to make such payment. Moreover, due to the nature of the facilities the Company has in place, an event of default under the ICBC Guarantee could, at the discretion of the relevant lenders, result in cross-defaults and/or cross-accelerations under other financing arrangements of the Group including the Existing Facilities. Such cross-defaults and/or cross-accelerations will entitle the relevant lenders to demand immediate repayment and an event of default under one facility could also result in the termination and close out of the Group's hedging arrangements. In this event, a significant proportion of the Group's borrowings would become immediately repayable. Acceleration of the repayment of the Group's debt in this way would mean that the Company would cease to be a going concern and in the absence of securing alternative funding and/or substantial proceeds from the realisation of assets, could result in the insolvency and, ultimately, the liquidation of the Company resulting in the Shareholders losing their investment in the Company.

1.2 Once the Gazprombank Facility has been drawn down, if K&S defaults under the Facility Agreements, the Proposed Guarantees will be called upon. If the Company breaches the Proposed Guarantees then such a breach could cause cross-defaults across its Existing Facilities.

Assuming the other conditions of the Facility Agreements (as referred to in paragraph 1.1 above) are satisfied, once the Proposed Guarantees have become effective in accordance with their respective terms following Shareholder approval at the General Meeting and the Gazprombank Facility has been drawn down by K&S, under the terms of the Proposed Guarantees, Gazprombank can call upon the Company if K&S defaults on a payment under the Facility Agreements. If any of the Proposed Guarantees are called upon and the Company is liable to pay the outstanding amount under the Gazprombank Facility, up to the maximum limit under each Proposed Guarantee which is in force at the time of the call, this would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

In particular, due to the nature of the facilities the Company has in place, an event of default under the Proposed Guarantees will, under cross-defaults and/or cross-accelerations of the Existing Facilities, entitle the relevant lenders to demand immediate repayment and an event

of default under one facility could also result in the termination and close out of the Group's hedging arrangements. In this event, a significant proportion of the Group's borrowings would become immediately repayable. Acceleration of the repayment of the Group's debt in this way would mean that the Company would cease to be a going concern and in the absence of securing alternative funding and/or substantial proceeds from the realisation of assets, could result in the insolvency and, ultimately, the liquidation of the Company resulting in the Shareholders losing their investment in the Company.

1.3 The Company does not have control over K&S and/or IRC and therefore cannot prevent either company from causing an event of default under the Facility Agreements.

The Company has a 31.1 per cent. interest in the issued share capital of IRC which is the ultimate parent company of K&S. Therefore, the Company does not have a controlling interest in either IRC or K&S. Whilst the Company has the right to appoint two directors to the board of IRC, the Company does not currently have any representation on the board of either IRC or K&S. Accordingly, IRC and/or K&S may make decisions that could conflict with the interests of the Company and in particular IRC and/or K&S could make decisions which trigger an event of default under the Facility Agreements. A summary of the events of default under the Facility Agreements is set out in paragraph 1.15 of Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document and include: the non-repayment of the Gazprombank Facility as envisaged by the Facility Agreements; breach of any covenants under the Facility Agreements (which includes satisfying the conditions subsequent such as ensuring all necessary security is put in place by K&S and IRC); and the breach of any warranties or representations given by K&S.

If such an event of default arises before the Gazprombank Facility is drawn down, Gazprombank has the right to reject a utilisation request from K&S and therefore not provide the Gazprombank Facility. If K&S is unable to draw down on the Gazprombank Facility, then the circumstances described in risk factor 1.1 would arise and the Company would cease to be a going concern as ICBC would be entitled to demand immediate repayment of the full amount outstanding under the ICBC Facility from the Company under the ICBC Guarantee, and the Company will not be able to make such payment. This in turn would result in cross-defaults and/or cross-accelerations under other financing arrangements of the Group including the Existing Facilities and in the absence of securing alternative funding and/or substantial proceeds from the realisation of assets, could result in the insolvency and, ultimately, the liquidation of the Company resulting in the Shareholders losing their investment in the Company.

Moreover, if an event of default arose after the Gazprombank Facility is drawn down, Gazprombank is entitled to demand (subject to any applicable grace periods) the full amount outstanding under the Facility Agreements. If K&S and/or IRC are unable to make the relevant payment, the Proposed Guarantees which are in force at the time of the default may be called upon by Gazprombank. The Company may therefore have to make a payment to Gazprombank up to the maximum amount of liability under the Proposed Guarantees in force at the time of the call. The obligation to make such a payment would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

To help mitigate against the risk of the Proposed Guarantees being called, the Company has entered into an agreement with IRC and K&S pursuant to which IRC undertakes to (i) take all actions within its control in order to assist K&S with any cure or remedy of any default under the Facility Agreements, including making inter-company loans to K&S and (ii) use its reasonable endeavours (and ensure that the K&S will use its reasonable endeavours) to utilise the Gazprombank Facility to repay ICBC in full. Further details of this agreement are set out in paragraph 8.8 of Part 3 (*Additional Information*).

1.4 If K&S does not satisfy the Corporate Guarantee Conditions, the Company's liability in respect of the Corporate Guarantee will not be reduced to zero. If the liability under the Corporate Guarantee is not reduced to zero before the sixth anniversary of the utilisation of the Gazprombank Facility, the Company could have a maximum liability under the Proposed Guarantees of US\$240 million.

The reduction of the Company's liability under the Corporate Guarantee to zero is dependent on the satisfaction of the Corporate Guarantee Conditions, as set out in the Corporate Guarantee and further described in paragraph 2.4 of Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document. The satisfaction of the Corporate Guarantee Conditions is largely out of the Company's control as they mainly relate to the business operations and development projects of K&S and IRC.

For example, various Corporate Guarantee Conditions relate to the development of the Sutara deposit for mining and the delivery of confirmation from a technical adviser appointed by K&S (the "**Technical Adviser**") that certain stages of the development have completed and the relevant permissions to exploit and mine the deposit have been obtained. Whilst the design stage and certain construction stages have commenced for mining at the Sutara deposit, any delays in these stages (which could be caused by a number of factors such as adverse weather conditions in respect of the construction stages or difficulties in funding the development because of an increase in the capital expenditure required and/or a decrease in the price of iron ore), would delay K&S's ability to liaise with the Technical Adviser to complete the confirmation process. Furthermore, the Sutara deposit development requires permissions to be granted by state experts in different disciplines (environmental, technical etc.) and the timings in obtaining such permissions can vary between the state expert involved and depend on how much further information each state expert requires once K&S makes the relevant submissions. This in turn could delay when K&S receives the requisite permissions from the relevant state expert to satisfy the corresponding Corporate Guarantee Condition.

It should also be noted that approval of the various stages of the Sutara development, is at the discretion of the relevant state experts. Such state experts can exercise considerable discretion in the issuance and renewal of permits and permissions, in monitoring a company's compliance with the terms thereof and in interpreting and enforcing applicable laws and regulations. Whilst K&S does not anticipate that it will have difficulties in obtaining such permissions, as it is standard practice in the Russian mining industry and the operations at the K&S Mine are not out of line with market practice, the final decision for approval is out of the control of K&S, IRC and the Company.

A further Corporate Guarantee Condition is for the volumes of iron ore concentrate to be produced at the K&S Mine and the production levels from the Sutara deposit to be at least 250,000 tonnes of iron ore concentrate and 200,000 tonnes of raw ore, respectively, each month for the 6 months preceding the test date for the satisfaction of the Corporate Guarantee Conditions. IRC's current development plan projects that this Corporate Guarantee Condition will be achieved in 2022, however this could be delayed if there are delays in the construction so as to hinder the development of the Sutara deposit for mining and in turn production. Moreover production levels of the Sutara deposit are subject to the hazards and risks normally associated with mining operations such as flooding or collapses of open pit walls, all of which could delay the achievement of this particular Corporate Guarantee Condition.

A certificate from state experts to confirm the formal commissioning of the Object (as defined in the Facility Agreements and summarised in Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document) is also required to be delivered to Gazprombank. The Object covers the various elements of the K&S Mine, which includes the Kimkan and Sutara deposits, the processing plant with an annual manufacturing capacity of 3.2 million tonnes of iron ore concentrate and the infrastructure facilities of the K&S Mine. K&S is in the process of preparing the relevant documentation for submission to the state experts to organise a site visit to the K&S Mine. However, there have been slight deviations between the initial design of the processing plant and infrastructure facilities at the K&S Mine, compared to what has been constructed. Therefore as part of its submission to the state experts, K&S needs to reconcile and explain the deviations which could lead to the state experts requesting additional information from K&S before they make a site visit and

ultimately make their decision to sign off and provide the certificate for the formal commissioning of the Object. As such K&S may need to make multiple submissions of documents which could prolong the process to receive the relevant reports and permits required to satisfy the Corporate Guarantee Conditions.

Accordingly, some of the Corporate Guarantee Conditions are not only out of the control of the Company, but also out of the control of K&S and the IRC Group. If all of the Corporate Guarantee Conditions cannot be satisfied, and are not waived by Gazprombank, the Company's liability under the Corporate Guarantee will not be reduced to zero until the Gazprombank Facility is repaid in full in December 2026. This could also mean that if by December 2024 the Company's liability under the Corporate Guarantee has not been reduced to zero, the Company's liability in respect of the Proposed Guarantees would in aggregate be US\$240 million. This is on the basis that by this time, the maximum liability under Fixed Term Guarantee D becomes effective for a maximum amount of US\$120 million (as further described in paragraph 2.3 of Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document) as well as the Corporate Guarantee of US\$120 million still being in force.

Consequently, notwithstanding that Gazprombank can never recover more than the amount outstanding under the Gazprombank Facility, the delay in reducing the Company's liability under the Corporate Guarantee would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.5 If any of the Springing Recourse Events occur and are not waived by Gazprombank within the first four years from Shareholder approval being obtained at the General Meeting, the Company's maximum liability under the Proposed Guarantees would increase and, if it occurs before the Corporate Guarantee has been reduced to zero, risks the terms of the Existing Notes and the Existing Bonds being breached.

In respect of each of Fixed Term Guarantee B, Fixed Term Guarantee C and Fixed Term Guarantee D, prior to the date on which each guarantee's maximum liability (in the case of Fixed Term Guarantee D, US\$120 million and otherwise US\$40 million) comes in to effect, the commencement date of the relevant Proposed Guarantee will be brought forward if any of the Springing Recourse Events occur (as set out in paragraph 2.5 of Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document).

The Springing Recourse Events relate to both the Company and K&S and focus on the solvency, constitutional and financial position of each respective company and some of the Springing Recourse Events are qualified by materiality. If any such event occurs in the first four years from the utilisation of the Gazprombank Facility, and is not waived by Gazprombank, then:

- (a) assuming all of the Corporate Guarantee Conditions are met and the Company's liability under the Corporate Guarantee has reduced to zero, the Company's liability in respect of the Proposed Guarantees will increase from US\$40 million up to a potential maximum of US\$240 million, depending on when the Springing Recourse Event occurs and which Fixed Term Guarantees have already expired; or
- (b) if the Company's liability under the Corporate Guarantee has not been reduced to zero because the Corporate Guarantee Conditions have not been met, the Company's liability in respect of the Proposed Guarantees will increase to at least US\$280 million and up to a potential maximum of US\$360 million, depending on when the Springing Recourse Event occurs and which Fixed Term Guarantees have already expired (although, notwithstanding the maximum liability, Gazprombank can never recover more than the amount outstanding under the Gazprombank Facility).

In the case where a Springing Recourse Event occurs and is not waived before the Company's liability under the Corporate Guarantee is reduced to zero, if the Company's liability under the Proposed Guarantees increases to more than approximately US\$169 million (being the amount outstanding under the ICBC Facility at the point of its refinancing), this would be a breach of the terms of the Existing Notes and the Existing Bonds. In this instance the note holders and bond holders would, subject to certain conditions, have the right to call on the Existing Notes and the Existing Bonds and demand immediate repayment. Acceleration

of the repayment of the Existing Notes and the Existing Bonds in this way would consequently have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.6 If by 31 December 2019 the formal commissioning of the POX Hub is not complete, there will be an event of default under the Facility Agreements.

The Facility Agreements provide for certain conditions subsequent which are typical and Russian market standard for a refinancing transaction of this size and nature. One of the conditions is the delivery by the Company to Gazprombank by 31 December 2019 of a certificate of operational acceptance in respect of the autoclave hydrometallurgical complex ("**Hydrometallurgical Complex**") at the POX Hub and a letter signed by the Company representing the production output of the POX Hub during the year ending on 31 December 2019.

The POX Hub will be ramping up to sustainable production in 2019 and will allow the Company to be able to provide the letter regarding the production output of the POX Hub. However the certificate will need to be issued by the Amur Region Agency on Mineral Resources ("**Amurnedra**") and will provide a formal confirmation from the state authority that the POX Hub is in operation. To obtain the certificate the Company must obtain confirmation from various regulatory authorities such as the General Board of State Expert Review ("**Glavgoexpertiza**") and the Federal Environmental, Industrial and Nuclear Supervision Service of Russia ("**Rostekhnadzor**"). Once these confirmations have been obtained, the Company can submit the necessary documents to Amurnedra for them to review before issuing the certificate. The Company is currently liaising with Glavgoexpertiza in respect of obtaining the relevant confirmation and anticipates that this will be received at the beginning of the second quarter of 2019. The Company should then be in a position to start the process with Amurnedra in September 2019, with a certificate expected to be issued in November 2019.

Whilst seeking confirmations from regulatory authorities is common market practice in the Russian mining industry, the process could take longer than expected if the authorities raise additional questions to the Company before coming to their determination. Therefore any delays in receiving the relevant confirmations from Glavgoexpertiza and Rostekhnadzor would delay the Company's ability to progress with Amurnedra and obtain the certificate. The authorities can also exercise their discretion when providing the relevant confirmations and certificates, so although the POX Hub is operational and is not out of line with market practice, the final decision for approval is out of the control of the Company.

If the certificate from Amurnedra and production letter from the Company are not delivered to Gazprombank by 31 December 2019, and this requirement is not waived by Gazprombank, there will be an event of default under the Facility Agreements and Gazprombank will have the right to demand full repayment of the outstanding amounts under the Facility Agreements. Where such an event of default arises and K&S and/or IRC are unable to make the relevant payment, the Proposed Guarantees which are in force at the time of the default may be called upon by Gazprombank. The Company may therefore have to make a payment to Gazprombank up to the maximum amount of liability under the Proposed Guarantees in force at the time of the call. The obligation to make such a payment would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.7 The Group, the IRC Group and Gazprombank are all subject to risks associated with operating in Russia and in particular the possibility of sanctions being extended by the United States and/or the European Union.

Both the United States and the European Union have imposed sanctions on a number of Russian individuals and companies. Whilst such sanctions have not had a direct impact on the Company nor its Group's business, if political tensions between Russia and the United States and/or the European Union escalate, further sanctions could be imposed that affect the Group's ability to deal with certain persons or the Russian economy.

Whilst no entity within the Group has been designated by either the U.S. or the EU as a specific target of their respective sanctions imposed to date, no assurance can be given that any of those persons or entities will not be so designated in the future, or broader sanctions against the Russian Federation that affect the Group, may not be imposed. Moreover,

although no entity within the Group is a U.S. person, some Group entities, as well as the Company, are currently EU persons and are therefore required to currently comply with the EU sanctions, including not conducting business with any persons subject to EU sanctions. In the ordinary course of business, the Group, like many companies with operations in Russia, has commercial operations with Russian persons and entities (such as Gazprombank) that are currently under “sectoral” sanctions. The Directors have been advised that such operations do not currently breach any existing EU sanctions and although the Group’s transactions and commercial relations with these entities are not currently prohibited or otherwise negatively affected by the sanctions, should the sanctions regime in respect of these entities be widened or should new sanctions be introduced to which major suppliers or counterparties of the Group are subject, the Group’s business could be materially adversely affected.

If sanctions are expanded to a broader segment of the Russian economy such that the Company or K&S becomes subject to U.S. or EU sanctions, this will have a material adverse impact on both the Group’s and the IRC Group’s businesses as it could restrict them from accessing Western capital markets and/or acquiring certain U.S. or EU manufactured equipment, which could cause difficulties in the implementation of investment projects and securing supplies of imported equipment. For example, the Group might become unable to deal with persons or entities bound by the relevant sanctions, including international financial institutions and rating agencies, transact in U.S. Dollars, raise funds from international capital markets or acquire equipment from international suppliers.

In particular, if, as a result of such sanctions being imposed on the Company or K&S, it becomes illegal for the Company or K&S (as appropriate) to maintain or perform their obligations opposite their counterparts under the Finance Documents or it becomes reasonably likely that Gazprombank will itself become a target of sanctions if it maintains its relationship with the Company or K&S (as appropriate), then this would trigger a Springing Recourse Event and bring forward the commencement date of Fixed Term Guarantee B, Fixed Term Guarantee C and Fixed Term Guarantee D. The acceleration of the commencement date of these Fixed Term Guarantees would increase the liability of the Company and as mentioned in paragraph 1.5 above, could cause a breach of the terms of the Existing Notes and the Existing Bonds. In this instance the note holders and bond holders would, subject to certain conditions, have the right to call on the Existing Notes and the Existing Bonds and demand immediate repayment from the Company. Accordingly, sanctions placed against the Company and/or K&S which trigger the Springing Recourse Events would have a material adverse effect on the Company’s business, results of operations, financial condition and prospects.

The Group is adopting measures designed to ensure compliance with the extraterritorial effect of the U.S. and EU sanctions regime in respect of Russia. The Facility Agreements and Proposed Guarantees contain mechanisms for ‘alternative currencies’ and ‘alternative payees’ to help avoid the potential effect of sanctions in preventing parties from being able to make payments under the respective agreements. The Group would consider including similar provisions in their future commercial agreements, however would need to assess the risk of sanctions being relevant on a case by case basis to determine if such provisions would be appropriate.

It should also be noted that if further sanctions were imposed on Gazprombank that affected K&S’s, IRC’s or the Company’s ability to deal with it, Gazprombank has the right to apply various sanction mitigation actions (as set out in the Facility Agreements) to help avoid a situation where K&S would be unable to make any repayments under the Facility Agreements due to any restrictive measures imposed on Gazprombank. However Gazprombank is not obliged to utilise the sanction mitigation actions and therefore there is a risk that a situation arises where (1) restrictive measures are imposed against Gazprombank; (2) K&S is not able to make payments under the Facility Agreements due to such restrictive measures; and (3) Gazprombank does not apply any sanctions mitigations mechanics such that it remains impossible for K&S to service the Gazprombank Facility. There are no specific carve-outs for this scenario and it would technically give rise to an event of default under the Facility Agreements, giving Gazprombank the right to demand immediate repayment of the outstanding amount under the Gazprombank Facility. If such an event of default did arise and K&S and/or IRC are unable to make the relevant payment, the Proposed Guarantees which are in force at the time of the default may be called upon by Gazprombank. The Company

may therefore have to make a payment to Gazprombank up to the maximum amount of liability under the Proposed Guarantees in force at the time of the call. The obligation to make such a payment would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.8 The Facility Agreements and Proposed Guarantees are governed by different laws and jurisdictions which could lead to different interpretations as to whether there has been a breach of the documents.

Each of the Facility Agreements are governed by Russian law and each of the Proposed Guarantees by English law, therefore there may be circumstances where the Facility Agreements are breached under Russian law but there is not necessarily a breach of the Proposed Guarantees under English law. Moreover the Facility Agreements and Proposed Guarantees include representations and warranties that relate to the Company. Whilst the Company has tried to ensure that such representations and warranties align in both types of document, it is difficult to predict how the courts in the respective jurisdictions will interpret whether a breach of the representations and warranties has occurred. However in the event that a Russian court has judicially determined that there has been a breach of the Facility Agreements, Gazprombank has the right to call upon the Company under the Proposed Guarantees and it is likely that an English court will be reluctant to set aside a decision by a Russian court in respect of a Russian governed commercial contract. Accordingly if the Proposed Guarantees are called upon and the Company is liable to pay any outstanding amount under the Gazprombank Facility, this could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.9 The Facility Agreements are governed by Russian law and are subject to the risks of the Russian legal system.

The following weaknesses in the Russian judicial legal system and Russian legislation could create uncertainty as to how the Facility Agreements will be interpreted in the courts:

- (a) lack of independence in the judicial system;
- (b) limited judicial and administrative guidance on interpreting Russian legislation;
- (c) conflicting views and judgments as regards the interpretation of and the effect of Russian law in a number of key areas which affect investment in the Russian Federation;
- (d) the relative inexperience of judges in interpreting new Russian business legislation, particularly relating to capital markets, companies, corporate governance and investor protection; and
- (e) the difficulty in enforcing court judgements in practice.

All of these risks and weaknesses could affect how the Facility Agreements are interpreted in the Russian courts in the event of a dispute. In addition they could affect the ability of the Company to defend itself against claims by Gazprombank which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2 RISKS RELATING TO K&S

2.1 K&S is dependent on the revenue generated by the K&S Mine to service its debts. If this revenue decreases, K&S will have difficulty in meeting its repayment obligations under the Facility Agreements.

The K&S Mine is an iron ore project, 100 per cent. owned by K&S (which is a wholly owned subsidiary of IRC), and is located in the Jewish Autonomous Region (JAO) of the Russian Far East. It has been generating revenue for K&S since the third quarter of 2016. In 2017, the K&S Mine generated EBITDA of US\$32.9 million, which has reduced in the first half of 2018 to US\$14.6 million. This reduction was in part due to lower market prices of iron ore. K&S are working towards reducing the current level of total cash cost of approximately US\$50 per tonne by ensuring that the K&S Mine is producing at full capacity of 3.2Mtpa and reducing its transportation costs by utilising the Nizhneleninskoye-Tuntszyan railway bridge

over the Amur River (the “**Amur River Bridge**”) once it is commissioned in mid-2019. This in turn will assist K&S to generate sufficient revenue to service its debts and meet its repayment obligations under the Facility Agreements.

However if the market price of iron ore decreases further and/or there is a delay in bringing the K&S Mine to full capacity and/or there is a delay in the commissioning of the Amur River Bridge, this could reduce the revenue produced by the K&S Mine and would impact K&S’s ability to meet scheduled repayments under the Facility Agreements. This in turn could have a material adverse effect on K&S’s business, results of operations, financial condition and prospects. In addition, there is volatility in the iron ore industry, and in adverse market conditions K&S may have to consider putting the K&S Mine on care and maintenance. This would stop production and the generation of revenue from the K&S Mine and consequently would prevent K&S from making scheduled repayments under the Facility Agreements.

In turn, the above risks to K&S and the operation of the K&S Mine could risk the Company being called upon under the Proposed Guarantees which would have a material adverse effect on the Company’s business, results of operations, financial condition and prospects.

2.2 Development of the Sutara deposit is required to provide iron ore for processing at the K&S Mine. If the development of the deposit is delayed, this would adversely affect production of the K&S Mine and K&S’s ability to make repayments under the Facility Agreements.

K&S has the relevant licences to mine at two principal iron ore deposits – Kimkan and Sutara. Currently, only iron ore feed from the Kimkan deposit is being processed at the K&S Mine to produce iron ore concentrate. K&S and IRC estimate that the Kimkan deposit has a maximum life of ten years and there will be a decline in the annual volumes of iron ore that is mined from it after 2020. To support the ongoing production of the K&S Mine, K&S is planning to develop the Sutara deposit for mining between 2018 to 2021 at an approximate cost of US\$29 million. It is anticipated that mining of the Sutara deposit shall commence by 2021 at the latest so that the iron ore from the Sutara deposit can be processed at the processing plant at the K&S Mine. No external financing will be required and the capital expenditure to develop the Sutara deposit is expected to be funded by the cash flow from the K&S Mine.

If development of the Sutara deposit is delayed for more than one or two years, this would adversely affect the production of the K&S Mine, as there would be less iron ore feed to process, and is likely to result in the development budget being exceeded. In turn, this could impact K&S’s ability to make repayments under the Facility Agreements and therefore have a material adverse effect on K&S’s business, results of operations, financial condition and prospects. In addition if K&S is unable to meet scheduled payments under the Facility Agreements, Gazprombank would have the right to call upon the Company to make such repayments under the Proposed Guarantees which are in force at the time of the call. A call under the Proposed Guarantees would have a material adverse effect on the Company’s business, results of operations, financial condition and prospects.

2.3 An increase in the operational and capital expenditure of K&S could reduce its ability to make repayments under the Facility Agreements.

In order to sustain long term profitability, K&S must be able to maintain a steady cost base across its operational and capital expenditure. There can be no assurance that K&S’s cost inputs will be maintained at current levels and any increase in these costs could impact the cash flow of K&S and as a result, affect its ability to make scheduled payments under the Facility Agreements. Such increase in costs could therefore have a material adverse effect on K&S’s business, results of operations, financial condition and prospects as well as increasing the risk of the Proposed Guarantees being called upon by Gazprombank against the Company.

2.4 K&S requires various licences and permits in order to operate and the IRC Group’s mineral licences may be challenged, terminated, suspended, limited or not extended.

The exploration and production activities of K&S are subject to various laws governing prospecting, development, production taxes, labour standards, occupational health, site safety, toxic substances and other matters, including in connection with obtaining and renewing licences and permits and ongoing compliance with existing laws and regulations. K&S has two

licences in respect of its mining activities at the K&S Mine, both of which expire in 2025. K&S has also been granted temporary permits to operate the processing plants at the K&S Mine during the commissioning phase. K&S has commenced the process to meet the regulatory requirements in Russia to obtain permanent permits, and it expects these will be issued before the end of 2019.

Whilst K&S expects that its licences will be renewed and for permanent permits to be granted, regulatory authorities exercise considerable discretion in the issuance and renewal of licences and permits, in monitoring licensees' compliance with the terms thereof and in interpreting and enforcing applicable laws and regulations. Inspections by regulatory authorities may conclude that K&S has violated applicable laws or regulations. If K&S is unable to refute these conclusions or to remedy these violations, the regulatory authorities may impose fines, criminal and administrative penalties or severe sanctions, including the suspension, amendment or termination of K&S's licences and permits and compel K&S to cease certain of its business activities. The loss of any licences or permits may have a material adverse effect on K&S's business, financial condition and results of operations.

In addition, if K&S is unable to obtain the relevant permissions required for satisfaction of the Corporate Guarantee Conditions mentioned in paragraph 1.4 above then the Company's liability under the Corporate Guarantee will not be reduced to zero. This in turn creates the risk that by December 2024 the Company's liability under the Proposed Guarantees is up to US\$240 million in aggregate and could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

Amendments to current laws and regulations governing operations and activities of exploration and production of mineral resources, or more stringent implementation thereof, could have a material adverse effect on the business, results of operations and the financial condition of K&S. Although K&S believes that the exploration, development and production activities of K&S are currently carried out in accordance with applicable rules and regulations relevant to the current stage of development in all material respects, and that they hold all necessary approvals, licences and permits under those laws and regulations for their current activities, no assurance can be given that new rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development.

K&S's principal activity is the mining of non-precious metals which requires K&S to hold licences that permit it to explore and mine in particular areas in the Russian Federation. The licensing regime in the Russian Federation for the exploration and production of minerals is governed primarily by the Subsoil Law and regulations promulgated thereunder and the Federal Law No.41-FZ dated 26 March 1998 "Precious Metals and Precious Stones" (as amended), and K&S's licences are regulated by Rosnedra and its territorial departments. However, the legal and regulatory basis for obtaining and maintaining licences in the Russian Federation can be unclear and subject to change. In addition, it is possible that licences obtained from the relevant regulatory agencies could subsequently be challenged by governmental, prosecutorial or other authorities as being invalid or issued in breach of the required procedures. Consequently, K&S cannot predict whether K&S will be able to obtain or maintain at all times all the licences that it requires for its operations. If any of K&S's material licences were to be challenged or terminated (for example, as a result of insolvency of an IRC Group company or non-compliance with terms), this could have a material adverse effect on the business, results of operations and financial condition of K&S.

In addition, various government regulations require K&S to obtain permits to implement new projects, to commence certain operations, to renew existing permits or to have existing permits reviewed in order to continue existing projects. Certain of K&S's activities are also subject to other requirements, such as, for example, the approval of an Environmental and Social Impact Assessment by the relevant state environmental experts. In addition, certain activities of K&S are conditional upon advance consultation with local communities and other indigenous population associations. Any failure to obtain, or delay in obtaining, any permits or approvals, or to meet the requirements associated therewith, could adversely affect K&S's investment plans or operations, which could in turn have a material adverse effect on the business, results of operations, financial condition and prospects of K&S.

2.5 K&S is subject to currency risk.

K&S reports its results in US Dollars, which is the currency in which most of K&S's revenue is generated. Significant costs are incurred in and/or influenced by the local currencies in which K&S operates, principally Russian Roubles. The appreciation of the Russian Rouble against the US Dollar tends to result in an increase in K&S's costs relative to its revenues, whereas the depreciation of the Russian Rouble against the US Dollar tends to result in a decrease in K&S's costs relative to its revenues. Therefore, adverse currency movements could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

If inflation in the Russian Federation were to increase without a corresponding devaluation of the Russian Rouble relative to the US Dollar, given, among other things, significant costs are incurred in Russian Roubles and much of K&S's revenue is generated in US Dollars, this could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

The United States have also placed various sanctions on Russia in the last few years. Whilst K&S is not directly impacted by such sanctions, there could be a risk that an increase in sanctions could affect transactions made by K&S in US Dollars. In particular, if the United States were to restrict trading in the US Dollar, pursuant to the Facility Agreements, Gazprombank have the right to require any sum due in US Dollars, to be paid by K&S in Roubles, Euro or another currency as Gazprombank may choose and such restrictions on using US Dollars could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

2.6 K&S's business is dependent on the global iron ore price and demand for iron ore.

K&S's business is highly dependent on the global price of its iron ore as the only product produced by the K&S Mine is iron ore concentrate. The selling price for the product is determined by reference to the international Platts spot price of 65 per cent. Fe iron ore concentrate and whilst the iron ore price has been stable for the first half of 2018 there is no certainty that the current prices for iron ore will be maintained or increase in future years. It is also not market practice to enter into long-term fixed price contracts for iron ore products, and any hedging agreements that have been entered into by K&S, are on relatively short terms and usually no longer than 12 months. This increases K&S's vulnerability to short to medium term variations in the spot price of the market. Whilst the price premium for high-grade iron ore concentrate is currently increasing, there is no certainty that the products will continue to attract a premium. In addition whilst it is market practice that discounts are offered to customers, customers of K&S are also seeking to negotiate larger discounts and this taken together with K&S's exposure to variations in the spot price, could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

Market analysts have noted that due to pollution control measures implemented by the Chinese government, more Chinese steel manufacturers are switching to use higher grade 65 per cent. iron-ore concentrate as feedstocks. With a limited supply of high-grade iron ore concentrate in the Chinese domestic market, demand for such product is high and beneficial to K&S. However, Chinese ports have recorded growing stockpiles in the second quarter of 2018 and this, together with the negative macro-environment as a result of the trade war between China and the United States, could result in downward pressure on the iron ore market price which may have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

2.7 Concentration of customers and mining contractors.

K&S is a junior miner in comparison to larger companies and operations in the global iron ore market. The relatively small scale and production volume of the K&S Mine means that whilst K&S has been trying to diversify its customer base, the number of customers it supplies to is small. As a result, there is a certain level of concentration risk which may have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

K&S currently has four mining contractors; one of which provides blasting, mining and hauling works, two of which solely provide blasting works and the fourth of which provides mining and hauling works. The primary contractor provides more than 90 per cent of all drilling and mining works at the K&S Mine and has its own subcontractors to carry out blasting works.

Due to the relatively small scale of K&S's operation, it is not practical to have more mining contractors for the purposes of risk diversification and if the main contractor did choose to terminate its contract with K&S, such contractor would have to incur significant relocation costs as a result. However the high dependency of K&S on one contractor does create a risk and termination of such contract, for whatever reason, would have a material impact on the operation of the K&S Mine as it is uncertain whether a replacement contractor could be found at short notice and on similar terms. Consequently, this could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

2.8 Reliance on the railway networks for K&S to ship products to its customers.

The K&S mine is located in the Jewish Autonomous Region (JAO) of the Russian Far East. The operation is 4 kilometres from the town of Izvestkovaya, through which the Trans-Siberian railway passes. The Trans-Siberian railway congestion affected the shipment of products to K&S' customers in late 2017. As the Russian railway authority gradually resolved the congestion issue, K&S was able to ship its products to customers more smoothly and efficiently. Although congestion on the railway is not expected to be a recurring event, if there are further congestion delays on the Trans-Siberian railway, this could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

K&S continues to be subject to an increasing railway tariff which could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

2.9 K&S is subject to mining risks.

K&S's operations, like those of other mining companies, are subject to all of the hazards and risks normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons, property or the environment. K&S engages in open pit mining. Hazards associated with K&S's mining operations include flooding, collapses of the open pit wall or shelf or underground structures, accidents associated with the operation of mining transportation equipment, accidents associated with the preparation and ignition of large-scale open pit mining and blasting operations, production disruptions due to weather and hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination. K&S may experience any of these hazards. The occurrence of any of these or similar hazards could delay production, increase production costs, damage K&S's reputation or result in injury or death to persons and damage to property, as well as associated liability for K&S, and may result in actual production differing potentially materially from estimates of production. Although the IRC Group has purchased some insurance, which includes cover for K&S, the IRC Group and/or K&S may incur costs that are not covered under this insurance, which may have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

2.10 Environmental, health and safety regulations and incidents may adversely affect K&S's business.

As with other mining companies, certain of the operations of K&S are carried out under potentially hazardous conditions. K&S employees may become exposed to health and safety risks which may lead to the occurrence of work-related accidents and harm to K&S's employees. Any accidents or other occupational health and safety incidents, including the violation of health and safety laws or failure to comply with the instructions of the relevant health and safety authorities could result in investigations, adversely affect production levels, cause production stoppages, harm K&S's reputation and adversely affect its relationship with its contract partners and other stakeholders. Any such event could have a material adverse effect on K&S's business, financial condition and results of operations.

Whilst K&S intends to continue to operate in accordance with relevant health and safety regulations and requirements, K&S remains susceptible to the possibility that liabilities might arise as a result of accidents, fatalities or other workforce-related misfortunes, some of which may be beyond K&S's control. The occurrence of any accidents could delay production, increase production costs and/or result in liability for K&S. If this occurs, it could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

2.11 K&S may experience risks relating to the Russian legal system and Russian legislation.

Weaknesses in the Russian legal system and Russian legislation could create an uncertain environment for investment and for business activity. The Russian Federation is still developing the legal framework typically required by a market economy. Several fundamental Russian laws have only recently become effective. The implementation of much of the Russian Federation's legislation and the rapid evolution of the Russian legal system place the enforceability and underlying constitutionality of some laws in doubt and result in ambiguities, inconsistencies and anomalies. In addition, Russian legislation often leaves substantial gaps in the regulatory infrastructure and delays may occur in the production of necessary ancillary or subordinate legislation.

The risks of the current Russian legal system include:

- (a) pieces of legislation at times overlapping and contradicting one another;
- (b) lack of independence in the judicial system;
- (c) limited judicial and administrative guidance on interpreting Russian legislation;
- (d) conflicting views and judgments as regards the interpretation of and the effect of Russian law in a number of key areas which affect investment in the Russian Federation, including the terms on which licences are granted;
- (e) substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- (f) the relative inexperience of judges in interpreting new Russian business legislation, particularly relating to capital markets, companies, corporate governance and investor protection; and
- (g) a high degree of discretion on the part of governmental authorities.

All of these weaknesses could affect K&S's ability to enforce its rights under licences, contracts or statutes, or to defend itself against claims by others which could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

2.12 K&S is vulnerable to changes in Chinese economy and legal system.

A number of the customers of K&S are based in China and so K&S relies on the Chinese economy being relatively stable in order to be able to ensure it has a market to sell a proportion of its products. If there is any deterioration in, or disruption to, the legal, political, economic or social conditions in China this could lead to a reduction in the demand of iron ore concentrate in China or affect the ability of K&S to sell its products there. As a result, this could have a material adverse effect on K&S's business, results of operations, financial condition and prospects.

2.13 K&S depends on attracting and retaining key personnel who have the requisite skills and experience to satisfy the specific requirements of the business.

K&S depends on personnel with a range of skills and a good knowledge of the customs and practices in the mining industry in the Russian Federation, and for certain senior positions a considerable fluency in English and Russian may be required. K&S's growth and future success will depend in significant part upon the continued contributions of a number of K&S's key senior management, personnel, geologists and other experts.

There is no certainty that the services of these key persons will continue to be available to K&S and, if K&S is not successful in retaining or attracting highly qualified individuals in key management positions, its business may be harmed. K&S's growth and profitability may be adversely affected by the loss of the services of these key senior managers or its inability to attract additional highly-qualified and experienced people with the requisite skills.

3 RISKS ASSOCIATED WITH THE COMPANY AND ITS GROUP

3.1 The Group is exposed to IRC's business and the value of the IRC Shares.

Price of IRC products

A significant proportion of IRC's sales of its products, principally iron ore, are made to the Chinese market. The financial performance of IRC, and therefore the value of the Group's investment in IRC, is dependent on, *inter alia*, the global prices of, and demand for, iron ore,

steel making composites, steel and steel products, the prices of which have been, and may continue to be, volatile. It should be noted that the Chinese ports had recorded growing stockpiles in the second quarter of 2018 and this, together with the negative macro environment from the trade war between China and the U.S., could provide downward pressure on the iron ore market price. A decline in the price of IRC's products, principally iron ore, a decline in Chinese demand, and/or an increase in Chinese domestic production or other competition, could adversely affect IRC's business, results of operations, financial condition and prospects.

Premium products

IRC provides high grade iron ore concentrate products to its customers which attract a premium. However, given the historic volatility of the iron ore prices, there is no certainty that the products produced by IRC will continue to attract such a premium and could have a material adverse effect on IRC's business, results of operations, financial condition and prospects.

Operational performance

In the past, IRC has decided to put its operations on care and maintenance mainly as a result of the volatility in the iron ore industry and steel sector. Depending on the circumstances, IRC may consider doing so again in the future and this would mean production would stop and revenue would not be generated at those projects which are put on care and maintenance.

Delay in ramp up of K&S Mine

The commissioning of IRC's iron ore mining operation at the K&S Mine was delayed by four years and therefore the ramp up of operations has been later than initially envisaged. The average capacity of the K&S Mine in 2018 was approximately 70 per cent. but if full capacity is not reached at the K&S Mine, it could have a material adverse effect on IRC's business, results of operations, financial condition and prospects.

Business in different jurisdictions

IRC is also exposed to the state of diplomatic relations between the Russian Federation and China. For example, the imposition of export controls by the Russian Federation or import controls by China could limit the quantity of, or prices at which, iron ore could be exported to China or imported from the Russian Federation, which could have a material adverse effect on IRC's business, results of operations, financial condition and prospects.

IRC Shares

The IRC Shares are listed on the Hong Kong Stock Exchange. The market price of the IRC Shares is subject to fluctuations due to changes in sentiment in the market or in response to various facts and events, whether occurring in Hong Kong, China, the Russian Federation or in other jurisdictions. Factors such as changes in interest rates, exchange rates and the rate of inflation, changes in fiscal, monetary or regulatory policies or international hostilities may also negatively affect the market price of the IRC Shares. Additionally, IRC's results and prospects may from time to time be below the expectations of market analysts and investors.

The occurrence of any of the above items would have a material adverse effect on IRC's business, results of operations, financial condition, prospects and the value of the IRC Shares. Such adverse impact on IRC's business and the IRC Shares, would create a risk that neither K&S nor IRC (by providing bridge funding to K&S) would be able meet repayments under the Facility Agreements and in turn poses the risk that the Company is called upon under the Proposed Guarantees. This risk of being called upon under the Proposed Guarantees would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

3.2 Part of the Group's future development is dependent on the successful delivery and operation of the Pressure Oxidation Hub (the "POX Hub").

46 per cent. of the Group's resources are refractory in nature and require pressure oxidation treatment in order to unlock the gold contained within. Despite delays in the commissioning of the POX Hub, the Group is aiming to commence gold production from the POX Hub in the first quarter of 2019. There are a number of risks associated with the POX Hub project which include:

- (a) additional commissioning delays;
- (b) operating issues once the POX Hub project is up and running;
- (c) possible health and safety and/or environmental impact in the event of an accident at the POX Hub; and
- (d) potential cost overruns.

Any of these risks will impact planned production which will affect the Group's profitability, and in turn have a negative impact on market expectation and management reputation. The POX Hub has been developed following extensive research and pilot plant testing and is being developed in conjunction with mining technology provider, Outotec Oyji. Any failure or delay utilising the POX Hub to exploit the significant quantities of refractory ore could therefore have a material adverse effect on the Group's business, results of operations and financial condition.

3.3 If the Group fails to repay the Existing Bonds in March 2020, there would be cross-default and/or cross acceleration under the Existing Notes.

The terms of the Existing Bonds mean that the Group is due to make a repayment under the Existing Bonds in March 2020. The principal amount of this repayment will be for US\$100 million. The Company plans to investigate its options in light of this repayment, and such options may include: extending the terms of the Existing Bonds; seeking alternative funding; realising its assets; or a combination of these options. In the absence of either extending the terms of the Existing Bonds or securing alternative funding and/or substantial proceeds from the realisation of assets, the Group will not be able to make this repayment in March 2020.

A default by the Group under the Existing Bonds could, at the discretion of the relevant bond/note holders, result in cross-defaults and/or cross-accelerations under the Existing Notes and will entitle the relevant bond/note holders to demand immediate repayment. In this event, a significant proportion of the Group's borrowings would become immediately repayable. Acceleration of the repayment of the Group's debt in this way would mean that the Company would cease to be a going concern and in the absence of securing alternative funding and/or substantial proceeds from the realisation of assets, could result in the insolvency and, ultimately, the liquidation of the Company resulting in the Shareholders losing their investment in the Company.

3.4 The Group's financial position is materially dependent on the price at which it can sell its gold.

The Group's financial position is materially dependent on the price at which it sells its gold production. Following the substantial drop in the gold price since 2011, the Group has been materially and adversely affected. The Gold PM Fix peaked at US\$1,895 per ounce in September 2011, but thereafter trended down to a low of US\$1,049 per ounce (a decrease of 45 per cent.) in December 2015. One explanation for the marked decrease is that as the impact of the 2007 financial crisis began to ease, some investors began to position themselves to take advantage of the impending economic recovery and thus rotated out of gold and into other assets.

A further sustained period of relatively low gold prices, and any sustained downward movement in the price for gold, would negatively affect the Group's profitability and cash flow. The majority of the Group's revenues and cash flows are derived from the sale of gold. Traditionally, the market price for gold has experienced volatility and has been affected by factors over which the Group has no control. These factors include, but are not limited to:

- (a) global supply, both mine production and recycled supply;
- (b) global demand levels, including industrial, jewellery and investment demand;

- (c) speculative trading activity in gold and gold derived instruments;
- (d) international or regional political, economic or military events / action and the expectations thereof;
- (e) actual or expected purchases and sales of gold holdings by central banks or other large gold holders or dealers;
- (f) the strength of the US Dollar (the currency in which gold prices are generally quoted) and of other currencies;
- (g) inflation and financial market expectations regarding the rate of inflation;
- (h) interest rates and the financial market expectations of future interest rates;
- (i) local and foreign government regulations, including tariffs and quotas;
- (j) hedging activity by gold producers; and
- (k) production and cost levels for gold in major gold-producing nations.

Should gold prices fall below and remain below the Group's cost of production for a sustained period, the Group may experience losses and may be forced to curtail or suspend some or all of its mining operations, subject to certain covenants in its Existing Facilities requiring it to maintain minimum gold production or sales. In addition, the Group would also have to assess the economic impact of low gold prices on its ability to recover any losses it may incur during that period and on its ability to maintain adequate reserves.

In line with the Group's hedging policy, the Group has entered into forward sales contracts with Sberbank of Russia to implement a partial hedge against adverse changes in the gold price. Forward contracts to sell an aggregate of 200,000oz of gold at an average price of US\$1,252/oz were outstanding as at 31 December 2018. If the gold price is higher than the price at which the Group has contracted to sell under such contracts, the Group will not be able to obtain the benefit of such higher price in relation to the gold contracted to be sold under such contracts.

There is no certainty that the Group will in the future be able to enter into such contracts to the extent it wishes to do so, and in such event it would not have the benefit of the protection which it would get were such contracts to be entered into. The Group is subject to credit and performance risk in relation to the counterparties to these contracts

3.5 The Group is dependent on production from its Key Mining Assets in order to generate revenue and cash flow and comply with the production and sales covenants in its Financing Arrangements.

The Group is dependent on production from its Key Mining Assets in order to generate revenue and cash flow and comply with the production and sales covenants in its Financing Arrangements. In 2017 and the first six months of 2018, a substantial portion of the Group's revenues and cash flows were derived from sales of gold mined from Pioneer, Malomir and Albyn with these mines providing all of the Group's revenues from mining operations in 2017 and the first six months of 2018. The Group expects that Pioneer, Malomir and Albyn will continue to provide a substantial portion of the Group's operating revenues and cash flows in at least the short to medium-term. Since March 2018, Pokrovskiy ceased to contribute to the Group's gold ore production in order for it to be converted for use at the POX Hub.

The achievement of the Group's operational targets and ability to produce the expected amounts of gold will be subject to the completion of planned operational goals on time and according to budget, and will be dependent on the effective support of the Group's personnel, systems, procedures and controls. Any failure of these or any adverse mining conditions at the mines may result in delays in the achievement of operational targets with a consequent material adverse effect on the business, results of operations, financial condition and prospects of the Group.

3.6 The Group is exposed to the inherent risks of underground mining operations.

Underground mining poses potential danger to those involved in the process if the underlying risks are not well managed. There are a number of hazards associated with underground mining activity, which may potentially result in accidents and possible fatalities. Possible risks include:

- (a) cave-ins – Gradual sinking of land, unsecured underground mineshaft walls and ceilings or appearance of cracks in the shaft floor and walls due to excessive excavation. These factors can contribute to the risk of collapse in the mine structure;
- (b) floods – Ground water ingress or uncontrolled surface runoff followed by heavy rains can compromise the stability of pit walls, which can result in fatalities and damage to equipment;
- (c) chemical leakage – If chemicals used for ore processing are not properly stored or safety procedures are not followed in full, hazardous dust and fumes can cause long-term damage to employee health;
- (d) electrocution – The use of heavy electrical machinery in damp conditions can pose a threat of electrocution, while worn plugs and cables can potentially trigger explosions and fires; and
- (e) fire – An underground fire outbreak can be particularly dangerous due to the confined nature of excavations, the potential volumes of smoke and noxious fumes produced and the restricted ability to evacuate quickly from the mine.

The failure to keep the risks under control may lead to the occurrence of work related accidents and harm to the Group's employees, affecting our operations. If there are any delays in the development of the underground operations, this could affect production going forward and could have a material adverse effect on the financial performance of those operations.

3.7 The impact of weather conditions causing flooding may have a material adverse effect on the Group.

The Group's assets are located in the Russian Far East, which is an area that can be subject to severe climatic conditions. Severe weather conditions, such as cold temperatures in winter and torrential rain, potentially causing flooding in the region, could have a material adverse effect on operations, including on the delivery of supplies, equipment and fuel, and exploration and production levels. For example, in 2016, exceptional rainfall resulted in disruptions to the mining operations at the Andreevskaya deposit at Pioneer which in turn resulted in lower average grades mined.

In the future, if the perma frost in the Russian Far East continues to melt, that may lead to ground collapse, which may affect the surrounding infrastructure and have other adverse effects and in turn could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

3.8 Interruptions to supply of services and equipment may have a material adverse effect on operations.

The Group relies on the supply and availability of various services and equipment in order to successfully run its operations. For example, timely delivery of mining equipment and jaw crushers and their availability is essential to the Group's ability to extract ore from its assets and to crush the mined ore prior to production. Unscheduled interruptions in the Group's operations due to mechanical or other failures, or problems or issues with the supply of goods or services may occur, resulting in significant delays to production and could have a material adverse effect on the financial performance of those operations.

3.9 Production may be materially and adversely affected by grades of ore, stripping costs and other costs.

The Group's levels of production may also be materially and adversely affected by:

- (a) the grades of ore which can be processed – unless gold prices are high, the mining of low grade ore may be uneconomical;

- (b) stripping costs – in open-pit mining operations, removal of overburden and other waste materials is required to obtain access to the ore body. In the event that a large amount of overburden removal is required, this may result in production being uneconomical; and
- (c) costs of production – the key drivers of production costs are labour, energy, fuel and consumables.

Any adverse changes in any of these drivers (or a combination of them) could have a material adverse effect on production. If costs of production increase, profitability and possibly production capacity could be negatively affected, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

3.10 The Group is subject to environmental risks and issues arising from compliance with environmental regulations and permitting requirements.

The Group's operations are subject to the extensive environmental risks inherent in the mining and processing industry. Although the Group believes that the Company and its relevant subsidiaries are in compliance in all material respects with applicable environmental laws and regulations and hold all necessary approvals, licences and permits under those laws and regulations, there are certain risks inherent in their activities, such as risks of accidental spills, leakages or other unforeseen circumstances, that could subject the Group to considerable liability or the loss of necessary approvals, licences or permits. In addition, the Group is subject to checks, including spot checks, regular inspections and reporting requirements by various regulators including the Russian environmental regulator, Rosprirodnadzor. During the conduct of its operations, the Group must comply with the maximum acceptable concentrations, determined by state authorities, for air quality, water quality, soils and sediments. Rosprirodnadzor may make announcements relating to such investigations when they are at a preliminary stage and in advance of any findings. The activity of the Group is also subject to regular inspections in respect of industrial safety, including with respect to the exploitation of various hazardous industrial objects which are required for extraction of minerals, processing and production of gold. During the exploitation of hazardous industrial objects, the Group is required to comply with a significant number of established technical and regulatory requirements relating to mining operations. In the event that any issues are identified during such inspections conducted by state authorities, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects from penalties up to suspensions of operations.

Environmental legislation and permitting requirements and the manner in which these are enforced are likely to evolve in a manner which will require higher and more demanding standards and stricter enforcement, as well as increased fines and penalties for non-compliance. However, the Group is unable to predict the extent and effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

Some obligations relating to industrial safety are fulfilled by the Group's contractors who perform some operations envisaged by the Group's subsoil licences. Any breaches of these requirements by such contractors, over which the Group may have limited control, or by the Group's own personnel, may negatively affect the licence holders and the status of their respective licences.

3.11 The Group may incur costs related to environmental compliance and rehabilitation above and beyond expectations.

The Group accrues estimated rehabilitation costs over the operating life of a mine with an aggregate provision for close down and restoration costs for its Key Mining Assets of US\$20.3 million as at 30 June 2018. Estimates of rehabilitation costs are subject to revision as a result of future changes in regulations and cost estimates. The costs associated with complying with laws and government regulations may ultimately have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Mine construction work can involve considerable cost and raises a range of environmental issues. Costs associated with rehabilitating areas which have been mined or disturbed and addressing environmental, health and community issues upon closure of operations are

estimated and provided for based on the most current information available. Estimates may, however, be insufficient and/or further issues may be identified. Any underestimated or unidentified costs associated with the construction and operation of the Group's mines, including unforeseen closing costs, may reduce earnings and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

4 RISKS RELATING TO THE MINING INDUSTRY

4.1 Competition for mineral interests in the mining industry is intense.

The Group faces competition from other mining companies in all areas of its operations, including the acquisition of mineral licences, exploratory prospects and producing properties. In conducting its exploration activities, the Group competes with other mining companies in connection with the search for and acquisition of properties producing or possessing the potential to produce gold. Some of these companies may have significantly greater resources than those of the Group. Other companies may have a competitive advantage as a result of legislation which regulates foreign investment in the Russian Federation, if (for example) their ownership structure reduced the consents required for certain transactions. Existing or future levels of competition in the mining industry could materially and adversely affect the Group's prospects for the acquisition of mining rights which could materially and adversely affect the Group's future growth.

4.2 Exploration is highly speculative and involves commercial risks and if the Group fails to acquire or find and develop additional reserves, its reserves and production will decline, potentially materially from their current levels.

Exploration is highly speculative and involves numerous risks, including the risk that the Group will encounter no commercially exploitable reserves. These activities often require substantial expenditure to establish reserves through drilling and metallurgical and other testing, determine appropriate recovery processes to extract gold from the ore and construct or expand mining and processing facilities.

The Group's future growth and profitability will depend, in part, on its ability to identify and acquire additional mineral rights and/or properties containing reserves, and on the costs and results of its continued exploration and development programmes. The Group's reserves will decline as gold is produced. In addition, the volume of production from the properties generally declines as reserves are depleted. The subsoil areas over which the Group's mineral exploration rights relate may not contain commercially exploitable reserves of metals and minerals including gold. Uncertainties as to the metallurgical recovery of any minerals discovered may mean that it does not warrant processing on the basis of available technology. If the Group's total reserves and production decline, that would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

If the Group discovers a viable deposit, it will usually take several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. Moreover, the Group will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralisation. As a result of these uncertainties, the exploration programmes in which the Group is engaged may not result in the expansion or replacement of the current production with new reserves or operations.

If management determines that capitalised costs associated with any of the Group's mineral interests are not likely to be recovered, the Group would incur a write-down on its investment in that interest. All of these factors may result in losses in relation to amounts spent which are not recoverable. The Company carries out a regular review of its exploration assets.

The Group's operations are subject to the inherent hazards and risks associated with the exploration for and development of mineral deposits. Any metal exploration programme entails risks relating to the location of economically viable ore bodies or gold deposits, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. The geology in which gold

mineralisation occurs can make evaluations of the potential size of deposits especially difficult to determine, as the gold-bearing mineralised zones have inherently unpredictable characteristics. No assurance can be given that any minerals exploration programme will result in any new commercial mining operation or in the discovery of new resources.

4.3 The Group's mineral reserves and resources are estimates based on a range of assumptions and actual mineral resources could be less than current estimates. The Group's estimates of mine life may prove to be inaccurate.

The Group's mineral reserves and resources are estimates based on a range of assumptions, including the results of exploratory drilling, ongoing sampling of the ore bodies, past experience with mining properties and the experience of the expert engaged to carry out the reserve estimates. Other uncertainties inherent in estimating reserves include subjective judgments and determinations based on available geological, technical, contractual and economic information. Some assumptions may be valid at the time of estimation but may change significantly when new information becomes available.

Because the ore reserve and resource estimates are calculated based on current estimates of production costs and product prices, they should not be interpreted as assurances of the economic life of the deposits or the profitability of the Group's future operations. In respect of these estimates, there can be no assurance that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that mining and processing will be economically profitable. The actual mineral resources may not conform to geological, metallurgical or other expectations. A sustained decline in relevant market prices could render ore reserves and resources containing lower grades and/or mineralisation uneconomic to recover and ultimately require a restatement of reserves and resources. Increased production costs, reduced recovery rates and other factors, may also render exploitation of the Group's mineral resources uneconomical. These and other factors could mean that the Group's estimates of a mine life could be inaccurate.

Changes to any of the assumptions on which the Group's reserve and resource estimates are based could lead to the reported resources and reserves being restated. Changes in the reserves and resources could adversely impact the economic life of deposits and the profitability of the Group's operations. Further, mineral resources are based on limited sampling and, consequently, are uncertain as the samples may not be representative of the entire deposit and mineral resource. As a better understanding of the deposit is obtained, the estimates may change significantly. If the Group's actual mineral resources are less than current estimates or there is a failure of the reserves and resources to meet recovery expectations, it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

4.4 Maintenance and repair works can have a material impact on financial results.

The Group's assets are subject to ongoing maintenance and repair costs which are allocated to results during the period in which they are incurred. The need for maintenance and repair, particularly on older assets, can have a material impact on financial results both because maintenance and repairs can be costly and because the work can interrupt mining and production processes and cause losses and delays. If this occurs, it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

GENERAL INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document (including the information incorporated by reference into this document) includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “anticipate”, “expect”, “intend”, “aim”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events, trends or intentions. These forward-looking statements include all matters that are not current or historical facts. In particular, any statements regarding the Group’s strategy, future financial position and other future events or prospects are forward-looking statements.

Shareholders should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because such statements relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not indicative of future performance and the actual results of operations and financial condition of the Group, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue.

These forward-looking statements are not intended to provide any representations, assurances or guarantees as to future events or results. To the extent required by the Listing Rules, the Prospectus Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules and other applicable regulation, the Company will update or revise the information in this document. Otherwise, the Company undertakes no obligation to update or revise any forward-looking statements or other information, and will not publicly release any revisions it may make to any forward-looking statements or other information that may result from events or circumstances arising after the date of this document.

Other than as expressly stated, no statement in this document (including any information incorporated by reference into this document) is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company.

Shareholders should note that the contents of the paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in paragraph 10 (*Working Capital*) of Part 3 (*Additional Information*) of this document.

PRESENTATION OF FINANCIAL INFORMATION AND EXCHANGE RATES

References to “£” or “pounds sterling” are to the lawful currency from time to time of the United Kingdom. References to “\$”, “USD”, “US\$”, “US Dollars” and “dollars” are to the lawful currency of the United States of America. References to “RUB”, “Rouble”, “Russian Rouble” and “rouble” are to the lawful currency of the Russian Federation.

The Group’s and IRC Group’s functional currency varies, depending on the subsidiary. However, the consolidated financial statements for both the Group and the IRC Group are reported in US Dollars.

Unless otherwise indicated, financial information in this document has been prepared in accordance with International Financial Reporting Standards, as adopted by the EU.

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. Certain financial data have been rounded, and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

An exchange rate of US\$ 1.00 to RUB 66.8143 has been used, unless otherwise stated in this document (based on the official exchange rate set by the Central Bank of Russia on 14 February 2019 (being the latest practicable date prior to the publication of this document (the “**Latest Practicable Date**”))).

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and/or Date
Publication of and posting of this document, the Notice of General Meeting and the Form of Proxy	15 February 2019
Latest time and date for receipt of Forms of Proxy or CREST Proxy Instructions for the General Meeting ⁽¹⁾	10.30 a.m. on 8 March 2019
General Meeting	10.30 a.m. on 12 March 2019
Announcement of the results of the General Meeting	12 March 2019

(1) It is requested that Forms of Proxy for the General Meeting are returned before 10.30 a.m. on 8 March 2019 or, if the General Meeting is adjourned, no later than 48 hours before the time and date set for the holding of the adjourned meeting.

These dates are provided by way of indicative guidance only and are subject to change. If any of the above times and/or dates change, the Company will give notice by issuing an announcement through a Regulatory Information Service.

References to a time of day are to London time.

ACTION TO BE TAKEN

The General Meeting will be held on 12 March 2019 at 10.30 a.m. at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN.

Please check that you have received a Form of Proxy for use in respect of the General Meeting with this document.

If you have not received a Form of Proxy, please contact the Company's Registrars on the helpline telephone number indicated below.

TO VOTE ON THE TRANSACTION:

Whether or not you intend to attend the General Meeting, please complete and sign the Form of Proxy and return it, by post to Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF or by hand (during normal opening times only), to Link Asset Services (PXS), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. You may also submit your Form of Proxy electronically using the Shareportal Service at www.signalshares.com. The Form of Proxy should be returned, or if doing so electronically, the electronic submission should be made, as soon as possible, but in any event, to be received no later than 10.30 a.m. on 8 March 2019.

This will enable your vote(s) to be counted at the General Meeting in the event of your absence. If the Form of Proxy is not returned by 10.30 a.m. on 8 March 2019 it will be invalid.

If you hold your Shares in uncertificated form (that is, in CREST), you may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual (please also refer to the notes for the notice convening the General Meeting set out on pages 68 to 72 of this document and the notes to the Form of Proxy).

The completion and return of the Form of Proxy will not prevent you from attending and voting in person at the General Meeting should you wish to do so.

Helpline

If you have any questions relating to this document, the General Meeting or the completion and return of the Form of Proxy, please contact Link Asset Services on 0871 664 0300 calls outside the UK need to dial +44 (0) 371 664 0300 (international). Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Link Asset Services is open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Importance of Vote

Your attention is drawn to the Importance of Vote statement set out in paragraph 13 (*Importance of Vote*) of Part 1 (*Letter from the Chairman*) of this document.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Function
Sir Roderic Lyne	<i>Non-Executive Chairman</i>
Dr Pavel Maslovskiy	<i>Chief Executive Officer</i>
Mr James W. Cameron Jr	<i>Independent Non-Executive Director</i>
Mr Damien Hackett	<i>Independent Non-Executive Director</i>
Mr Robert Jenkins	<i>Independent Non-Executive Director</i>
Mr Harry Kenyon-Slaney	<i>Independent Non-Executive Director</i>
Mr Bektas Mukazhanov	<i>Non-Executive Director</i>

Company Secretary
Amanda Whalley

Registered Office
11 Grosvenor Place
Belgravia
London
SW1X 7HH

Sponsor
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Legal Adviser
Bryan Cave Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA

Registrar
Link Asset Services
The Registry, 34 Beckenham Road
Beckenham
Kent BR3 4TU

PART 1

LETTER FROM THE CHAIRMAN

PETROPAVLOVSK PLC

Directors:

Sir Roderic Lyne, *Non-Executive Chairman*
Dr Pavel Maslovskiy, *Chief Executive Officer*
Mr James W. Cameron Jr, *Independent Non-Executive Director*
Mr Damien Hackett, *Independent Non-Executive Director*
Mr Robert Jenkins, *Independent Non-Executive Director*
Mr Harry Kenyon-Slaney, *Independent Non-Executive Director*
Mr Bektas Mukazhanov, *Non-Executive Director*

Registered Office:

11 Grosvenor Place
Belgravia, London
SW1X 7HH

To: Shareholders

Dear Shareholder

15 February 2019

THE RECOMMENDED PROPOSAL TO GUARANTEE THE OBLIGATIONS OF KIMKANO-SUTARSKY MINING AND BENEFICIATION PLANT LLC UNDER TWO FACILITY AGREEMENTS WITH GAZPROMBANK (JOINT STOCK COMPANY)

NOTICE OF GENERAL MEETING

1 INTRODUCTION

As announced by the Company on 24 September 2018, IRC is proposing to refinance the project finance facility K&S has with ICBC (the “**ICBC Facility**”). K&S is a wholly owned subsidiary of IRC and as at 20 December 2018, approximately US\$169 million was outstanding under the ICBC Facility. The Company has a 31.1 per cent. interest in the issued share capital of IRC and acts as guarantor under the ICBC Facility.

As further announced on 19 December 2018, K&S has signed two new broadly identical facility agreements with Gazprombank (the “**Facility Agreements**”), whereby Gazprombank will provide K&S with a US\$240 million facility, in aggregate, for the purposes of, *inter alia*, repaying the ICBC Facility in full and repaying the bridge loans provided by the Company to IRC in June 2018 and December 2018 (the “**Gazprombank Facility**”). Pursuant to the Facility Agreements, the Company is to guarantee the obligations of K&S up to an initial amount of approximately US\$160 million through a series of five guarantees over the life of the Gazprombank Facility (the “**Proposed Guarantees**”). The Proposed Guarantees were entered into by the Company and Gazprombank on 15 February 2019 and the effectiveness of each of the Proposed Guarantees, in accordance with their respective terms, is conditional upon Shareholder approval being obtained at the General Meeting.

Further details of the Facility Agreements and Proposed Guarantees are set out in Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

Further information on K&S and the IRC Group and the background to and reasons for the Proposed Guarantees are set out in paragraph 2 (*Background to and reasons for the Proposed Guarantees*) below.

The provision of the Corporate Guarantee and Fixed Term Guarantee D (both as defined below), each constitute a “class 1 transaction” for the Company under the Listing Rules and the Proposed Guarantees in aggregate constitute a “class 1 transaction” for the Company under the Listing Rules and therefore to become effective in accordance with their respective terms, the Proposed Guarantees require Shareholders’ approval. This approval will be sought at the General Meeting of the Company to be held at 10.30 a.m. on 12 March 2019 at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN.

Notice of the General Meeting is set out on pages 68 to 72 of this document. The ordinary resolution being proposed seeks approval of the terms of the Proposed Guarantees and **your attention is drawn to paragraph 10 (Proposal to be voted on at the General Meeting) and paragraph 13 (Importance of Vote) below for further details on the Resolution.**

A summary of the action you should take is set out on page 26 of this document and in paragraph 11 (*Action to be taken*) of this letter.

The purpose of this document is to:

- (a) explain the background to and reasons for the Proposed Guarantees;
- (b) provide you with information on the Facility Agreements and Proposed Guarantees;
- (c) explain why the Board considers that the Proposed Guarantees are in the best interests of Shareholders as a whole; and
- (d) recommend that you vote in favour of the Resolution to be proposed at the General Meeting.

The Board has unanimously agreed to recommend the Proposed Guarantees and the Directors that hold Shares intend to vote in favour of the Resolution at the General Meeting in respect of their own shares to which they are legally and beneficially entitled as at the record date for the General Meeting.

Shareholders should read the whole of this document and not rely solely on the summarised information set out in this letter. You will find definitions for capitalised terms used in this letter and the rest of this document in Part 4 (*Definitions*) of this document.

2 BACKGROUND TO AND REASONS FOR THE PROPOSED GUARANTEES

IRC is a vertically integrated iron ore producer and developer in the Russian Far East and North Eastern China, which is listed on the Hong Kong Stock Exchange (Ticker: 1029.HK). The Company has a non-controlling 31.1 per cent. interest in IRC, and pursuant to the ICBC Facility, the Company has provided a guarantee to ICBC in respect of the full US\$340 million project loan facility provided to K&S. The provision of the guarantee by the Company was given when the Company had approximately a 65 per cent. interest in IRC. The principal purpose of the ICBC Facility was to fund the construction of IRC's iron ore mining operation at the Kimkano-Sutarsky Mining and Beneficiation Plant (the "**K&S Mine**") and as at 20 December 2018, the outstanding principal amount of the loan was approximately US\$169 million.

The K&S Mine comprises of a processing plant, infrastructure facilities and two licenced deposits of iron ore – Kimkan and Sutara. Construction of the processing plant and infrastructure facilities at the K&S Mine have completed and the mine is operating. Currently, only the Kimkan deposit is being mined to provide iron ore feed to the processing plant at the K&S Mine for the production of iron ore concentrate and K&S is in the process of ramping up to its design production capacity.

It had been envisaged that repayments under the ICBC Facility would be made from the cash flow of the K&S Mine, however due to a four-year delay in the commissioning of the K&S Mine and the recent reduction in the market iron ore price, it has been unable to generate sufficient cash flow to make such repayments.

This led to the Company providing two bridge loans in June 2018 and December 2018 of a Rouble equivalent of approximately US\$57 million in aggregate to the IRC Group during its recent period of financial difficulty (the "**Bridge Loans**").

IRC used the proceeds of the June Bridge Loan to provide an intercompany loan to its trading subsidiary Ariti HK Limited, who in turn made an advance payment under an iron ore sale contract for an amount equivalent to the June Bridge Loan to K&S. K&S then used the proceeds of the advance from Ariti HK Limited, equivalent to the full amount of the June Bridge Loan, for the purposes of making the June 2018 instalment payment to ICBC. The June Bridge Loan carries an interest rate of 12 per cent. per annum and as announced by the Company on 19 December 2018, the repayment of the June Bridge Loan by IRC has been postponed until the Gazprombank Facility has been drawn down.

The December Bridge Loan was then made to Ariti HK Limited at an interest rate of 16 per cent. per annum which is due monthly. Following this, Ariti HK Limited made another advance payment under an iron ore sale contract for an amount equivalent to the December Bridge Loan to K&S. K&S then used the proceeds of this advance, together with IRC's cash resources to make the December 2018 instalment repayment to ICBC. The principal amount under the December Bridge Loan is repayable in full on or before 21 March 2019 and IRC has provided a guarantee for this repayment.

Due to the difficulties K&S has had in making repayments under ICBC Facility, K&S and the Company obtained a waiver from ICBC on 17 December 2018 (the "**ICBC Waiver**") pursuant to which:

- (a) the obligation for K&S to fund and maintain US\$27.25 million in the DSRA has been waived until the earlier of (i) the date on which security in respect of the ICBC Facility has been released or (ii) 21 March 2019; and
- (b) various financial covenants to which the Company and K&S are subject to under the ICBC Facility have been waived such that they were not tested in December 2018 nor will they be tested on or before the end of the waiver period (this being the period from 29 December 2018, which was the date on which the conditions precedent under the ICBC Waiver were fulfilled, and the earlier of (i) the date on which the security in respect of the ICBC Facility is released or (ii) 21 March 2019).

In order for the security granted pursuant to the ICBC Facility to be released, the full amount outstanding under the ICBC Facility must be repaid in full, which following the repayment of the 20 December 2018 instalment is approximately US\$169 million. If the ICBC Facility is not repaid in full on or before 21 March 2019 and a further waiver cannot be obtained from ICBC, K&S will be under an obligation to maintain the DSRA; a number of the financial covenants will be tested in June 2019; and K&S will continue to have to make its scheduled repayments under the ICBC Facility, the next repayment date being on 20 June 2019. In this event, K&S will not be able to fund and maintain the DSRA without further bridge financing from the Company; K&S will not be able to make the June 2019 repayment; and the Company will not, absent any alternative funding, be able to make further advances to the IRC Group to make the June 2019 repayment.

Therefore, following the grant of the ICBC Waiver, K&S entered into the Facility Agreements with Gazprombank for the provision of the Gazprombank Facility on 18 December 2018 so that, *inter alia*, the ICBC Facility can be repaid in full. The Gazprombank Facility will mature in 2026 and it consists of two tranches. The principal under the first tranche amounts to US\$160 million with interest being charged at 5.7 per cent. above LIBOR per annum and is repayable in equal quarterly instalments during the term of the Gazprombank Facility. The principal under the second tranche amounts to US\$80 million with interest being charged at 7.7 per cent. above LIBOR per annum and is repayable at the end of the term of the Gazprombank Facility.

The draw down of the Gazprombank Facility is conditional upon a number of conditions which are typical for a financing transaction of the size and nature of the Gazprombank Facility. The conditions relate to the delivery of various documents, for example legal opinions which are routinely given on financing transactions, the constitutional documents of K&S, the Proposed Guarantees which have become effective in accordance with their respective terms following Shareholder approval being obtained at the General Meeting, security documents and certain reports from the Technical Adviser in respect of the K&S Mine, the latter of which have already been prepared and delivered to Gazprombank.

The Facility Agreements also provide for certain conditions subsequent which are typical for a financing transaction of the size and nature of the Gazprombank Facility. The conditions subsequent relate to the implementation of certain security arrangements over assets relating to the Object and the delivery by the Company of the certificate of operational acceptance in respect of the Hydrometallurgical Complex at the POX Hub and a letter signed by the Company representing the production output of the POX Hub during the year ending on 31 December 2019. The Company is in the process of liaising with the relevant regulatory authorities in order to collate the necessary documents to obtain the certificate before the end of 2019.

Moreover, the Company is required to enter into a share retention agreement with Gazprombank pursuant to which the Company will agree not to reduce its shareholding in IRC to less than 20 per cent. during the term of the Facility Agreements (the “**Share Retention Agreement**”). Entry into the Share Retention Agreement is a condition subsequent to the Facility Agreements and Proposed Guarantees and the Company is currently in negotiations in respect of this agreement with Gazprombank. Further details are set out in paragraph 3 of Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

In general, the Facility Agreements are on terms more favourable to the Company, the IRC Group and K&S compared to the ICBC Facility. In particular the repayment schedule pursuant to the Facility Agreements aligns with the proposed ramp up of the K&S Mine and the revenues that are anticipated to be generated by it. The Gazprombank Facility will be used:

- (a) to repay, in full, the amount which is outstanding under the ICBC Facility – which following the 20 December 2018 repayment is approximately US\$169 million;
- (b) to repay to the Company by 21 March 2019, the Rouble equivalent of approximately US\$57 million, in addition to any accrued interest and fees payable to the Company, as full repayment of the Bridge Loans;
- (c) for the payment of approximately US\$6 million which is owed by K&S and IRC to the Company in respect of the guarantee provided under the ICBC Facility under a recourse agreement dated 13 December 2010 (the “**Arrangement Fee**”) (please see paragraph 8.3 of Part 3 (*Additional Information*) for further details on the recourse agreement); and
- (d) after the full utilisation of (a), to refinance K&S’s own working capital to cover any expenses incurred by K&S in discharging its obligations under paragraphs (a) to (c) above.

The Proposed Guarantees to be provided by the Company will comprise of:

- (a) a corporate guarantee with a maximum liability for the Company of US\$120 million (the “**Corporate Guarantee**”) with a commencement date being the date on which Shareholder approval is obtained at the General Meeting (the “**Approval Date**”). The Company’s liability under this guarantee will be reduced to zero on the satisfaction of the Corporate Guarantee Conditions summarised in paragraph 5 below;
- (b) three two-year fixed term guarantees with a maximum liability for the Company of US\$40 million under each guarantee, where the commencement date for such fixed term guarantees will commence consecutively, starting on the Approval Date (“**Fixed Term Guarantee A, Fixed Term Guarantee B and Fixed Term Guarantee C**”); and
- (c) a two-year fixed term guarantee with a maximum liability for the Company of US\$120 million with a commencement date of 21 December 2024 (“**Fixed Term Guarantee D**”) and together with the guarantees referred to in 2(b) above, the “**Fixed Term Guarantees**”).

The level of liability of the Company under each of the staged Proposed Guarantees reflects the repayment schedule of the Gazprombank Facility and a summary of the principal terms of the Proposed Guarantees can be found in paragraph 4 of this Part 1 (*Letter from the Chairman*) and Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

3 INFORMATION ON K&S AND THE K&S MINE

The K&S Mine is an iron ore project, 100 per cent. owned by K&S (which is a wholly owned subsidiary of IRC), and is located in the Jewish Autonomous Region (JAO) of the Russian Far East. Construction of the processing plant, which produces the iron ore concentrate product, and infrastructure facilities at the K&S Mine completed in 2016. In 2017, IRC reported that 1,563Kt of iron ore concentrate was produced at the K&S Mine.

The first phase of the K&S Mine is to process 10 million tonnes per annum of iron ore and produce 3.2 million tonnes per annum of iron ore concentrate with 65 per cent. Fe grade. There is an option for a phase two expansion at the processing plant to produce a total of 6.3 million tonnes of 65 per cent. iron ore concentrate per annum and as an interim development between the two phases, IRC and K&S are assessing an option to upgrade the processing plant to increase the production capacity to approximately 4.6 million tonnes per

annum. However no additional expansion is anticipated to be implemented in the immediate future and will not be pursued until K&S has raised or generated the appropriate capital to fund such expansion, for which there are no current plans.

The K&S Mine has been generating revenue since the third quarter of 2016. In 2017, the K&S Mine generated EBITDA of US\$32.9 million, which has reduced in the first half of 2018 to US\$14.6 million. This reduction was in part due to the low market price of iron ore. K&S is working towards reducing the current level of total cash cost of approximately US\$50 per tonne by ensuring that the processing plant at the K&S Mine is producing at full capacity of 3.2Mtpa. In addition the Amur River Bridge is expected to be commissioned in mid-2019 and will help reduce the transportation costs of K&S by approximately US\$5 per tonne which will also assist in the reduction of the total cash cost.

As part of K&S and IRC's discussions with banks for a refinancing solution, a technical and economic report of the K&S Mine was carried out by Wardell Armstrong International Limited, an independent mining consultancy firm, in March 2018. The report confirmed that the estimated resources of the Kimkan and Sutara deposits are sufficient for the mining operations planned by K&S and the report has subsequently allowed a repayment schedule in respect of the Gazprombank Facility to be agreed with Gazprombank, in line with the production plan of the K&S Mine set out in the report. Accordingly, the revenue that is generated from the K&S Mine will be used by K&S to make the scheduled repayments under the Facility Agreements.

In order to produce its products at the K&S Mine, K&S requires two licences to mine at the two principal iron ore deposits – Kimkan and Sutara. K&S holds a separate licence for each deposit which are both valid until 30 December 2025, but are expected to be extended, subject to the terms being further complied with:

- (a) in respect of the Kimkan deposit, the licence covers iron ore at the Kimkan iron ore deposit over an area of 22.4 km²; and
- (b) in respect of the Sutara deposit, the licence covers the exploration and mining of iron ore at the Sutara iron ore deposit over an area of 27.0 km².

K&S has also been granted temporary permits until the end of October 2019, to operate the processing plant at the K&S Mine. The permits cover the commissioning works and production at the processing plant. The temporary nature of the current permits is normal market practice in the mining industry in Russia to allow for the development of mines before final state approval. K&S has commenced the process to meet the regulatory requirements in Russia to obtain permanent permits, and it expects these will be formalised before the end of 2019. In the meantime, K&S is able to, and has in the past, extended its temporary permits to ensure that they continue in force whilst the formal commissioning works continue such that the permanent permit process can then be undertaken and completed.

At present, only the Kimkan deposit is being mined to provide iron ore feedstock to the processing plant at the K&S Mine. K&S and IRC estimate that the Kimkan deposit has a maximum life of ten years and there will be a decline in the annual volumes of iron ore that is mined from it after 2020. To support the ongoing production of the K&S Mine, K&S is planning to develop the Sutara deposit for mining between 2018 to 2021 at an approximate cost of US\$29 million. The iron ore mined from the Sutara deposit will then be processed at the processing plant at the K&S Mine to produce iron ore concentrate. In order to commence mining at the Sutara deposit, the following developments are required:

- (a) construction of road access to the mining area, including a bridge crossing the River Sutara for which construction works have already commenced;
- (b) general infrastructure facilities, such as power supply, in-pit roads and areas for re-handling or storage purposes;
- (c) implementation of drainage facilities, including the main river diversion channel and dewatering boreholes, supplemented with drainage and diversion trenches; and
- (d) an intermediate processing facility at Sutara, in order to minimise unnecessary transportation of the iron ore feed stock. K&S and IRC are considering the use of a mobile crusher and a dense medium separator is to be established to produce a sub 300mm, higher grade product.

It is anticipated that mining of the Sutara deposit shall commence by 2021. No external financing will be required for the development of the deposit for mining and the capital expenditure for this will be funded by the cash flow from the K&S Mine. The proceeds of the Gazprombank Facility, as outlined in paragraph 2 above, will not be used in the development of the Sutara deposit mining programme.

Please see paragraph 8 (*Current trading and trends of the IRC Group*) below for further information on the production and sales of K&S.

4 SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED GUARANTEES

The purpose of the Proposed Guarantees is to secure the obligation of K&S to repay the Gazprombank Facility in accordance with the Facility Agreements. The Company will provide five guarantees to Gazprombank over the life of the Gazprombank Facility, all five of which were entered into by the Company and Gazprombank on 15 February 2019.

Each Proposed Guarantee will become effective in accordance with their respective terms upon:

- (a) Shareholder approval being obtained at the General Meeting; and
- (b) Gazprombank's legal adviser's releasing an agreed form legal opinion in respect the Company's capacity to enter into the Proposed Guarantees and the enforceability of the Proposed Guarantees.

The agreed form legal opinion will be automatically released once the Company delivers to Gazprombank's legal advisers: (i) a copy of the minutes of a meeting of the Board held on 14 February 2019 at which the Proposed Guarantees were considered and approved subject to Shareholder approval; (ii) a copy of the Resolution duly passed by the Shareholders; and (iii) a certificate from the Directors confirming, *inter alia*, the Company is solvent and who the authorised signatories of the Company are. Subject to the Resolution being passed at the General Meeting, the delivery of all such documents to trigger the release of the agreed form legal opinion are within the control of the Company.

The commencement date of each of the Proposed Guarantees is then staged as follows:

Proposed Guarantee	Level of maximum liability amount	Commencement date	End date for the maximum liability amount
Corporate Guarantee	US\$120 million	Approval Date	Project Completion Date (when the Corporate Guarantee Conditions are satisfied)
Fixed Term Guarantee A	US\$40 million	Approval Date	20 December 2020
Fixed Term Guarantee B	US\$40 million	21 December 2020	20 December 2022
Fixed Term Guarantee C	US\$40 million	21 December 2022	20 December 2024
Fixed Term Guarantee D	US\$120 million	21 December 2024	The date on which the Gazprombank Facility has been repaid in full

The level of liability of the Company under each of the staged Proposed Guarantees reflects the repayment schedule of the Gazprombank Facility whereby the first tranche of US\$160 million will be repaid over the full life of the Facility Agreement to which it relates and the second tranche of US\$80 million will be repaid in full in the final year of the Facility Agreement to which it relates.

As shown in the table above, from the Approval Date, the obligations of the Company under the Proposed Guarantees will initially be for a maximum amount of US\$160 million – comprising of the US\$120 million Corporate Guarantee and the US\$40 million Fixed Term Guarantee A. The guarantee obligations in respect of the three remaining Fixed Term Guarantees will then commence consecutively and will be effective for two years each.

The liability of the Company under the Corporate Guarantee will be reduced to zero if the Corporate Guarantee Conditions are satisfied. The Corporate Guarantee Conditions mainly relate to the business, operations and development projects of K&S and IRC and further details of these conditions are set out in paragraph 5 below and paragraph 2.4 of Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

In addition, the terms of the Proposed Guarantees provide that if any of the Springing Recourse Events occur, the commencement date of each of Fixed Term Guarantee B, Fixed Term Guarantee C and Fixed Term Guarantee D will be brought forward (assuming that their respective commencement dates have not already occurred) and thereby increase the Company's liability to a potential maximum amount of US\$360 million (although, notwithstanding the maximum liability, Gazprombank can never recover more than the amount outstanding under the Gazprombank Facility). However, as explained in paragraph 6 below, the likelihood of the Springing Recourse Events occurring is remote given the gravity of such events occurring to the Company and K&S.

Further details of the potential liabilities arising under the Facility Agreements and the Proposed Guarantees are set out in Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

The Board believes that the Proposed Guarantees are in the best interests of the Company and Shareholders as a whole for the following reasons:

- (a) the Proposed Guarantees and Facility Agreements are, on the whole, expected to reduce the Company's potential liability in respect of the indebtedness of K&S;
- (b) the Gazprombank Facility will enable the Bridge Loans to be repaid to the Company;
- (c) the Company will receive the Arrangement Fee; and
- (d) the Proposed Guarantees and Facility Agreements support the overall strategy of K&S as the repayment schedule under the Facility Agreements aligns with the production plan of the K&S Mine and revenue that is expected to be generated from it.

Further details of the Facility Agreements and the Proposed Guarantees are set out in Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

5 CORPORATE GUARANTEE CONDITIONS

The amount being guaranteed by the Company under the Corporate Guarantee will be reduced to zero on the satisfaction of the Corporate Guarantee Conditions. At such time as the Corporate Guarantee Conditions listed below are fulfilled, K&S must also confirm to Gazprombank that it is not in default under any of the Finance Documents (as defined in the Facility Agreements). Gazprombank will then notify the Company through a formal release letter that it is satisfied: (i) with the documents delivered to it in respect of the fulfilment of the Corporate Guarantee Conditions; and (ii) that there is no breach or event of default under any of the Finance Documents (as defined in the Facility Agreements) and the Company will then be released from its obligations under the Corporate Guarantee.

The Company, IRC and K&S have entered into an agreement pursuant to which, amongst other things, IRC will undertake to use its reasonable endeavours to ensure that each of the Corporate Guarantee Conditions are actioned, pursued and completed as soon as reasonably practicable.

To summarise the Corporate Guarantee Conditions and the actions required by K&S and IRC to achieve them:

Summary of the Corporate Guarantee Conditions	Anticipated timeline for satisfaction	Commentary on satisfying the conditions
Commissioning of the Object.	October 2019 – December 2019	This relates to the formal commissioning process of the K&S Mine. It requires K&S to submit various documents to the relevant state experts, so the state expert can make a site visit to the processing plant and formally sign off on the formal commissioning. K&S is currently in the process of collating and preparing the relevant documentation including reconciliations of design drawings and updates to survey reports. The process of obtaining sign off is normal market practice in the Russian mining industry and the risk of not ultimately obtaining such sign off is low. There may however be a delay in the decision of the state experts depending on how much further information they require after K&S's initial submission of documents.
Delivery to Gazprombank of a certificate from K&S, counter signed by the Technical Adviser confirming that:		Wardell Armstrong International Limited have been appointed by IRC to act as the Technical Adviser. In order to provide this certificate they will need to make a site visit to the K&S Mine and carry out a technical inspection in respect of the below items.
(a) the Object has been commissioned and is operating;	October 2019 – December 2019	The Object is already in operation, therefore once the commissioning has completed (as discussed in condition one above), the Technical Adviser simply needs to re-confirm the Object is operating and has been commissioned at the date the certificate is issued.
(b) the relevant permission for the exploitation of the deposit and other documents required for the mining of the Sutara deposit have been obtained;	Third quarter of 2021	This condition relates to both the mining licence and operational permit required by K&S for its mining operations at the Sutara deposit. The relevant mining licence is already in place and once construction of the Sutara deposit has completed as per the below, K&S will apply for an operational permit. Whilst K&S does not envisage any difficulties in obtaining the relevant permit, as it is standard practice in the Russian mining industry, its issuance is at the discretion of state experts. Such state experts may require further information to be submitted by K&S before coming to

Summary of the Corporate Guarantee Conditions	Anticipated timeline for satisfaction	Commentary on satisfying the conditions
		<p>their decision and thereby delaying satisfaction of this Corporate Guarantee Condition.</p>
<p>(c) the Sutara deposit has been commissioned and is operating;</p>	<p>Third quarter of 2021</p>	<p>K&S has commenced construction on various elements of the Sutara deposit, including an access road, and will also need to construct the infrastructure required for mining operations such as the open pit structure and power lines. If construction is delayed (which could be caused by a number of factors such as adverse weather conditions in respect of the construction stages or difficulties in funding the development because of an increase in the capital expenditure required and/or a decrease in the price of iron ore) this in turn will delay the ability to operate the Sutara deposit and satisfy this condition.</p> <p>Moreover, K&S is currently in the process of drawing up designs for the development of the Sutara deposit. It is anticipated that such designs will be submitted by K&S to the state experts during 2019 for approval. Seeking approval from the state of the design phase of a mining project is standard practice in Russia. However K&S cannot be certain that its designs will be approved in the first submission, therefore revisions and further submissions may be required and cause a delay in the commission and the satisfaction of this condition.</p>
<p>(d) the volume of iron ore concentrate produced at the K&S Mine is not less than 250,000 tonnes per month for the 6 months preceding the delivery of the certificate; and</p>	<p>Second half of 2019</p>	<p>The volumes of iron ore concentrate produced that need to be met for this condition to be satisfied, have been agreed with Gazprombank on the basis that the K&S Mine is operating at 90 per cent. capacity. The K&S Mine is currently operating at circa 80 per cent. capacity with its average capacity in 2018 being 70 per cent. It is expected to reach full capacity in the first half of 2019, unless any unforeseen adverse factors arise preventing the K&S Mine from reaching full capacity. K&S should therefore be able to meet this condition before full capacity is reached, but in any event will be achievable when the K&S Mine is at full capacity.</p>

Summary of the Corporate Guarantee Conditions	Anticipated timeline for satisfaction	Commentary on satisfying the conditions
(e) the production level at the Sutara deposit has been at least 200,000 tonnes of raw ore per month for the 6 months preceding the delivery of the certificate.	Second quarter of 2022	IRC's current development plan projects that this Corporate Guarantee Condition will be achieved in the second quarter of 2022, however could be delayed if any adverse weather conditions occur so as to hinder the development of the Sutara deposit for mining and in turn production. Moreover production levels of the Sutara deposit are subject to the hazards and risks normally associated with mining operations such as flooding or collapses of open pit walls, all of which could delay the achievement of this particular Corporate Guarantee Condition.
Delivery to Gazprombank of the security documentation required under the Facility Agreements.	End of 2019	<p data-bbox="986 757 1417 880">Once the Gazprombank Facility is drawn down, K&S will start to arrange for the moveable assets to be pledged to Gazprombank.</p> <p data-bbox="986 891 1417 1776">In respect of the real property, before K&S can pledge some of its properties to Gazprombank, it will need to obtain a permanent operational permit for the K&S Mine. This requires K&S to submit various documents to the relevant state experts and K&S is currently in the process of collating and preparing the relevant documentation including reconciliations of design drawings and updates to survey reports. The process of obtaining permanent permits is normal market practice in the Russian mining industry and the risk of not ultimately obtaining such sign off is low. There may however be a delay in the decision of the state experts depending on how much further information they require after K&S's initial submission of documents. There are however some properties for which the operational permit is not relevant and therefore once the Gazprombank Facility is drawn down, K&S will start to arrange for these properties to be pledged to Gazprombank.</p> <p data-bbox="986 1798 1417 2045">Security is also required to be given in respect of the shares in K&S, contractual rights under work contracts in respect of the development of deposits and rights under contracts of supply of iron ore concentrate, all of which will be granted by members of the IRC Group.</p>

Summary of the Corporate Guarantee Conditions	Anticipated timeline for satisfaction	Commentary on satisfying the conditions
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Any subordinated lenders to the IRC Group must also provide a pledge of their rights to Gazprombank and the IRC Group is already in the process of implementing these agreements as they relate to intra-group loans within the group.

In addition, the delivery of each of the Proposed Guarantees, duly entered into by the Company, is required to satisfy this condition and can only be fulfilled if Shareholder approval is obtained.

Documentary evidence in respect of the commissioning of, and production at, the Sutara deposit	Third quarter of 2021	The documents required for this Corporate Guarantee Condition will be collated and prepared in order for the certificate referred to above to be provided by K&S and countersigned by the Technical Adviser. As such, the documents will support the certificate and be subject to the same risks of being satisfied as described above.
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Delivery to Gazprombank of a compliance certificate confirming that the ratio of Net Debt to EBITDA (each as defined in the Facility Agreements) of K&S for the 12 months preceding the delivery of the certificate is no more than 3.0 times.	n/a	The Debt/EBITDA ratio of K&S is dependent on the profitability of the K&S Mine which can be adversely affected by a decline of the selling price of iron ore concentrate, costs inflation in Russia and changes in the exchange rate of Russian Roubles to US Dollars.
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A full summary of the Corporate Guarantee Conditions is set out in paragraph 2.4 of Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

6 SPRINGING RECOURSE EVENTS

In respect of each of the Fixed Term Guarantee B, the Fixed Term Guarantee C and the Fixed Term Guarantee D, their commencement dates will be brought forward resulting in the maximum liability amount of zero increasing for the Fixed Term Guarantee D to US\$120 million and for the Fixed Term Guarantee B to US\$40 million and the Fixed Term Guarantee C to US\$40 million, if any of the Springing Recourse Events occur. However the commencement date will only be accelerated if the commencement date for the maximum liability under the relevant Proposed Guarantee has not already commenced. Please refer to the table in paragraph 4 above.

The Springing Recourse Events relate to the solvency, constitutional and financial position of the Company and K&S and cover:

- (a) non-payment by the Company of amounts demanded under any of the Proposed Guarantees within a prescribed time period;
- (b) the sale of more than 20 per cent. of the total assets of the Group or a divestment of at least a majority share in any of the Principal Subsidiaries;
- (c) the occurrence of an acceleration event under the Existing Notes and the Existing Bonds;
- (d) the insolvency of the Company and K&S;
- (e) transfers and terminations of any of K&S' subsoil licences;

- (f) K&S or the Company becoming a sanctions target such that:
 - (i) it is then illegal for Gazprombank to maintain a relationship with the Company or K&S (as appropriate); or
 - (ii) it becomes reasonably likely that, if Gazprombank maintains such a relationship, Gazprombank will then become a target of sanctions;
- (g) where there are changes to the sanctions regime applicable to K&S or the Company, it being reasonably likely that Gazprombank (or any of its affiliates) will have sanctions imposed on them because they maintain their relationship with K&S or the Company (as appropriate);
- (h) changes to the articles of association or capital structure relating to K&S that would prejudice certain rights of Gazprombank; and
- (i) the invalidity or illegality of the Proposed Guarantees against the Company.

There are further events that are qualified and would constitute a Springing Recourse Event to the extent that they might reasonably be expected to have a material adverse effect on either (i) the Company's ability to pay under any of the Proposed Guarantees or (ii) the ability of K&S and the Company taken together to meet their then due and payable payment obligations under the Finance Documents (as defined in the Facility Agreements) taken together. These events include litigation decisions against the Company or K&S, amendments to any of K&S' subsoil licences, any reorganisation of K&S or the incurrence of additional debt not permitted by the Finance Documents (as defined in the Facility Agreements).

The nature of each of the Springing Recourse Events is such that they should only occur if there is a fundamental change to the business and financial position of the Company or K&S. There are correlations between the Springing Recourse Events and the events of default under the Existing Notes and the Existing Bonds meaning that if any of the Springing Recourse Events occurred, there would likely be wider implications to the Company than just the increase in its liability under the Proposed Guarantees. Accordingly, the Springing Recourse Events have been extensively negotiated with Gazprombank on the basis that the likelihood of any of the events occurring is remote and so that the provisions of the Springing Recourse Events do not outweigh the benefits of the Gazprombank Facility as a whole.

In addition, the Company, IRC and K&S have entered into an agreement pursuant to which, amongst other things, IRC undertakes that it shall not take any action, step or decision which does lead to, or might reasonably be expected to lead to, the occurrence of any Springing Recourse Event.

Further details on the Springing Recourse Events is set out in paragraph 2.5 of Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

7 CURRENT TRADING AND TRENDS OF THE COMPANY

The Company released its interim results for the six months ended 30 June 2018 on 27 September 2018 and the full year production results for 2018 and guidance for 2019 on 23 January 2019. The Company also released two updates on the POX Hub on 27 November 2018 and 5 December 2018 and an update on the IRC refinancing on 19 December 2018. Together these announcements set out a number of positive developments for the Company including:

- (a) total gold production of 422,300oz in 2018 which was in line with the Company's guidance of 420,000 – 450,000oz and included gold contained in high-grade sellable flotation concentrate;
- (b) 2019 guidance for gold production is 450,000 – 500,000oz to take in to account the ability to utilise the POX Hub and total capital expenditure for the year is projected at approximately US\$45-50 million;
- (c) significant improvements have been made to the Malomir flotation plant flowsheet resulting in:
 - (i) an increase in the grade of concentrate at Malomir of circa 50 per cent. which makes it easily marketable for sale and, if required, provides an additional source of liquidity during the POX Hub ramp up;

- (ii) significant improvements anticipated to the 2019 cash flows and project economics due to a decrease in the amount of concentrate requiring transportation which in turn reduces costs significantly; and
- (iii) the creation of extra capacity at the POX Hub which allows for the inclusion of additional material, increasing potential production output;
- (d) in August, the Quartzitovoye underground mine at Malomir was brought up to full capacity, producing ore at an average grade of c.5.4g/t for the first half of 2018. Pioneer underground mine operations are being steadily ramped up, with full capacity expected during the fourth quarter of 2018;
- (e) based on the current mineral reserves base and without taking into account geological exploration potential, the Group expects to produce approximately 450,000 – 500,000oz in 2019 and 500,000 – 550,000oz p.a. from 2020 to 2022 (as per the Group's 2018 long-term forecast model);
- (f) the Company received permit authorisation from the Russian authorities to develop and mine the Elginskoye deposit, which is considered a strategic deposit due to the size of its mineral resources base (JORC compliant Resources of 2.8Moz at 1.1g/t, as estimated by the Company's internal competent persons and reviewed by an independent technical adviser in 2017);
- (g) the first phase of the POX Hub has been successfully commissioned with commissioning of the remaining two autoclaves scheduled for June 2019;
- (h) the first autoclave at the POX Hub successfully processed refractory ore concentrate in early December 2018 and the first gold was poured on 21 December 2018 ahead of schedule;
- (i) the POX Hub is projected to ramp up to sustainable commercial production throughout 2019;
- (j) until the Malomir flotation plant is complete and the Pioneer flotation plant is in production, it is expected that there will be annual spare capacity of approximately 250Kt at the POX Hub once all four autoclaves are operational. The Company is therefore assessing whether third party refractory ore concentrate can be acquired to utilise this spare capacity in the second half of 2019;
- (k) forward-sale contracts have been entered into with Gazprombank for approximately 175,000oz of gold, allowing the Company to receive advance payments for 70 per cent. of such volume of gold; and
- (l) as part of the Company's commitment to corporate governance, the Company appointed three additional independent Non-Executive Directors.

8 CURRENT TRADING AND TRENDS OF THE IRC GROUP

IRC released its interim results for the six months ended 30 June 2018 on 31 August 2018, a third quarter trading update for the three months ended 30 September 2018 on 26 October 2018 and a fourth quarter trading update for the three months ended 31 December 2018 on 29 January 2019. The key highlights in these results showed:

- (a) that revenue increased 37 per cent. to US\$70.2 million (30 June 2017: US\$51.2 million);
- (b) the half year underlying EBITDA increased 43 per cent. to US\$11.8 million (30 June 2017: US\$8.2 million);
- (c) net loss, including a one-off, non-cash provision of US\$7.5 million, amounted to US\$15.6 million (30 June 2017: US\$9.7 million);
- (d) production and sales at K&S increased in 2018 with production volume up 43 per cent. to 2,234,517 tonnes (2017: 1,563,066 tonnes) and sales volume up 44.5 per cent. to 2,223,945 tonnes (2017: 1,539,146 tonnes);
- (e) in 2018 K&S was operating at an average capacity of 70 per cent. capacity, successfully operated at 105 per cent. of its designed capacity during a 24-hour production run and capacity reached 84 per cent. in December 2018; and
- (f) that the Russian and Chinese sections of the cross-border railway bridge over the Amur River were successfully connected.

9 RISK FACTORS

A discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolution are set out in the section headed “*Risk Factors*” set out on pages 4 to 23 of this document.

10 PROPOSAL TO BE VOTED ON AT THE GENERAL MEETING

Because of the size of the Corporate Guarantee and Fixed Term Guarantee D individually, each of the Corporate Guarantee and Fixed Term Guarantee D and the Proposed Guarantees when aggregated together, constitute a “class 1 transaction” for the Company under the Listing Rules, and the Company is required to hold the General Meeting in order to consider and approve the Proposed Guarantees. At the General Meeting, Shareholders will be asked to consider and, if thought fit, vote in favour of the Resolution to approve the Proposed Guarantees for the purposes of the Listing Rules. The Proposed Guarantees will not become effective in accordance with their respective terms unless the Resolution is passed.

Please see the Notice of General Meeting set out on pages 68 to 72 of this document for the full text of the Resolution.

Voting on the Resolution will be on a poll.

11 ACTION TO BE TAKEN

You will find enclosed a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at that meeting, you are requested to complete the Form of Proxy (in accordance with the instructions printed thereon) and return it to the Company’s registrars, Link Asset Services (PXS) at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to arrive by 10.30 a.m. on 8 March 2019. Completion and return of a Form of Proxy will not preclude you from attending that meeting and voting in person if you so wish.

You may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual (please also refer to the notes for the notice convening the General Meeting set out on pages 69 to 72 of this document and the notes to the Form of Proxy).

12 FURTHER INFORMATION

The expected timetable of principal events for the General Meeting is set out on page 25 of this document. Please note that the information contained in this letter is not a substitute for reading the remainder of this document and the information incorporated by reference.

13 IMPORTANCE OF VOTE

As described in this Part 1 and elsewhere in this document:

- (a) K&S has a US\$340 million project finance facility with ICBC, pursuant to which the Company has provided a guarantee in respect of K&S’s obligations under it. In 2018 K&S has been unable to meet the scheduled repayments under the ICBC Facility, and as a result the Company provided the Bridge Loans to IRC for the repayment of the June 2018 and December 2018 instalments;
- (b) the Company, IRC and K&S have obtained a waiver from ICBC pursuant to which the December 2018 test date for various financial covenants was waived and in particular K&S’s obligation to fund and maintain the DSRA has been waived until the earlier of the date on which the security under the ICBC Facility has been released or 21 March 2019;
- (c) K&S has entered into the Facility Agreements for the provision of the Gazprombank Facility and to be able to draw down on the Gazprombank Facility, K&S is required to satisfy various market standard conditions under the Facility Agreements which relate to the delivery of various documents, for example legal opinions which are routinely given on financing transactions, the constitutional documents of K&S, the Proposed Guarantees which have become effective in accordance with their respective terms following Shareholder approval being obtained at the General Meeting, security documents and certain reports from the Technical Adviser in respect of the K&S Mine, the latter of which have already been prepared and delivered to Gazprombank. K&S is

also required to satisfy certain conditions subsequent, namely, the implementation of certain security arrangements over assets relating to the Object and the delivery by the Company of the certificate of operational acceptance in respect of the Hydrometallurgical Complex at the POX Hub and a letter signed by the Company representing the production output of the POX Hub during the year ending on 31 December 2019; and

- (d) the Proposed Guarantees will only become effective in accordance with their respective terms if the Resolution is passed.

If the Resolution is not passed and the Proposed Guarantees are not approved, or if any of the other conditions under the Facility Agreements referred to in paragraph 13(c) above are not met and Gazprombank does not waive the requirement for such conditions, K&S will not be able to draw down on the Gazprombank Facility.

If K&S is unable to draw down on the Gazprombank Facility:

- (a) K&S will not be able to fund and maintain US\$27.25 million in the DSRA from 21 March 2019. Therefore the Company will need to provide another bridge loan to the IRC Group of approximately US\$ 20 million (the “**Additional Bridge Loan**”) to fund and maintain the DSRA and prevent a default under the ICBC Facility pursuant to which ICBC has the right to demand immediate repayment of the full outstanding amount of the ICBC Facility, which following the 20 December 2018 repayment is approximately US\$169million; and
- (b) IRC will not be able to repay the Bridge Loans to the Company on or before 21 March 2019 without an alternative funding solution.

In the event that the Company has to provide the Additional Bridge Loan, absent any new facility arrangements being put in place for the Company or additional capital being raised by the Company, the Company will have a liquidity shortfall of approximately US\$120.5 million from June 2019.

If the Company has to provide the Additional Bridge Loan because the Gazprombank Facility has not been drawn down, on 20 June 2019:

- (a) K&S will not be able to make the next repayment under the ICBC Facility of US\$29.5 million and the Company will be unable provide further bridge financing to assist K&S with such repayment; and
- (b) pursuant to the terms of the ICBC Facility, the financial covenants which K&S and the Company are subject to will be tested and unless further waived by ICBC, neither K&S nor the Company will meet the covenants at this date.

In the above circumstances, ICBC has the right to demand immediate repayment of the full outstanding amount of the ICBC Facility, which following the 20 December 2018 repayment is approximately US\$169 million, and call on the Company under the ICBC Guarantee for full repayment of this amount. In the event of ICBC demanding immediate repayment of the full outstanding amount of the ICBC Facility from the Company under the ICBC Guarantee, the Company will not be able to make such payment due to the Company’s existing liquidity shortfall of US\$120.5 million from June 2019.

Moreover, due to the nature of the facilities the Company has in place, an event of default under the ICBC Guarantee will, under cross-defaults and/or cross-accelerations of the Existing Facilities, entitle the relevant lenders to demand immediate repayment, which given the liquidity shortfall if the ICBC Guarantee is called upon and that the relevant lenders are unsecured, it is highly probable they will act quickly to make such demands. An event of default under one facility could also result in the termination and close out of the Group’s hedging arrangements. In this event, a significant proportion of the Group’s borrowings would become immediately repayable in the following amounts:

- (a) US\$500 million in respect of the Existing Notes; and
- (b) US\$100 million in respect of the Existing Bonds.

Consequently, if the relevant lenders exercised their rights under the Existing Facilities to call upon the Company to repay the above amounts, the Company would have a liquidity shortfall of US\$720.5 million from June 2019.

The occurrence of the above events would mean that the Company would cease to be a going concern and in the absence of securing alternative funding and/or substantial proceeds from the realisation of assets, could result in the insolvency and, ultimately, the liquidation of the Company resulting in the Shareholders losing their investment in the Company.

If the Resolution is not passed and the Proposed Guarantees are not approved, or if any of the other conditions under the Facility Agreements referred to in paragraph 13(c) above are not met so that K&S is unable to draw down on the Gazprombank Facility, the Group would work to implement various actions to mitigate against the liquidity shortfall.

In the first instance, the Company and IRC would attempt to negotiate with ICBC for a further waiver in respect of the obligations to fund and maintain the DSRA and testing of the financial covenants. The parties could also look to renegotiate the repayment schedule for the ICBC Facility to reduce the instalments to an amount which reflects the free cash flow of K&S. However, whilst in the past ICBC has granted five waivers in respect of the ICBC Facility, when approached for a similar renegotiation on the repayment schedule in 2018, ICBC was not willing to renegotiate the repayment terms. The Directors believe that whilst ICBC is aware of K&S's inability to make the repayments, any negotiations would only be agreed by ICBC, if at all, at a significant cost to both the Company and the IRC Group. This could be in the form of additional fees payable to ICBC or additional restrictions on, or commitments to engage in, certain corporate actions, each of which would adversely affect or delay implementation of both the Company's and the IRC Group's strategies.

In parallel to negotiating the repayment terms with ICBC, the Company and IRC would seek alternative refinancing facilities. The Company is confident that if an alternative refinancing was required, it would be able to reach an agreement with another bank. However it is highly likely that such refinancing will still require a guarantee to be provided by the Company and it will take time for terms to be agreed, legal documents drafted and finalised and another circular to be published for Shareholder approval. This is unlikely to be completed before 21 March 2019 and the Company would be dependent on the consent from ICBC to enter into such new facility agreement. Therefore the liquidity shortfall would still occur from June 2019 if the Company has provided the Additional Bridge Loan to the IRC Group.

Absent any successful renegotiations with ICBC or another bank for a new facility arrangement, the Company could seek funding through the realisation of the Group's assets. However, given the limited timeframe before a liquidity shortfall, such a sale would be difficult to complete in time and the price at which such assets could be realised would be severely impacted. As such there is no guarantee that the Company would be able to dispose of the Group's assets at a price which it believes is reflective of the full value of such assets and there are restrictions under the Existing Facilities for the Company to sell its assets at less than fair market value. In any event, the realisation of assets by the Company alone will not be sufficient to prevent the liquidity shortfall of US\$120.5 million in June 2019.

If the actions listed above were unsuccessful in the event of a liquidity shortfall of the Company, the Company would be forced to commence an insolvency process (be this administration or liquidation), resulting in Shareholders losing their investment in the Company.

14 RECOMMENDATION

The Board considers that the Proposed Guarantees are in the best interests of Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of the Resolution, as each of the Directors that hold shares in the Company intends to do in respect of their own entire legal and beneficial holdings as at the record date for the General Meeting.

Yours faithfully,

Sir Roderic Lyne
Non-Executive Chairman

PART 2

SUMMARY OF THE PRINCIPAL TERMS OF THE FACILITY AGREEMENTS AND PROPOSED GUARANTEES

1 FACILITY AGREEMENTS

1.1 General

On 18 December 2018, K&S entered into two facility agreements with Gazprombank: credit facility agreement No. 249/18-B (the “**Facility Agreement No. 249/18-B**”) and credit facility agreement No. 250/18-B (the “**Facility Agreement No. 250/18-B**”) and, together with the Facility Agreement No. 249/18-B, the “**Facility Agreements**” and each a “**Facility Agreement**”).

Each Facility Agreement is governed by Russian law and is a Russian language document and this may affect the interpretation of the Facility Agreements and the English language summary included herein (other than any material terms).

Each Facility Agreement is entered into substantially on the same terms. The main differences between the provisions of the Facility Agreements are highlighted in the following paragraphs.

1.2 Terms of the Facility Agreements

The Facility Agreement No. 249/18-B is a term loan facility of up to US\$160,000,000. The Facility Agreement No. 250/18-B is a term loan facility of up to US\$80,000,000. Each Facility Agreement is made available to K&S as the borrower, and can be drawn in a number of tranches. The availability period in respect of each Facility Agreement starts on 18 December 2018 and ends on 14 June 2019 (the “**Availability End Date**”). The final maturity date in respect of each Facility Agreement is 18 December 2026 (the “**Final Maturity Date**”).

1.3 Conditions to utilisation

In order for K&S to draw down on either of the Facility Agreements, it must satisfy a number of conditions as described below. Each Facility Agreement provides for general conditions that must be satisfied in order to draw on any tranche. In addition, depending on the purpose of each tranche, K&S must satisfy certain specific conditions as set out in the relevant Facility Agreement.

The following general draw down conditions apply in respect of each tranche under each Facility Agreement:

- (a) K&S shall provide copies of documents evidencing the purpose of each utilisation and/or a completed utilisations register on the form set out in Schedule 2 to each Facility Agreement;
- (b) K&S shall enter into, and shall procure that the relevant third party security providers (as the case may be) enter into, the security documents referred to in paragraphs 1.11(a) to 1.11(d) (inclusive) below;
- (c) K&S shall establish a charged cash account with Gazprombank;
- (d) no event of default has occurred and is continuing;
- (e) K&S shall pay the facility fee and the commitment fee pursuant to the terms of each Facility Agreement;
- (f) K&S shall procure that its borrowings are converted into the charter capital in an amount of at least 9.1 billion Russian Roubles (as compared with the reporting date as at the end of the third quarter of 2018), as evidenced by, among other matters, an extract from the Russian Unified State Register of Legal Entities or an agreement evidencing the acceptance of claims under the borrowings as charter capital;
- (g) K&S shall procure that its charter is amended, as envisaged by the Facility Agreements, in order to ensure the rights of Gazprombank as a shareholder of K&S in the event that it purchases 0.0001 per cent. share capital of K&S under the option referred to in paragraph (h) below and delivers the documents confirming that such amendments have been made to Gazprombank;

- (h) K&S shall procure that Kapucius Services Limited (a company incorporated in the Republic of Cyprus which is the parent of K&S and a member of the IRC Group) (“**Kapucius**”) enters into two agreements with a person designated by Gazprombank (the “**Affiliate**”), pursuant to which:
- (i) the Affiliate will have an option to purchase 0.0001 per cent. share capital of K&S if K&S fails to pay any amount due pursuant to the relevant Facility Agreement, and the failure to pay is continuing for 15 days, thereby giving the Affiliate certain veto rights in respect of K&S (such as restructuring, assets sales etc.) in line with the amended charter of K&S referred to in paragraph (g) above; and
 - (ii) Kapucius will have an option to re-purchase 0.0001 per cent. share capital of K&S from Gazprombank following repayment of the principal amount outstanding under the relevant Facility Agreement in full; and
- (i) K&S shall procure that Kapucius enters into a shareholder agreement with Gazprombank each in its capacity of a future shareholder of K&S as envisaged by the Facility Agreements.

The following additional conditions apply if K&S draws a tranche for the purposes of prepaying the principal amount outstanding under the US\$340,000,000 facility agreement dated 13 December 2010 and made between, among others, ICBC, the Company, Industrial and Commercial Bank of China Ltd. (Moscow) and K&S:

- (a) K&S shall procure that capacity and enforceability opinions in respect of the relevant parties to the security documents are delivered to Gazprombank;
- (b) K&S shall consent for its information to be delivered to, and be obtained from, the relevant credit history bureau;
- (c) the Technical Adviser to deliver a report in respect of the Object completion times and costs in form and substance satisfactory to Gazprombank;
- (d) K&S shall deliver a financial model signed off by the Technical Adviser at least 90 days prior to the first drawdown date under the relevant Facility Agreement, indicating the minimum hedging costs;
- (e) K&S shall submit a prepayment request pursuant to the ICBC Facility, indicating the proposed prepayment date, prior to the first utilisation date under the relevant Facility Agreement;
- (f) K&S shall submit a payment instruction in respect of an amount sufficient to prepay the ICBC Facility (including accrued interest), prior to the first utilisation date under the relevant Facility Agreement;
- (g) K&S shall deliver copies of its foundation documents (including any variations to them) certified by the relevant tax authority or a notary public, in each case quoting K&S’s registration number; and
- (h) K&S shall deliver copies of the resolutions of its governing bodies (or extracts from such resolutions) approving the transaction.

For the purposes of this section:

“**Object**” shall mean Kimkano-Sutarsky Mining and Processing Plant, which includes:

- the Kimkan banded iron formation subject to iron ore mining under licence No. No. БИР 14037 ТЭ for iron ore mining at the Kimkan banded iron formation (Kimkan deposit) and licence No. БИР 14038 ТЭ
- the Sutura banded iron formation subject to iron ore exploration and mining under licence No. БИР 14037 ТЭ for iron ore mining at the Kimkan banded iron formation (Kimkan deposit) and licence No. БИР 14038 ТЭ; and

the processing plant with the total manufacturing capacity of 3.2 million tonnes of iron ore concentrate annually, located in proximity to the Kimkan banded iron formation, 7 kilometres to the south-west from the Izvestkovaya railway station of Obluchensky District of the Jewish Autonomous Region, and comprised of three major areas: (i) Industrial and Manufacturing Area of the mining complex, where the Western and Central open-mine operations with the dumping area is located, (ii) Central Industrial and Manufacturing Area, where refinery, railroad station and engineering infrastructure objects are located, and (iii) housing quarters.

“**Technical Adviser**” shall mean a specialised independent consultant, engaged by K&S in accordance with the technical specification approved by Gazprombank in order to verify the occurrence of the Project Completion Date (as defined in the Corporate Guarantee), to conduct technological and other assessment, to monitor the development of the Sutara deposit with a projected production volume of approximately 10 million tonnes of raw ore per year (the “**Project**”), and to verify K&S’s financial model. K&S shall bear the costs related to the appointment of the Technical Adviser.

The following additional conditions apply if K&S draws a tranche for the purposes of repaying up to US\$60,000,000 advance payment, paid in accordance with addendum No. 7 dated 9 June 2018 to the international sale and purchase agreement No. KS-ARITI-IO-071217 dated 7 December 2017 (as amended) and made between K&S as seller and Ariti HK Limited as purchaser (the “**KS-ARITI Contract**”), and not accounted for by K&S towards payments for delivery of iron ore concentrate pursuant to the terms of the KS-ARITI Contract:

- (a) K&S shall provide evidence of proper performance by it of its obligations to ICBC pursuant to the ICBC Facility, satisfactory to Gazprombank; and
- (b) K&S shall complete a payment order for payment to the account specified in the KS-ARITI-IO-071217 Contract.

The following additional conditions apply if K&S draws a tranche for the purposes of paying the premium payable to the Company in consideration for the guarantee provided by the Company in accordance with the ICBC Facility, pursuant to the recourse agreement dated 13 December 2010 and made between K&S, IRC Limited and the Company (the “**Recourse Agreement**”) (please see paragraph 8.3 of Part 3 (*Additional Information*) for further details on the Recourse Agreement):

- (a) K&S shall provide evidence of proper performance by it of its obligations to ICBC pursuant to the ICBC Facility, satisfactory to Gazprombank;
- (b) K&S shall provide evidence of full discharge of indebtedness under the Bridge Loans; and
- (c) K&S shall complete a payment order for the transfer of amounts towards payment to the Company of the premium in full pursuant to the terms of the Recourse Agreement.

To utilise a tranche under the relevant Facility Agreement for the purposes of refinancing of any of the expenses incurred by K&S for the purposes outlined in this section, K&S shall provide evidence of proper performance by it of its obligations to ICBC pursuant to the ICBC Facility, satisfactory to Gazprombank.

1.4 Conditions subsequent

The Facility Agreements also provide for the following conditions subsequent which are typical and market standard for a Russian market refinancing transaction of this size and nature:

- (a) implementing security arrangements set out in paragraphs 1.11(e) to 1.11(k) (inclusive) below;
- (b) entry into the Share Retention Agreement by the Company and IRC (please see paragraph 3 below for further details); and
- (c) delivery by the Company by 31 December 2019 of the certificate of operational acceptance in respect of the Hydrometallurgical Complex at the POX Hub and a letter signed by the Company representing the production output of the POX Hub during the year ending on 31 December 2019.

The Company is in the process of liaising with the relevant regulatory authorities in order to collate the necessary documents to obtain the certificate before the end of 2019.

1.5 Use of proceeds

There are four principal purposes of each tranche drawn under each Facility Agreement, as described in paragraph 1.3 above:

- (a) Repayment of the outstanding principal amount (which is not overdue) under the ICBC Facility in full.

- (b) After the full repayment of the ICBC Facility, IRC shall repay the Bridge Loans to the Company through the settlement of various intercompany balances and advances in the IRC Group (please see paragraph 2 of Part 1 (*Letter from the Chairman*) of this document for information in respect of the Bridge Loans).
- (c) After the full utilisation of (b) repayment of the amounts due under a Recourse Agreement (which includes repayment of the Arrangement Fee of approximately US\$6 million) (please see paragraph 8.3 of Part 3 (*Additional Information*) for further details on the Recourse Agreement); and
- (d) After the full utilisation of (a), the refinancing of K&S's own working capital to cover any expenses incurred by K&S in discharging its obligations under paragraphs (a) to (c) above.

The Facility Agreements cannot be used for any other purpose. In particular, each Facility Agreement expressly provides that it cannot be used to:

- (a) repay any other liabilities due from K&S to Gazprombank;
- (b) repay the liabilities of K&S under the relevant Facility Agreement or any other credit facilities with Gazprombank;
- (c) repay any loans and borrowings from third parties, except as expressly provided for in the relevant Facility Agreement;
- (d) fund loans issued to third parties;
- (e) purchase and redeem promissory notes (except as permitted by Gazprombank);
- (f) purchase and redeem equity and debt securities (except as permitted by Gazprombank);
- (g) purchase property acquired by Gazprombank towards repayment of any loans previously issued to K&S;
- (h) contribute to foundation capital of other legal entities;
- (i) make payments under sale and leaseback arrangements; and
- (j) make deposits into accounts opened with credit institutions other than Gazprombank, except where such transfer is for the refinancing purposes as permitted by the relevant Facility Agreement.

1.6 Interest rate

The interest rate under the Facility Agreement No. 249/18-B is expressed to be a sum of LIBOR plus 5.70 per cent. per annum. The interest rate under the Facility Agreement No. 250/18-B is expressed to be a sum of LIBOR plus 7.70 per cent. per annum.

Gazprombank may unilaterally modify the interest rate under each Facility Agreement as follows:

- (a) by up to 1.0 per cent. per annum, in case of a material adverse market change resulting in the increased cost of debt raised by Gazprombank or if K&S violates its undertakings under the relevant Facility Agreement; and
- (b) by up to 3.0 per cent. per annum, in case:
 - (i) the sovereign credit rating of the Russian Federation is downgraded by 2 or more categories by any of the credit rating agencies (Standard & Poor's Ratings Service, Fitch Ratings Limited, Moody's Investors Service Inc. or other internationally recognised credit rating agencies); and/or
 - (ii) a five year credit default swap of the Russian Federation of PJSC "Gazprom" is traded (based on the Bloomberg screen) at a level that exceeds the cost of such credit default swap as at the date of the relevant Facility Agreement by 2.50 per cent. per annum,

in each case provided that the overall increase of the interest rate shall not exceed 3.0 per cent. per annum.

Notwithstanding the conditions for modifying the interest rate described above, if any Restrictive Measures are imposed against K&S by any governmental or international public authorities Gazprombank is entitled to modify the interest rate and the currency of the facility at its own discretion.

In this section:

“**Restrictive Measures**” means any restrictive measures imposed by the Russian Federation, a foreign state, an association of foreign states or an international organisation that lead to impossibility to manage cash in the facility currency, restrictions on maintaining accounts in the facility currency, restrictions in making payments under the Facility Agreements imposed against K&S or any third parties involved (e.g. correspondent banks) that make it impossible for K&S to perform its obligations under the Facility Agreements or for Gazprombank to receive the payments from K&S.

1.7 Repayment terms

The amounts outstanding under each tranche advanced under the Facility Agreement No. 249/18-B are repaid in equal quarterly instalments. Each payment must be made on the 20th day of each quarter. If the date for payment falls on a day which is not a Business Day, the relevant payment is made on the immediately following Business Day. First payment under the Facility Agreement No. 249/18-B must be made in the quarter immediately following the quarter in which the first utilisation was made. The amounts outstanding under the Facility Agreement No. 249/18-B must be repaid in full on the Final Maturity Date.

The amounts outstanding under the Facility Agreement No. 250/18-B must be repaid in full on the Final Maturity Date in one instalment.

If any Restrictive Measures are imposed by any governmental or international public authorities against K&S, the Company or other security providers or their ultimate beneficiaries, Gazprombank is entitled to modify the currency and/or the payee of the payments due under the relevant Facility Agreement.

1.8 Cash Balance Requirements

Starting from the day falling 90 days after the first utilisation under the relevant Facility Agreement and until the Final Maturity Date, K&S must procure that at least 95.0 per cent. of its quarterly net cash turnover is accounted for through the bank accounts opened with Gazprombank.

1.9 Prepayment, repayment and other fees

K&S shall pay to the lenders a facility fee and a commitment fee in the amount of US\$2,160,000 under Facility Agreement No. 249/18-B and US\$1,080,000 under Facility Agreement No. 250/18-B in a manner specified in the relevant Facility Agreement.

K&S may voluntarily prepay the amounts outstanding under the relevant Facility Agreement, in whole or in part, by giving not less than 10 Business Days' notice to Gazprombank. The prepayment notice must specify the prepayment date and the prepayment amount. The minimum prepayment amount permitted by each Facility Agreement is US\$10,000,000.

If the interest rate under Facility Agreement No. 249/18-B is unilaterally increased by Gazprombank as set out in paragraph 1.6 (*Interest rate*) K&S may voluntarily prepay the amount outstanding under Facility Agreement No. 249/18-B without applying any prepayment fee:

- (a) if the interest rate is increased according to paragraph 1.6(a) (*Interest rate*) – within 10 Business Days after the date when K&S is notified of such interest rate increase; and
- (b) if the interest rate is increased according to paragraph 1.6(b) (*Interest rate*) or as result of imposing any Restrictive Measures against K&S – within 240 days after the date when K&S is notified of such interest rate increase.

Save for the above, any prepayment made under Facility Agreement No. 249/18-B is subject to the payment of the prepayment fee calculated as follows:

- (a) 2.0 per cent. of the prepaid sum if the prepayment takes place within the first 60 months after the date of Facility Agreement No. 249/18-B;
- (b) 1.0 per cent. of the prepaid sum if the prepayment takes place after or within the 61st month after the date of Facility Agreement No. 249/18-B; and
- (c) no prepayment fee applies if the prepayment takes place after or within the 85th month after the date of Facility Agreement No. 249/18-B.

No prepayment fee is payable under Facility Agreement No. 250/18-B.

1.10 Guarantee

The Company will guarantee certain obligations of K&S under each Facility Agreement. For further details on the Proposed Guarantees to be provided by the Company, please see paragraph 2 below.

1.11 Security

Each Facility Agreement envisages the following security interests:

- (a) a pledge of 100.0 per cent. of participation interest in the share capital of K&S, to be granted by Kapucius Services Limited as a condition for the first utilisation;
- (b) a charge over the bank account created under the charge account bank agreement to be created by K&S prior to the first utilisation;
- (c) the Corporate Guarantee granted by the Company prior to the first utilisation and valid until the Project Completion Date (as defined in the Corporate Guarantee);
- (d) Fixed Term Guarantee A, Fixed Term Guarantee B, Fixed Term Guarantee C and Fixed Term Guarantee D, each to be granted by the Company prior to the first utilisation;
- (e) a mortgage over real property at the Object, to be created by K&S within 120 days following the date of each Facility Agreement;
- (f) a charge over movable assets at the Object, to be created by K&S within 120 days following the date of each Facility Agreement;
- (g) multiple charges over contractual interests, to be granted by an entity identified by the Technical Adviser in its report within 120 days following the date of each Facility Agreement;
- (h) a charge and security assignment over the iron ore concentrate supply agreements, to be granted within 120 days following the date of each Facility Agreement in respect of the existing agreements and within 90 days following the date of each subsequent agreement;
- (i) a charge over movable assets, to be created by K&S within 90 days following the recognition of the relevant assets on K&S's balance sheet;
- (j) a mortgage over real property, to be created by K&S within 90 days following the registration of the title of K&S to the relevant properties in the land registry; and
- (k) a charge over the subordinated loans, to be created by the relevant lenders within 100 days following the date of each Facility Agreement in respect of the existing loans, and within 90 days following subordination of each further loan.

1.12 Right of first refusal

Each Facility Agreement envisages that K&S shall use its reasonable endeavours to procure that until the full repayment of the relevant facility, in respect of certain services (such as derivative transactions, consulting services, operations with gold etc.) the Company shall use its reasonable endeavours to:

- (a) apply on a first priority basis to Gazprombank or its affiliates; and
- (b) preclude from engaging any third parties (except for Gazprombank or its affiliates) unless such third parties offer more favourable terms than Gazprombank or its affiliates, on the terms set out in the Facility Agreements.

1.13 Representations and warranties

Customary representations and warranties, which are usual for Russian law governed transactions of this kind, are included in each Facility Agreement.

1.14 Undertakings and Covenants

Customary information and general undertakings, which are usual for Russian law governed transactions of this kind, are included in the Facility Agreement with certain carve-outs.

The Facility Agreements include various financial covenants including two financial ratios: Net Debt / EBITDA ratio and DSCR ratio. In particular, K&S must procure that, as at the last day of each of the following Measurement Periods, the relevant financial ratios are as follows:

- (a) Net Debt / EBITDA:
- (i) Measurement Period ending on 30 June 2019 or 31 December 2019: <6.5x;
 - (ii) Measurement Period ending on 30 June 2020 or 31 December 2020: <5.0x;
 - (iii) Measurement Period ending 30 June 2021 or 31 December 2021: <3.5x; and
 - (iv) each Measurement Period starting with the Measurement Period ending on 30 June 2022: <3.0x.
- (b) DSCR:
- (i) Measurement Period ending 30 June 2019 or 31 December 2019: not less than 1.1x; and
 - (ii) each Measurement Period starting with the Measurement Period ending on 30 June 2020: not less than 1.2x.

K&S must also ensure that the amount of its net assets is not negative nor has decreased by more than 25 per cent. as compared to the latest test date and that the amount of losses of K&S does not exceed the amount of its profits over four consequent quarters.

In this section:

“Cash and Cash Equivalents” means bank deposits, bank certificates, as well as transferrable and other bank promissory notes and highly liquid commercial papers with the maturity of no more than three months from the reporting date (except for finance investments in assets and commercial papers maturing more than three months from the reporting date, loans to third parties, as well as advance payments received under supply contracts).

“DSCR” means the Debt Service Covenant Ratio, calculated as follows:

$$(A+B+C+D)/(C+D)$$

where

“A” is opening cash balance;

“B” is Free Cash Flow to Equity;

“C” is Debt Principal Payments; and

“D” is debt interest payments.

“Debt Principal Payments” is calculated as a sum of principal payments to banks, principal payments to lenders and principal payments under finance leases.

“EBITDA” means:

- (a) profit before taxation during the last twelve months; plus
- (b) interest paid during the last twelve months; less
- (c) interest received during the last twelve months; plus
- (d) amortisation during the last twelve months; plus
- (e) adjustments due to the re-evaluation of exchange differences and other non-cash items during the last twelve months; plus
- (f) payments under leasing arrangements during the last twelve months.

“Free Cash Flow to Equity” is calculated as a sum of cash flow from operations, cash flow from investments, cash flow from financing and dividends paid.

“Measurement Period” means each period of twelve months, ending on the last day of a financial year or a financial half-year, as the case may be.

“Net Debt” means:

- (a) short-term loans; plus
- (b) leasing obligations; plus
- (c) long-term borrowings; less
- (d) Cash and Cash Equivalents.

1.15 Events of default

Customary events of default, which are usual for Russian law governed transactions of this kind, are covered in the Facility Agreements with certain carve-outs. Key events of default under the Facility Agreements include, among others:

- (a) any of the representations and warranties is breached or is incorrect;
- (b) any amount outstanding under the Facility Agreements is not paid when due, and failure to pay continues for five days;
- (c) the loan is not used in accordance with the prescribed purpose;
- (d) K&S is in arrears in respect of any financial indebtedness to third parties in an amount exceeding 15.0 per cent. of the balance sheet value of its assets, determined as at the last reporting date;
- (e) K&S is in arrears in respect of any financial indebtedness to Gazprombank;
- (f) K&S terminates or materially curtails its business activities, or modifies it in a material way;
- (g) reorganisation or insolvency of K&S;
- (h) breach by K&S of any of its covenants under the Facility Agreements (subject to the applicable grace periods);
- (i) failure to deliver the certificate of operational acceptance in respect of the Hydrometallurgical Complex at the POX Hub and a letter signed by the Company representing the production output of the POX Hub during the year ending on 31 December 2019, by 31 December 2019; and
- (j) any Restrictive Measures are imposed against K&S, the Company or other security providers by any governmental or international public authorities and any measures to avoid the effect of Restrictive Measures have not been utilised within a certain time period.

1.16 Penalties

Each Facility Agreement envisages the following penalties:

- (a) a default rate accrued on the unpaid principal amount outstanding or interest accrued thereon equal to:
 - (i) within the first 5 days after the due date – 0.05 per cent. of the unpaid sum accrued daily; and
 - (ii) following the 5th day after the due date – 3 per cent. per annum; and
- (b) a penalty for a failure to procure the creation of or provide Gazprombank with the evidence of existence of the charge over movable assets at the Object equal to 0.01 per cent. of the total commitment under the relevant Facility Agreement accrued daily.

1.17 Governing law, jurisdiction and enforcement

The Facility Agreements are governed by Russian law and subject to the exclusive jurisdiction of the Moscow Court of Arbitration. However, Gazprombank may seek enforcement of its monetary claims against K&S without applying to court via notary endorsement.

2 PROPOSED GUARANTEES

2.1 Proposed Guarantee Structure

Pursuant to the Facility Agreements, the Company will provide five guarantees (the “**Proposed Guarantees**”) in favour of Gazprombank as follows:

- (a) a corporate guarantee with a maximum liability for the Company of US\$120 million (the “**Corporate Guarantee**”) which commences on the Approval Date;
- (b) three two-year fixed term guarantees with a maximum liability for the Company of US\$40 million under each guarantee, where the commencement date for such fixed term guarantees will commence consecutively, starting on the Approval Date (“**Fixed Term Guarantee A, Fixed Term Guarantee B and Fixed Term Guarantee C**”); and

- (c) a two-year fixed term guarantee with a maximum liability for the Company of US\$120 million with a commencement date of 21 December 2024 (“**Fixed Term Guarantee D**” and together with the guarantees referred to in 2.1(b) above, the “**Fixed Term Guarantees**”).

The Proposed Guarantees were entered into by the Company and Gazprombank on 15 February 2019.

Each Proposed Guarantee will become effective in accordance with their respective terms upon:

- (d) Shareholder approval being obtained at the General Meeting; and
- (e) Gazprombank’s legal adviser’s releasing an agreed form legal opinion in respect the Company’s capacity to enter into the Proposed Guarantees and the enforceability of the Proposed Guarantees.

The agreed form legal opinion will be automatically released once the Company delivers to Gazprombank’s legal advisers: (i) a copy of the minutes of a meeting of the Board held on 14 February 2019 at which the Proposed Guarantees were considered and approved subject to Shareholder approval; (ii) a copy of the Resolution duly passed by the Shareholders; and (iii) a certificate from the Directors confirming, *inter alia*, the Company is solvent and who the authorised signatories of the Company are. Subject to the Resolution being passed at the General Meeting, the delivery of all such documents to trigger the release of the agreed form legal opinion are within the control of the Company.

The commencement date of each of the Proposed Guarantees is then as follows:

Proposed Guarantee	Level of maximum liability amount	Commencement date	End date for the maximum liability amount
Corporate Guarantee	US\$120 million	Approval Date	Project Completion Date (when the Corporate Guarantee Conditions are satisfied)
Fixed Term Guarantee A	US\$40 million	Approval Date	20 December 2020
Fixed Term Guarantee B	US\$40 million	21 December 2020	20 December 2022
Fixed Term Guarantee C	US\$40 million	21 December 2022	20 December 2024
Fixed Term Guarantee D	US\$120 million	21 December 2024	The date on which the Gazprombank Facility has been repaid in full

2.2 Guaranteed obligations

Subject to the Proposed Guarantees becoming effective in accordance with their respective terms as described above in paragraph 2.1, the Company will guarantee all of the payment obligations of K&S under the Facility Agreements in favour of Gazprombank (the “**Guaranteed Obligations**”). Therefore in the event that following utilisation of the Gazprombank Facility, K&S does not make a payment which is due under either or both of the Facility Agreements, the Company undertakes to make such payment to Gazprombank immediately on demand.

2.3 Maximum liability amounts

The maximum liability of the Company in respect of the Corporate Guarantee is US\$120 million, subject to a reduction to zero on the date on which the Corporate Guarantee Conditions set out in paragraph 2.4 below are met.

The maximum liabilities of the Company in respect of the Fixed Term Guarantees are, subject to as referred to in paragraph 2.5 below, as follows:

Proposed Guarantee	Maximum liability on the Approval Date	Commencement date for the maximum liability amount	End date for the maximum liability amount	Maximum liability amount once commencement date occurs
Fixed Term Guarantee A	US\$40 million	Approval Date	20 December 2020	n/a
Fixed Term Guarantee B	zero	21 December 2020	20 December 2022	US\$40 million
Fixed Term Guarantee C	Zero	21 December 2022	20 December 2024	US\$40 million
Fixed Term Guarantee D	Zero	21 December 2024	The date on which the Gazprombank Facility has been repaid in full	US\$120 million

In respect of each of the Proposed Guarantees, the maximum liability amounts referred to above are in respect of principal amounts only and, without double counting across the Proposed Guarantees, the Company is also guaranteeing any interest, costs and expenses (including break funding costs) relating to the Guaranteed Obligations and all other interest and other costs and expenses falling due for payment under the relevant Proposed Guarantee.

Subject to the limitations outlined above, the Proposed Guarantees will extend to any increase or extension of the amount made available under the Facility Agreements, subject to the aggregate of the relevant maximum liability amounts in force at the relevant time.

2.4 Corporate Guarantee Conditions

As noted in paragraph 2.3 above, the liability of the Company in respect of the Guaranteed Obligations under the Corporate Guarantee will be reduced to zero after satisfaction of the following conditions (the “**Corporate Guarantee Conditions**”), which are set out in the Corporate Guarantee:

- (a) evidence that the act of commissioning in respect of the Object has occurred;
- (b) delivery to Gazprombank of a certificate from K&S and countersigned by the Technical Adviser confirming that:
 - (i) the Object has been commissioned;
 - (ii) the Object is operating;
 - (iii) permission for the exploitation of the deposit and other documents required for the mining of the Sutara deposit have been obtained;
 - (iv) the Sutara deposit has been commissioned and is operating;
 - (v) the volume of iron ore concentrate produced is not less than 250,000 tonnes per month for the 6 months preceding the delivery of the certificate; and
 - (vi) the production level at the Sutara deposit has been at least 200,000 tonnes of raw ore per month for the 6 months preceding the delivery of the certificate;
- (c) delivery to Gazprombank of each of the security documents entered into in accordance with clause 3.12 of each of the Facility Agreements;
- (d) documentary evidence regarding the commissioning of the Sutara deposit and production at the Sutara deposit;
- (e) delivery to Gazprombank of a compliance certificate confirming that the ratio of Net Debt to EBITDA (each as defined in the Facility Agreements) of K&S for the last 12 months is no more than 3.0 times; and

- (f) delivery to Gazprombank of a certificate from K&S confirming that no breach of, or any default under, any Finance Documents (as defined in the Facility Agreements) have occurred and are continuing.

Gazprombank will then notify the Company through a formal release letter that it is satisfied: (i) with the documents delivered to it in respect of the fulfilment of the Corporate Guarantee Conditions; and (ii) that there is no breach or event of default under any of the Finance Documents (as defined in the Facility Agreements) and the Company will then be released from its obligations under the Corporate Guarantee.

2.5 Springing Recourse Events

In respect of each of the Fixed Term Guarantee B, the Fixed Term Guarantee C and the Fixed Term Guarantee D (but only prior to the date on which the Fixed Term Guarantee B and/or the Fixed Term Guarantee C and/or Fixed Term Guarantee D's (as appropriate) relevant maximum liability amount increases to, in the case of Fixed Term Guarantee D, US\$120 million or in the case of Fixed Term Guarantee B or Fixed Term Guarantee C, US\$40 million (as contemplated by paragraph 2.3)), the commencement date of the relevant Fixed Term Guarantee will be brought forward (resulting in the maximum liability amount for each relevant Fixed Term Guarantee increasing from zero to US\$40 million or US\$120 million (as appropriate)) if any of the following events occur:

- (a) being:
 - (i) non-payment by the Company of amounts demanded under any of the Proposed Guarantees with a grace period of 10 Business Days (as defined in the Facility Agreement) for non-technical non-payments and 15 Business Days for technical non-payments;
 - (ii) the sale of more than 20 per cent. of the total assets of the Group, a divestment of at least a majority share in any of the Principal Subsidiaries or any other demerger, amalgamation, merger etc. which might reasonably be expected to prejudice Gazprombank's ability to recover fully against the Company;
 - (iii) the occurrence of an acceleration event under either the Existing Bonds or the Existing Notes;
 - (iv) changes to the articles of association or the capital structure of K&S that prejudice certain rights given to Gazprombank by K&S in relation to contracts with respect to K&S' capital or that prejudice reserved matters embedded in the articles of association of a holding company of K&S;
 - (v) termination or transfer in respect of K&S' subsoil licences;
 - (vi) K&S or the Company becoming a sanctions target such that:
 - (A) it is then illegal for Gazprombank to maintain a relationship with the Company or K&S (as appropriate) (but, in the case of K&S only, only to the extent that the affected obligations of K&S are greater than the aggregate maximum liability of the currently commenced Proposed Guarantees); or
 - (B) it becomes reasonably likely that, if Gazprombank maintains a relationship with the Company or K&S (as appropriate), Gazprombank will then become a target of sanctions;
 - (vii) where there are changes to the sanctions regime applicable to K&S or the Company, it being reasonably likely that Gazprombank (or any of its affiliates) will have sanctions imposed on them because they maintain their relationship with K&S or the Company (as appropriate);
 - (viii) the insolvency of the Company or K&S;
 - (ix) the invalidity or illegality of any of the Finance Documents (as defined in the Facility Agreements) against K&S or K&S terminating or refusing to perform under any such document to the extent that the affected obligations of K&S are greater than the aggregate maximum liability of the currently commenced Proposed Guarantees; or

- (x) the invalidity or illegality of any of the Proposed Guarantees against the Company or the Company terminating or refusing to perform under any of the Proposed Guarantees;
- (b) other events involving the Company (but which only trigger to the extent that they might reasonably be expected to have a material adverse effect on the Company's business, property, financial condition, its ability to pay under any of the Proposed Guarantees or the validity or the enforceability of any of the Proposed Guarantees) being:
 - (i) the occurrence of certain insolvency procedures with respect to the Company; or
 - (ii) the occurrence of a litigation decision against the Company in relation to the assets of the Company or the Proposed Guarantees; or
- (c) other events involving K&S (but which only trigger to the extent that they might reasonably be expected to have a material adverse effect on the ability of K&S and the Company (taken together) to meet their payment obligations under the Finance Documents (as defined in the Facility Agreements)) being:
 - (i) a reorganisation of K&S;
 - (ii) the incurrence of debt outside of the Finance Documents (as defined in the Facility Agreements) by K&S not otherwise permitted by the Facility Agreements;
 - (iii) the occurrence of certain insolvency procedures with respect to K&S;
 - (iv) amendments in respect of K&S' subsoil licences;
 - (v) non-payment in respect of any debt not incurred under the Finance Documents (as defined in the Facility Agreements); or
 - (vi) the occurrence of a litigation decision against K&S in relation to the assets of K&S or the Finance Documents (as defined in the Facility Agreements).

2.6 Representations

The Company will provide a full set of representations under each Proposed Guarantee which covers, *inter alia*:

- (a) its status and power to own assets and conduct its business;
- (b) the binding nature of the obligations assumed by it under the relevant Proposed Guarantee;
- (c) the non-conflict of its entry into the Proposed Guarantees with any laws, constitutional documents or documents to which it is a party;
- (d) its ability to lawfully enter into the relevant Proposed Guarantees and their admissibility in evidence; and
- (e) that there are no existing circumstances entitling any creditor in respect of debt to accelerate that debt.

Various representations are qualified by reference to materiality or certain legal concepts (such as limitation considerations) and each of the representations are deemed to be made by the Company on the date of each Utilisation Request, each Utilisation Date and the first date on each Interest Period (all as defined in the Facility Agreements).

2.7 Undertakings

The Company will provide a full set of undertakings under each Proposed Guarantee which cover, *inter alia*:

- (a) the supply of its half yearly and annual financial statements;
- (b) its entry into the Share Retention Agreement as further described in paragraph 3 below;
- (c) a negative pledge and restrictions on mergers, loans out, third party guarantees, dividends and share redemption steps, disposals, debt incurrence and entry into of derivative transactions (with customary exceptions and where such restrictions do not apply if the ratio of Net Debt to EBITDA (each as defined in the Facility Agreements) of the Company is less than 3.5 times or to the extent that the Existing Notes and the Existing Bonds, to the extent that they are in force, do not prohibit such actions); and
- (d) a prohibition on change of business.

2.8 Indemnities

Customary uncapped tax indemnities are provided by the Company in favour of Gazprombank to cover any tax deduction on payments made to Gazprombank pursuant to the Proposed Guarantees.

In the event that a sum is owed to Gazprombank pursuant to an order, judgement or award in respect of any of the Proposed Guarantees and such sum is subject to a currency conversion (i.e. because the currency stated in the order, judgement or award is different to the currency used to make payments under the relevant Proposed Guarantee), the Company shall indemnify Gazprombank against any cost, loss or liability arising out of, or as a result of, such currency conversion. This indemnity is uncapped and is customary for a transaction of this size and nature.

2.9 Governing law

Each of the Proposed Guarantees is governed by English law.

2.10 Jurisdiction

Each of the Proposed Guarantees is subject to the jurisdiction of the Hong Kong International Arbitration Centre (“**HKIAC**”) in the first instance. If a party is unable to participate in an arbitration before the HKIAC (for example by reason of being subject to economic or financial sanctions), the ICAC at the Chamber of Commerce and Industry of the Russian Federation shall have jurisdiction.

If it is, or becomes, impossible to settle a dispute in respect of the Proposed Guarantees through the HKIAC and ICAC for the reasons mentioned above, then either party can elect to resolve the dispute before a court of law and the Arbitrazh Court of the City of Moscow shall have exclusive jurisdiction in this regard.

3 SHARE RETENTION AGREEMENT

Pursuant to the Facility Agreements and Proposed Guarantees, the Company and IRC shall enter into the Share Retention Agreement with Gazprombank. Whilst the Company is currently in negotiations with Gazprombank in respect of the terms of the Share Retention Agreement, the Facility Agreement provides that pursuant to such agreement:

- (a) the Company shall undertake not to reduce its share in the share capital of IRC to less than 20 per cent. during the term of the Facility Agreements; and
- (b) IRC shall undertake not to reduce its share in the share capital of K&S during the term of the Facility Agreements.

It is expected that the Share Retention Agreement will be governed by English law.

PART 3

ADDITIONAL INFORMATION

1 RESPONSIBILITY

The Company and the Directors, whose names and functions are set out in paragraph 3 (*Directors*) of this Part 3 (*Additional Information*), accept responsibility for the information contained in this document. To the best of the knowledge and belief of the 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 ORGANISATIONAL INFORMATION AND STRUCTURE

The Company was incorporated and registered in England and Wales on 20 December 2001 as a public company limited by shares with registered number 04343841 and with the name Excelsior Corporation PLC. The Company's name was changed to Peter Hambro Mining PLC on 14 March 2002 and then to Petropavlovsk PLC on 23 September 2009. The registered office and head office of the Company is at 11 Grosvenor Place, Belgravia London, SW1X 7HH.

3 DIRECTORS

The Directors and their principal functions are as follows:

<u>Directors</u>	<u>Function</u>
Sir Roderic Lyne	Non-Executive Chairman
Dr Pavel Maslovskiy	Chief Executive Officer
Mr James W. Cameron Jr	Independent Non-Executive Director
Mr Damien Hackett	Independent Non-Executive Director
Mr Robert Jenkins	Independent Non-Executive Director
Mr Harry Kenyon-Slaney	Independent Non-Executive Director
Mr Bektas Mukazhanov	Non-Executive Director

4 DIRECTORS' SHAREHOLDINGS AND SHARE OPTIONS

4.1 Directors' shareholding

As at the Latest Practicable Date, the interests of the Directors and persons connected with them within the meaning of section 252 of the Companies Act in the share capital of the Company (all of which, unless otherwise stated, are beneficial) are as follows:

<u>Director</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of voting rights (%)</u>
Sir Roderic Lyne	—	—
Dr Pavel Maslovskiy	102,712	0.003
Mr James W. Cameron Jr	—	—
Mr Damien Hackett	—	—
Mr Robert Jenkins	—	—
Mr Harry Kenyon-Slaney	—	—
Mr Bektas Mukazhanov	1,192,406	0.04*

* Shares are beneficially owned by JSC Fincraft Investment House.

4.2 Directors' share options

No options to acquire shares have been granted to the Directors since 1 January 2018.

5 MAJOR SHAREHOLDERS

As at the Latest Practicable Date, and so far as is known to the Company by virtue of the notifications made to it pursuant to the Disclosure Guidance and Transparency Rules, the name of each person who is interested in 3 per cent. or more of the Company's shares, and the amount of such person's interest, is as follows:

Shareholder	Number of Shares	Percentage of voting share capital of the Company (%)
Fincraft Holdings Ltd	440,565,485	13.34
Sothic Capital European Opportunities Master Fund Limited	347,534,872	10.60
VTB Bank (Deutschland) AG	300,000,000	9.08
D.E. Shaw & Co., L.P. and D.E. Shaw & Co. (London) LLP ¹	256,609,333	7.82
Slevin Ltd	150,517,537	4.55
CABS Platform Limited	105,517,537	4.55

¹ Each in their capacity as discretionary investment manager.

6 DIRECTORS' SERVICE CONTRACTS

Details of the remuneration payable to the Directors are set out in the table below:

Name	Position	Date of appointment	Annual base salary/fee
Dr Pavel Maslovskiy	Chief Executive Officer	29 June 2018	£655,000
Sir Roderic Lyne	Non-Executive Chairman	29 June 2018	£150,000
Mr James W. Cameron Jr	Independent Non-Executive Director	15 October 2018	£75,000
Mr Damien Hackett	Independent Non-Executive Director	15 October 2018	£75,000
Mr Robert Jenkins	Independent Non-Executive Director	29 June 2018	£85,000
Mr Harry Kenyon-Slaney	Independent Non-Executive Director	7 November 2018	£75,000
Mr Bektas Mukazhanov	Non-Executive Director	30 July 2018	£75,000

Mr Jenkins' annual fee of £85,000 includes a fee of £10,000 for his Chairmanship of the Audit Committee.

Dr Maslovskiy has a service agreement with the Company which is terminable by either party giving not less than 12 months' notice in writing. The Chairman and Non-Executive Directors have letters of appointment which may be terminated by either party giving not less than 3 months' notice in writing.

The Remuneration Policy, which was approved by shareholders at the Company's annual general meeting held on 29 June 2018 is set out in the "Directors Remuneration Report" on pages 117 to 123 of the 2017 Annual Report and Accounts, which are hereby incorporated by reference into this document.

7 RELATED PARTY TRANSACTIONS

- 7.1 Details of related party transactions entered into by the Company between 1 January 2016 and 31 December 2017 are set out in note 26 of the 2016 Annual Report and Accounts and note 25 of the 2017 Annual Report and Accounts, each of which has been published before

the date of this document. Save for those transactions, and as set out below, the Company has not entered into any related party transactions during the period between 1 January 2016 and the Latest Practicable Date (inclusive).

8 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group during the two years preceding the date of this document and are or may be material or contain any provision under which any member of the Group has an obligation or entitlement which is material as at the date of this document.

ICBC Facility

- 8.1 On 13 December 2010, K&S and the Company entered into the ICBC Facility agreement with ICBC pursuant to which ICBC would lend US\$340 million to K&S. Interest under the ICBC Facility is charged at 2.80 per cent. above LIBOR per annum. The ICBC Facility is repayable over sixteen equal semi-annual instalments, with the first repayment having occurred in December 2014. Pursuant to the ICBC Facility, the Company guarantees to each finance party under the ICBC Facility punctual performance by K&S of all its obligations under the Finance Documents (as defined in the ICBC 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, the Company 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 ICBC Facility.

ICBC Waiver

- 8.2 Pursuant to a letter dated 17 December 2018 from ICBC to the Company and K&S, ICBC has agreed to waive:
- (a) the obligation for K&S under the ICBC Facility to fund and maintain US\$27.25 million in a debt service reserve account until the earlier of (i) the date on which security in respect of the ICBC Facility has been released or (ii) 21 March 2019; and
 - (b) various financial covenants to which the Company and K&S are subject to under the ICBC Facility such that they were not tested in December 2018 nor will they be tested on or before the end of the waiver period (this being the period from 29 December 2018, which was the date on which the conditions precedent under the ICBC Waiver were fulfilled, and the earlier of (i) the date on which the security in respect of the ICBC Facility is released or (ii) 21 March 2019).

The ICBC Waiver was conditional upon K&S delivering certain documents to ICBC and K&S paying a commission fee of approximately US\$200,000 to ICBC, which the IRC Group has paid from its existing cash reserves. As announced by IRC on 31 December 2018, all conditions of the ICBC Waiver have been satisfied and the waivers mentioned above are in effect.

Recourse Agreement

- 8.3 The Company, IRC and K&S entered into an agreement (the “**Recourse Agreement**”) on 13 December 2010 setting out the terms on which the Company would provide the ICBC Guarantee. Pursuant to the Recourse Agreement, the Company has the right to inject funds into the IRC Group by shareholder loan(s) (on normal commercial terms at the time such loan is provided) in order to enable the IRC Group to make payments under the ICBC Facility Agreement, if it is unable to meet a scheduled repayment, or for other working capital purposes. Since 7 August 2015, when IRC ceased to be the subsidiary of the Company, the Company has charged IRC the Arrangement Fee which is equal to 1.75 per cent. per annum of the principal amount outstanding from time to time under the ICBC Facility, for the provision of the ICBC Guarantee. The Recourse Agreement permits the Company to charge interest on any accrued and outstanding Arrangement Fee amount. The Recourse Agreement also contains reporting obligations and customary covenants from the IRC Group which require the Company’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) for certain actions including the issuance, acquisition or disposal of securities, and entry into joint ventures.

June Bridge Loan

- 8.4 On 13 June 2018, the Company provided IRC with a four month bridging loan of a Rouble equivalent of US\$29.75 million for the purposes of financing the payment of the June 2018 instalment of the ICBC Facility to ICBC. The June Bridge Loan was made on normal commercial terms and was required to prevent default under the ICBC Facility by K&S as borrower and enforcement of the guarantee provided by the Company. Interest shall accrue on the principal amount of the June Bridge Loan at 12 per cent. per annum, and the June Bridge Loan plus interest was due to be repaid to the Company in one instalment on 20 October 2018. However, as announced on 19 October 2018 and 19 December 2018, the Company confirmed that it would not take any action against IRC or exercise its right to demand repayment of the June Bridge Loan on 20 October 2018 provided that:
- (a) all amounts owing under the June Bridge Loan are repaid by IRC to the Company in full by 21 March 2019. This repayment is to be made using the proceeds of the Gazprombank Facility;
 - (b) any interest under the June Bridge Loan which has accrued on or prior to 20 December 2018 was paid in full by 20 December 2018 and any interest accruing after 20 December 2018 is paid on the last day of each month prior to 21 March 2019 and on 21 March 2019; and
 - (c) the payment by IRC of a fee of the Rouble equivalent of US\$200,000 to the Company in consideration for the waiver of its rights under the June Bridge Loan.

December Bridge Loan

- 8.5 On 19 December 2018, the Company provided Ariti HK Limited with a bridging loan of a Rouble equivalent of US\$27 million for the purposes of financing the payment of the December 2018 instalment of the ICBC Facility to ICBC. The December Bridge Loan was made on similar terms to the June Bridge Loan, save that interest shall accrue on the principal amount of the December Bridge Loan at 16 per cent. per annum. Interest shall be payable by Ariti HK Limited on the last day of each calendar month. Full repayment of the principal under the December Bridge Loan is due on or before 21 March 2019 and this will be made using the proceeds of the Gazprombank Facility.

Proposed Guarantees

- 8.6 The Proposed Guarantees which are summarised in Part 2 (*Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees*) of this document.

Sponsor Agreement

- 8.7 On 15 February 2019, the Company and Peel Hunt LLP entered into a sponsor's agreement, pursuant to which the Company appointed Peel Hunt LLP as sponsor in connection with the publication of the Circular (the "**Sponsor's Agreement**"). Under the terms of Sponsor's Agreement, the Company has agreed to provide the Sponsor with certain customary indemnities, undertakings, representations and warranties. The indemnities provided by the Company indemnify the Sponsor and its associates against, *inter alia*, claims made against them or losses incurred by them in connection with the arrangements contemplated by the Circular and other relevant documents, subject to certain exceptions.

New Recourse Agreement

- 8.8 On 15 February 2019, the Company, IRC and K&S entered into a new recourse agreement (the "**New Recourse Agreement**"). Pursuant to the New Recourse Agreement, the Company has the right to inject new funds into the IRC Group by shareholder loan(s) up to a maximum amount equal to the amounts then outstanding under the Facility Agreements (less the amount of all previously advanced loans under the New Recourse Agreement) if the IRC Group is unable to make the scheduled payments or repayments under the Facility Agreements or certain financial covenant breaches will occur without such injection. Under the terms of the New Recourse Agreement, IRC has an obligation to pay to the Company a monthly fee to compensate the Company for its entry into the Proposed Guarantees (the "**Monthly Fee**"); the initial rate for the Monthly Fee shall be as suggested by the Company and, subject to its acceptance by the board of IRC or being confirmed by an independent expert as being on normal commercial terms and terms that are not unreasonable in all the circumstances (or, if not so confirmed, approved by the requisite majority of the shareholders

of IRC), shall be calculated as a per cent. per annum rate on the then maximum amount that may be payable by the Company pursuant the Proposed Guarantees. The first payment of the Monthly Fee will be 10 days after the date on which it is settled in accordance with the outlined terms of the New Recourse Agreement. K&S and IRC have also agreed pursuant to the New Recourse Agreement to reimburse the Company for certain legal and other expenses incurred in the negotiation and preparation of the New Recourse Agreement and the Proposed Guarantees. The New Recourse Agreement also contains reporting obligations and customary covenants from the IRC Group for the benefit of the Company and which, in certain cases, requires the Company's consent before certain corporate actions can be taken by members of the IRC Group including relating to the ownership of K&S by IRC, share issuances, the granting of security, the incurrence of debt, mergers and activities involving securities and assets. In addition, IRC has provided various undertakings including that it will:

- (a) use its reasonable endeavours to utilise both of the Facility Agreements and ensure that the relevant proceeds of the Gazprombank Facility are used to repay the ICBC Facility in full;
- (b) use all reasonable endeavours to ensure that each of the Corporate Guarantee Conditions are actioned, pursued and completed as soon as reasonably practicable;
- (c) not take any action, step or decision (or fail to take any action, step or decision) which does lead to, or might reasonably be expected to lead to, the occurrence of any Springing Recourse Event; and
- (d) seek the prior written consent from the Company before IRC and/or K&S agree to any amendment, modification, variation or formal waiver to any of the Finance Documents.

Relationship Agreement

- 8.9 On 30 July 2018, Fincraft Holdings Limited (“**Fincraft**”) and Mr Kenges Rakishev entered into a relationship agreement with the Company due to Fincraft's position as significant shareholder of the Company and Mr Rakishev being the sole beneficial owner of Fincraft. Under this relationship agreement Fincraft has the right to appoint a director to the board of the Company, which is currently Mr Bektas Mukazhanov. In addition Fincraft has provided certain undertakings including in respect of conducting transactions with the Company and exercising its right to vote.

9 NO SIGNIFICANT CHANGE IN THE FINANCIAL OR TRADING POSITION

Save as disclosed in the interim results published by the Company on 27 September 2018 and the third quarter trading update on 26 October 2018, there has been no significant change in the financial or trading position of the Group since 30 June 2018, the date to which the Company's interim results for the period ended 30 June 2018 were prepared.

10 WORKING CAPITAL

The Company is of the opinion that, having regard to available bank and other facilities available to the Group and the IRC Group, the Group has sufficient working capital available for its present requirements, that is, for at least the 12 months following the date of this document.

11 LITIGATION

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had during the 12 months preceding the date of this document a significant effect on the Company and/or the Group's financial position or profitability.

12 INFORMATION ON K&S

K&S was incorporated and registered in Russia on 2 August 2004 as a limited liability company with registered number 1047796563077 and with the name LLC Rubicon. K&S's name was changed to K&S in 2006. The registered office for K&S Prospekt 60-letija USSR, 22b, City of Birobidzhan, the Jewish Autonomous Region (JAO), 679 000, the Russian Federation. Yury Makarov is the sole director of K&S. The Company has a 31.1 per cent. interest in the issued share capital of IRC and K&S is a wholly owned subsidiary of IRC.

Material Contracts

In addition to the Bridge Loans, Facility Agreements and New Recourse Agreement, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by K&S during the two years preceding the date of this document and are or may be material or contain any provision under which K&S has an obligation or entitlement which is material as at the date of this document.

On 1 September 2016, K&S entered into a contract with Sovremennyye Gornyye Technologii LLC (“SGT”) for the provision of mining services. This contract accounts for 90 per cent. of all drilling and mining works at the K&S Mine and can be terminated by agreement between the parties with three months’ notice. Pursuant to the contract, SGT provides drilling, blasting, waste removal and ore mining services to K&S. SGT provides monthly invoices for services carried out in the previous month and the average amount paid by K&S to SGT over the first nine months of 2018 was approximately US\$2.3 million per month.

Litigation

Save as mentioned below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which K&S is aware) which may have or have had during the 12 months preceding the date of this document a significant effect on K&S’s financial position or profitability.

K&S owes CNEEC approximately US\$19 million as final payment for an engineering, construction and procurement contract. However, K&S and CNEEC have been in discussions in respect of a potential claim K&S has against CNEEC for the cost of the delay in the commissioning of the K&S Mine and rectification works carried out by K&S to remedy defects in the K&S Mine, in an amount which exceeds the amount owed by K&S to CNEEC. Previous discussions to settle such claim were not successful and the current terms of ICBC Facility prohibits IRC from initiating litigation against CNEEC. As such, IRC will liaise its legal advisers to analyse whether it should commence potential litigation for damages, penalties and costs settlement after the ICBC Facility has been repaid in full.

13 CONSENTS

Peel Hunt has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which the name appears.

14 CHECKLIST OF INFORMATION INCORPORATED BY REFERENCE

14.1 The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Listing Rules. No part of the 2016 Annual Report and Accounts or the 2017 Annual Report and Accounts is incorporated by reference herein except as expressly stated below:

Information incorporated by reference	This document	Page number(s)
The Company’s Remuneration Policy relating to the appointment of the Directors are set out in the Directors’ Remuneration Report on pages 117 to 123 of the 2017 Annual Report and Accounts	paragraph 6 of Part 3	58
Information on related party transactions in note 26 on pages 152 to 153 of the 2016 Annual Report and Accounts	paragraph 7 of Part 3	58
Information on related party transactions in note 16 on pages 181 to 182 of the 2017 Annual Report and Accounts	paragraph 7 of Part 3	58

Where only parts of a document are being incorporated by reference in this document, the parts of the document which are not being incorporated by reference are either not relevant for the investor or are covered elsewhere in this document.

- 14.2 The information referred to in paragraph 14.1 of Part 3 (*Additional Information*) of this document can be accessed by Shareholders at <http://www.Petropavlovsk.net/investors/>.
- 14.3 Information that is itself incorporated by reference or referred to or cross-referred to in the documents listed in paragraph 14.1 of Part 3 (*Additional Information*) of this document is not incorporated by reference into this document. Save as set out in paragraph 14.1 of Part 3 (*Additional Information*) of this document, no other sections of these documents are incorporated by reference into this document.

15 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection, during usual business hours on any Business Day at the offices of Bryan Cave Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA, from the date of this document up to and including the date of the General Meeting:

- (a) the memorandum and Articles;
- (b) the 2017 Annual Report and Accounts and 2016 Annual Report and Accounts;
- (c) the Facility Agreements;
- (d) the Proposed Guarantees;
- (e) the written consent referred to in paragraph 13 (*Consents*) of this Part 3 (*Additional Information*) of this document; and
- (f) this document.

PART 4

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

2016 Annual Report and Accounts	the annual report and accounts of the Company for the year ended 31 December 2016
2017 Annual Report and Accounts	the annual report and accounts of the Company for the year ended 31 December 2017
Approval Date	the date on which the Shareholders approve the Proposed Guarantees at the General Meeting
Additional Bridge Loan	the loan of approximately US\$20 million to be advanced by the Company to the IRC Group in the event that the Gazprombank Facility is not drawn down on or before 21 March 2019
Arrangement Fee	the fee payable by IRC to the Company pursuant to a recourse agreement dated 13 December 2010 made between the Company, IRC and K&S
Articles	the articles of association of the Company
Availability End Date	14 June 2019
Board	the board of Directors of the Company
Bridge Loans	the June Bridge Loan and December Bridge Loan
Business Day	a day (other than a Saturday, Sunday, public or bank holiday) on which banks are generally open for business in London
CNEEC	China National Electric Engineering Co., Ltd.
Company	Petropavlovsk PLC, a public limited company incorporated in England and Wales with registered number 04343841, whose registered office is at 11 Grosvenor Place, Belgravia London, SW1X 7HH
Company's Registrars	Link Market Services Limited (trading as Link Asset Services) a private limited company with registered number 02605568, whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Companies Act	the UK Companies Act 2006 as amended from time to time
Corporate Guarantee	a corporate guarantee to be provided by the Company pursuant to the Facility Agreements with a maximum liability for the Company of US\$120 million
Corporate Guarantee Conditions	the conditions set out in the Corporate Guarantee (and summarised in Part 2 (<i>Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees</i>) of this document) for the reduction of the Company's liability under the Corporate Guarantee
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear is the operator
CREST Manual	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	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual
December Bridge Loan	the bridge loan of a Rouble equivalent of US\$27 million provided by the Company to IRC on 19 December 2018
Director	a director of the Company

Disclosure Guidance and Transparency Rules or DTR	the disclosure guidance and transparency rules made by the FCA under section 73A of FSMA
DSRA	the debt service reserve account required to be maintained by K&S pursuant to the ICBC Facility
EBITDA	earnings before interest, tax, depreciation and amortisation
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Existing Bonds	the Group's US\$100,000,000 9 per cent. guaranteed convertible bonds due 2020 in issue at the date of this document
Existing Facilities	the Existing Bonds and the Existing Notes
Existing Notes	US\$500,000,000 8.125 per cent. guaranteed notes due 2022, issued by Petropavlovsk 2010 Limited and guaranteed by, amongst others, the Company
Facility Agreements	the facility agreements dated 18 December 2018 between K&S and Gazprombank in respect of the Gazprombank Facility, details of which are set out in paragraph 1 (<i>Facility Agreements</i>) of Part 2 (<i>Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees</i>) of this document.
FCA	the UK Financial Conduct Authority
FCA Handbook	the FCA's handbook of rules and guidance, as amended from time to time
Final Maturity Date	18 December 2026
Finance Documents	those documents listed in the Facility Agreements as finance documents
Fixed Term Guarantees	the four fixed term guarantees to be provided by the Company pursuant to the Facility Agreements, the first three with maximum liability of US\$40 million each and the final with maximum liability of US\$120 million
Form of Proxy	the form of proxy for use at the General Meeting which accompanies this document
FSMA	the Financial Services and Markets Act 2000
Gazprombank Facility	the US\$240,000,000 facility to be provided by Gazprombank to K&S pursuant to the Facility Agreements
General Meeting	the general meeting of the Company to be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN at 10.30 a.m. on 12 March 2019 (and any adjournment thereof) for the purposes of considering and, if thought fit, approving the Resolution
Group	the Company and its consolidated subsidiaries and subsidiary undertakings, excluding, unless otherwise stated, the IRC Group
ICBC	the Industrial and Commercial Bank of China Ltd.
ICBC Facility	the US\$340,000,000 facility between the Company (as guarantor), K&S (as borrower) and ICBC (as facility agent), dated 13 December 2010, and the guarantee given by the Company in relation thereto (as amended and restated)
ICBC Guarantee	the guarantee provided by the Company to ICBC in respect of K&S's obligations under the ICBC Facility
ICBC Waiver	letter dated 17 December 2018 from ICBC to the Company and K&S in respect of the waiver of certain obligations and financial covenants under the ICBC Facility
IRC	IRC Limited a company incorporated in Hong Kong with registered number 1464973

IRC Group	IRC and its consolidated subsidiaries and subsidiary undertakings
IRC Shares	ordinary shares of IRC
June Bridge Loan	the bridge loan of a Rouble equivalent of US\$29.75 million provided by the Company to IRC on 13 June 2018
Key Mining Assets	Pokrovskiy, Pioneer, Malomir and Albyn and their satellites
K&S	Kimkano-Sutarsky Mining and Beneficiation Plant LLC, a limited liability company established under the laws of the Russian Federation, OGRN 1047796563077, whose registered address is at Russian Federation, 679000, Jewish Autonomous Region, Birobidjan, Prospekt 60-Ietija of the USSR, 22b
K&S Mine	IRC's iron ore mining operation at Kimkano-Sutarsky and Beneficiation Plant
Latest Practicable Date	14 February 2019
Listing Rules	the listing rules made by the FCA under section 73A of FSMA
London Stock Exchange	the London Stock Exchange Group plc
Market Abuse Regulation	the Market Abuse Regulation (2014/596/EU)
Notice of General Meeting or Notice	the notice of the General Meeting contained in this document
Object	as described in paragraph 1.3 of Part 2 (<i>Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees</i>) of this document
Overseas Shareholder	a Shareholder who is a citizen, resident or national of any jurisdiction outside the United Kingdom
POX Hub	the pressure oxidation hub used as part of the Group's business
Principal Subsidiaries	JSC Pokrovskiy Rudnik, LLC Albynskiy Rudnik and LLC Malomirskiy Rudnik
Project	the development of the Sutara iron ore deposit with a projected production volume of approximately 10 million tonnes of raw ore per year
Proposed Guarantees	the Corporate Guarantee and Fixed Term Guarantees, details of which are set out in paragraph 2 of Part 2 (<i>Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees</i>) of this document, which were each entered into on 15 February 2019 and will become effective in accordance with their respective terms upon Shareholder approval being obtained at the General Meeting
Prospectus Rules	the rules for the purposes of Part IV FSMA in relation to the offers of securities to the public and the admission of securities to trading on a regulated market
Regulatory Information Service	a regulatory information service as defined in the FCA Handbook
Resolution	the ordinary resolution proposed at the General Meeting for Shareholder approval in respect of the Proposed Guarantees (and set out in the Notice of General Meeting)
Shareholder	a holder of Shares
Shareportal Service	the electronic submission service provided by the Company's Registrars at www.signalshares.com
Shares	ordinary shares of £0.01 each in the capital of the Company

Sponsor or Peel Hunt	Peel Hunt LLP a limited liability partnership incorporated in England and Wales with registered number OC357088, whose registered office is Moor House, 120 London Wall, London, United Kingdom, EC2Y 5ET
Sponsor's Agreement	the Sponsor's agreement dated 15 February 2019 between the Company and the Sponsor details of which are set out in paragraph 8.7 of Part 3 (<i>Additional Information</i>) of this document
Springing Recourse Event	an event which occurs in respect of the Company and/or K&S which triggers the acceleration of the commencement date of Fixed Term Guarantee B, Fixed Term Guarantee C and Fixed Term Guarantee D (assuming such commencement dates have not already passed) and as summarised in paragraph 2.5 of Part 2 (<i>Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees</i>) of this document
Technical Adviser	a technical adviser appointed by K&S for the purposes of the Facility Agreement and further described in paragraph 1.3 of Part 2 (<i>Summary of the Principal Terms of the Facility Agreements and Proposed Guarantees</i>) of this document
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
U.S. or United States	the United States of America (including all of the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction

For the purpose of this document, “**subsidiary**”, “**subsidiary undertaking**” and “**undertaking**” have the meanings given by the Companies Act.

All times referred to are London time unless otherwise stated.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Dated: 15 February 2019

PETROPAVLOVSK PLC

(Incorporated and registered in England and Wales with registered number 04343841)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of PETROPAVLOVSK PLC (the “**Company**”) will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN at 10.30 a.m. on 12 March 2019 for the purpose of considering and, if thought fit, passing the following Resolution as an ordinary resolution.

ORDINARY RESOLUTION

- 1 THAT** the Proposed Guarantees, on the terms described in the Circular to Shareholders dated 15 February 2019 (the “**Circular**”), of which this forms part, be and are hereby approved and that the Directors or any duly authorised committee of the Board be and are hereby authorised to: (a) waive, amend, vary or extend non-material terms of the Proposed Guarantees (as defined in the Circular); and (b) to do all things as they may consider in their sole discretion to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Proposed Guarantees and any matters incidental to the Proposed Guarantees.

By order of the board

Amanda Whalley ACIS
Company Secretary

PETROPAVLOVSK PLC

11 Grosvenor Place
Belgravia
London SW1X 7HH

15 February 2019

Notes:

Right to Attend General Meeting

- 1 Only members entitled to receive notice, or persons appointed as a proxy/corporate representative, are entitled to attend General Meetings and only those entitled to attend General Meetings will be admitted to the meeting without the prior approval of the Company.

Proxies: General

- 2 Every member entitled to attend and vote at a General Meeting has the right to appoint some other person(s) of their choice, who need not be a member, as his/her proxy to exercise all or any of his/her rights, to attend, speak and vote on their behalf 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. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.

Completion of Form of Proxy

- 3 A form of proxy is provided with this Notice. Completion and return of such a proxy, or electronic submission of the proxy using the Shareportal Service or appointment of a proxy through the CREST electronic proxy appointment service, will not prevent a member from attending the General Meeting and voting in person. Amended instructions must also be received by the Company's Registrars by the deadline for receipt of proxy forms.
- 4 If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy in the space provided on the enclosed form of proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
- 5 To appoint more than one proxy you may photocopy the enclosed form of proxy. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If you submit more than one valid proxy appointment in respect of the same share or shares, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was received last, none of the proxy appointments in respect of that share or shares shall be valid.
- 6 To be effective, the form of proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with the Company's Registrars, by post to: Link Asset Services, at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or by hand to: Link Asset Services (PXS), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours (excluding any part of a day that is Saturday, Sunday or a public holiday) before the time appointed for the General Meeting or any adjourned General Meeting.

Electronic Proxy Appointments

- 7 Alternatively, you may submit your form of proxy electronically using the Shareportal Service at www.signalshares.com where full details of the procedure are given. This website is operated by the Company's Registrars. Details of how CREST members may appoint proxies through the CREST electronic proxy appointment service are set out in paragraph 11 below.
- 8 To be effective, the electronic appointment of a proxy for the meeting and any power of attorney or other authority under which the proxy appointment is made must be received by the Company's Registrars not later than 10.30 a.m. on 8 March 2019 or not less than 48 hours (excluding any part of a day that is Saturday, Sunday or a public holiday) before the time appointed for the General Meeting or any adjourned General Meeting. 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 the Shareportal Service's conditions of use set out on the website, www.signalshares.com and may be read by logging on to that site. If you

want to appoint more than one proxy electronically please contact the Shareholder Helpline on 0871 664 0300 calls outside the UK need to dial +44 (0) 371 664 0300 (international). Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Link Asset Services is open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Nominated Persons

- 9 Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act (a “**Nominated Person**”) should note that the provisions in this Notice 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 should also remember that their main point of contact in relation to their investment in the Company remains the member who nominated them as a 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.

General Meeting Record Date

- 10 Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) (as amended) and for the purposes of section 360B of the Companies Act, the Company has specified that only those members registered on the register of members of the Company at close of business on 8 March 2019 or, if the meeting is adjourned, on the day which is two days prior to the time of the adjourned meeting, shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after close of business on 8 March 2019 shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.

CREST Proxy Appointments

- 11 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting (including for 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.
- 12 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, 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 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 Company's agent (ID number RA10) by the latest time(s) for receipt of proxy appointments, together with any power of attorney or other authority under which it is sent. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which Link Asset Services 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.

- 13 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear 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).
- 14 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). For further information relating to the CREST proxy system, please refer to the CREST Manual.

Corporate Representatives

- 15 A 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, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of those same shares, they vote those shares in the same way). To be able to attend and vote at the meeting, corporate representatives will be required to produce, prior to their entry to the meeting, evidence satisfactory to the Company of their appointment. Corporate shareholders can also appoint one or more proxies in accordance with the Notes above. Please note, however, that if multiple corporate representatives purport to vote the same shares in different ways, they will be treated as not having voted.

Questions at the General Meeting

- 16 Any shareholder attending the General 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 shareholder attending the General 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 General 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 of the Company or the good order of the General Meeting that the question be answered.

General

- 17 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the FCA. As a result, any member holding 3 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the FCA.
- 18 As at the close of business on 14 February 2019, being the latest practicable date before the publication of this document, the Company's issued capital consisted of 3,307,151,712 ordinary shares. The total voting rights in the Company as at 14 February 2019 are 3,307,151,712 ordinary shares.

- 19 The following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Bryan Cave Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA from the date of this document until the time of the General Meeting and at the General Meeting venue itself for at least 15 minutes prior to the start of the General Meeting until the end of the General Meeting:
- (a) the memorandum and Articles;
 - (b) the 2017 Annual Report and Accounts and the 2016 Annual Report and Accounts;
 - (c) the written consent of Peel Hunt for the inclusion in the Circular of references to its name in the form and context in which the name appears;
 - (d) the Facility Agreements (as defined in the Circular);
 - (e) the Proposed Guarantees (as defined in the Circular); and
 - (f) the Circular.
- 20 Unless otherwise stated, any telephone number, website and email address set out in this Notice, the form of proxy, or Chairman's letter should not be used to communicate with the Company (including the service of documents or information relating to the proceedings at the General Meeting).
- 21 A copy of this Notice and other information required by section 311A of the Companies Act 2006 can be found at <http://www.Petropavlovsk.net/>.

