



PRESS RELEASE

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19 June 2019

Petropavlovsk Plc

Up to U.S.\$125 million new convertible bond offering and concurrent repurchase of, and consent solicitation in relation to, any and all of the outstanding U.S.\$100 million Guaranteed Convertible Bonds due 2020 issued by Petropavlovsk 2010 Limited

Petropavlovsk Plc (the “**Company**”) today announces the launch of an offering (the “**Offering**”) of U.S.\$100 million of Guaranteed Convertible Bonds due 2024 (the “**Bonds**”) with an up to U.S.\$25 million increase option. The Bonds will be issued by Petropavlovsk 2010 Limited (the “**Issuer**”), a wholly-owned subsidiary of the Company incorporated in Jersey, and will be guaranteed by the Company. Concurrently with the issue of the Bonds, the Issuer is also launching an invitation to repurchase (the “**Repurchase**”) any and all of the outstanding U.S.\$100 million 9.00% convertible bonds due 2020 (ISIN: XS1201840326) issued by Petropavlovsk 2010 Limited and guaranteed by the Company (the “**Existing Bonds**”) together with a related consent solicitation pursuant to which the Issuer is requesting the holders of the Existing Bonds to approve certain modifications to the terms and conditions of the Existing Bonds to, *inter alia*, permit the Issuer to redeem in full any Existing Bonds remaining outstanding following completion of the Repurchase (the “**Consent Solicitation**”).

Convertible Bond Offering

The Bonds will have a principal amount of U.S.\$200,000. The Bonds will be issued at par and are expected to carry a coupon of between 8.00% and 8.50% per annum payable quarterly in arrear in equal instalments. Unless previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on the stated maturity date, which is expected to be on 3 July 2024.

The Bonds will, subject to certain conditions, be convertible into fully paid ordinary shares of the Company (the “**Shares**”) with the initial exchange price expected to be set at a premium in the range of 20 – 25% above the volume weighted average price of a Share on the London Stock Exchange from launch to the close of trading today, converted to U.S.\$ at the prevailing U.S.\$:GBP spot rate at the time of pricing. The exchange price of the Bonds will be subject to customary adjustment provisions as will be set out in the terms and conditions of the Bonds. Under the terms and conditions of the Bonds, the Company will have the right to elect to satisfy any conversion rights with Shares, cash or a combination thereof.

The Issuer will have the option to redeem all, but not some only, of the outstanding Bonds at par plus accrued interest at any time, if 80% or more of the aggregate principal amount of the Bonds originally issued shall have been previously converted or repurchased and cancelled.

The final terms of the Bonds are expected to be announced later today and, subject as provided below, settlement is expected to take place on or about 3 July 2019 (the “**Closing Date**”). Settlement will be conditional on either (i) tender instructions being received by holders of all of the outstanding Existing Bonds pursuant to the Repurchase or (ii) a written resolution approving the Consent Solicitation having been signed by or on behalf of holders of at least 75% in aggregate principal amount of the outstanding Existing Bonds (the “**Settlement Condition**”).

Application may be made for the admission to trading of the Bonds on the regulated market of the London Stock Exchange after the Closing Date and before the first Interest Payment Date. The prospectus prepared in connection with any such listing will not be available at any time on or before the Closing Date and will only be published upon the admission to trading of the Bonds.

If the Bonds are not admitted to trading on the regulated market of the London Stock Exchange before the first Interest Payment Date, application is expected to be made for the admission to trading of the Bonds on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange before the first Interest Payment Date.

The terms and conditions of the Bonds will include certain financial covenants, for example in relation to limitations on financial indebtedness and limitations on asset sales, as more fully described in the terms and conditions of the Bonds.

The Issuer, the Company and the Company's subsidiaries have agreed to a lock-up undertaking for a period from today to 90 days after the Closing Date, subject to customary exceptions.

Gazprombank, J.P. Morgan, Renaissance Capital and VTB Capital are acting as Joint Bookrunners in connection with the Offering.

The Bonds will be offered via an accelerated book building process through a private placement only to institutional investors outside the United States of America, Australia, Canada, South Africa and Japan.

Invitation to Repurchase Existing Bonds

Concurrently with the Offering, the Joint Bookrunners are assisting the Issuer with an invitation to holders of the Existing Bonds to sell their Existing Bonds for cash at the Repurchase Price (as defined below). As at the close of business on 18 June 2019, there was U.S.\$100 million in aggregate principal amount of the Existing Bonds outstanding.

Holders whose Existing Bonds are purchased by the Issuer pursuant to the Repurchase will be eligible to receive U.S.\$1,080 per U.S.\$1,000 in principal amount of the Existing Bonds (the "**Repurchase Price**"). The Issuer will also pay, in respect of Existing Bonds accepted for purchase pursuant to the Repurchase, a cash amount representing the accrued but unpaid interest ("**Accrued Interest**") on each U.S.\$1,000 in aggregate principal amount of Existing Bonds accepted for repurchase from and including 18 June 2019, being the immediately preceding interest payment date applicable to the Existing Bonds, to but excluding the settlement date for the Repurchase (the "**Repurchase Settlement Date**"). The Accrued Interest, based on an expected Repurchase Settlement Date of 3 July 2019 is expected to be U.S.\$3.75 per U.S.\$1,000 in aggregate principal amount of Existing Bonds.

The Repurchase is targeted at holders of the Existing Bonds that are able to participate in the Repurchase in compliance with applicable law and regulation (see "Important Notice in Relation to the Repurchase" below).

Each holder of Existing Bonds that offers to sell its Existing Bonds pursuant to the Repurchase will make certain representations and agreements, including an irrevocable undertaking to vote in favour of the Consent Solicitation, with the Issuer, the Company and the Joint Bookrunners as set out in the section titled "Deemed Representations and Undertakings by Holders of the Existing Bonds in Respect of the Repurchase" of the indicative term sheet relating to the Offering, the Repurchase and the Consent Solicitation dated as of today's date and which holders may request from the Joint Bookrunners by contacting them at the contact details set out below in "Enquiries".

In order to offer their Existing Bonds for purchase pursuant to the Repurchase, holders of the Existing Bonds are required to contact the Joint Bookrunners as soon as possible today.

The Issuer reserves the right (but shall have no obligation) to acquire, through open market purchases, privately negotiated transactions or otherwise, Existing Bonds other than pursuant to the Repurchase (i) at any time until settlement of the Repurchase at the same Repurchase Price and (ii) from time to time after settlement of the Repurchase at a price which may be more or less than the Repurchase Price and could be for cash or other consideration or otherwise on terms more or less favourable than those contemplated in the Repurchase.

Pursuant to the terms and conditions of the Existing Bonds, the Issuer may redeem all (but not some only) of the Existing Bonds at their principal amount, together with accrued interest to such date at any time if conversion rights and/or purchases (and corresponding cancellations) and/or redemptions of Existing Bonds shall have been effected in respect of 90% or more in aggregate principal amount of the Existing Bonds originally issued. If the Consent Solicitation is successful, the 90% threshold will be reduced to 75%.

The Issuer expressly reserves the right, in its sole discretion, subject to applicable law, at any time, to (i) extend the expiration deadline for the Repurchase and/or (ii) amend any other term of the Repurchase in any respect. The Issuer intends to cancel any Existing Bonds repurchased by it pursuant to the Repurchase.

Settlement of the Repurchase is conditional upon satisfaction of the Settlement Condition and settlement of the issue of the Bonds.

Consent Solicitation

Concurrently with the Repurchase, the Issuer is requesting the holders of the Existing Bonds to approve certain modifications to the terms and conditions of the Existing Bonds pursuant to the Consent Resolutions to, *inter alia*, permit the Issuer to redeem in full any Existing Bonds remaining outstanding following completion of Repurchase.

Holders of the Existing Bonds are being requested to approve the following modifications to the terms and conditions of the Existing Bonds (the “**Consent Resolutions**”):

- Removal of Condition 3(b) “*Limitation on Financial Indebtedness*” to permit the issue of the Bonds; and
- Amendment of the threshold under Condition 9(b)(ii) from 90% to 75% to permit the Issuer to redeem the Existing Bonds if less than 25% in aggregate principal amount of the Existing Bonds remains outstanding following completion of the Repurchase and amendment of the minimum notice period for redemption under Condition 9(b)(ii) from 30 days to 5 days

Holders may consent to the Consent Resolutions by submitting instructions through the Clearing Systems authorising a written resolution approving the Consent Resolutions to be signed on their behalf, as described in more detail in the Notice of Written Resolution distributed to holders on or about the date of this press release.

Use of Proceeds

The net proceeds from the issue of the Bonds (after satisfaction of amounts payable in relation to the Repurchase and any redemption of outstanding Existing Bonds at the option of the Issuer following the Repurchase) will be used by the Company to advance construction of a new flotation facility at the Company’s Pioneer mine. The project is expected to cost approximately U.S.\$25 million to U.S.\$30 million and will be comprised of two flotation lines resulting in a total annual processing capacity of 3.6 million tonnes, with commissioning taking place in Q4 2020. Once operational, Pioneer will supply refractory gold concentrate for processing into gold doré at the newly-commissioned Pressure Oxidation Hub on the site of the former Pokrovskiy mine. The construction of a new flotation plant at Pioneer is a significant step towards unlocking the value of refractory gold at Pioneer where 80% and 65%, respectively, of open-pit and underground reserves are refractory.

Important Information

This press release does not constitute or form part of any offer or solicitation to purchase or subscribe for or to sell securities and the Offering is not an offer to the public in any jurisdiction. This press release relates to the disclosure of information that qualified, or may have qualified, as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

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About Petropavlovsk

Petropavlovsk is one of Russia's major gold mining companies, both in terms of production and the size of its resources. With a strong track record of mine development, expansion and asset optimisation, the Company has entered a new era of growth following the successful commissioning and start-up of the Pokrovskiy Pressure Oxidation (POX) Hub. The Company is a leading employer and contributor to the development of the local economy in the Amur region, Russian Far East, where it has operated since 1994. The Company and its subsidiaries (together, the "**Group**") is vertically-integrated with expertise and operations across the mining lifecycle, and its in-house exploration team has a strong track record of identifying new targets and adding to the Group's resource base. Petropavlovsk is listed on the Main Market of the London Stock Exchange (POG:LN).

Important Notices

IMPORTANT NOTICE IN RELATION TO THE BONDS

NO ACTION HAS BEEN TAKEN BY THE ISSUER, THE COMPANY, THE JOINT BOOKRUNNERS OR ANY OF THEIR RESPECTIVE AFFILIATES THAT WOULD PERMIT AN OFFERING OF THE BONDS OR POSSESSION OR DISTRIBUTION OF THIS PRESS RELEASE OR ANY OFFERING OR PUBLICITY MATERIAL RELATING TO THE BONDS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. PERSONS INTO WHOSE POSSESSION THIS PRESS RELEASE COMES ARE REQUIRED BY THE ISSUER, THE COMPANY AND THE JOINT BOOKRUNNERS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

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THIS PRESS RELEASE AND THE OFFERING WHEN MADE ARE ONLY ADDRESSED TO, AND DIRECTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "**EEA**") AT PERSONS WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE ("**QUALIFIED INVESTORS**"). FOR THESE PURPOSES, THE EXPRESSION "**PROSPECTUS DIRECTIVE**" MEANS DIRECTIVE 2003/71/EC, AS AMENDED.

SOLELY FOR THE PURPOSES OF THE PRODUCT GOVERNANCE REQUIREMENTS CONTAINED WITHIN: (A) EU DIRECTIVE 2014/65/EU ON MARKETS IN FINANCIAL INSTRUMENTS, AS AMENDED (“**MIFID II**”); (B) ARTICLES 9 AND 10 OF COMMISSION DELEGATED DIRECTIVE (EU) 2017/593 SUPPLEMENTING MIFID II; AND (C) LOCAL IMPLEMENTING MEASURES (TOGETHER, THE “**MIFID II PRODUCT GOVERNANCE REQUIREMENTS**”), AND DISCLAIMING ALL AND ANY LIABILITY, WHETHER ARISING IN TORT, CONTRACT OR OTHERWISE, WHICH ANY “MANUFACTURER” (FOR THE PURPOSES OF THE MIFID II PRODUCT GOVERNANCE REQUIREMENTS) MAY OTHERWISE HAVE WITH RESPECT THERETO, THE BONDS HAVE BEEN SUBJECT TO A PRODUCT APPROVAL PROCESS, WHICH HAS DETERMINED THAT: (I) THE TARGET MARKET FOR THE BONDS IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN MIFID II; AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE BONDS TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (A “**DISTRIBUTOR**”) SHOULD TAKE INTO CONSIDERATION THE MANUFACTURERS’ TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS (BY EITHER ADOPTING OR REFINING THE MANUFACTURERS’ TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

THE TARGET MARKET ASSESSMENT IS WITHOUT PREJUDICE TO THE REQUIREMENTS OF ANY CONTRACTUAL OR LEGAL SELLING RESTRICTIONS IN RELATION TO ANY OFFERING OF THE BONDS.

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THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014, AS AMENDED (THE “**PRIIPS REGULATION**”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

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THE JOINT BOOKRUNNERS ARE ACTING ON BEHALF OF THE ISSUER AND THE COMPANY AND NO ONE ELSE IN CONNECTION WITH THE BONDS AND WILL NOT BE RESPONSIBLE TO ANY OTHER PERSON FOR PROVIDING THE PROTECTIONS AFFORDED TO CLIENTS OF THE JOINT BOOKRUNNERS OR FOR PROVIDING ADVICE IN RELATION TO THE SECURITIES.

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ITALY

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EACH INTERMEDIARY MUST COMPLY WITH THE APPLICABLE LAWS AND REGULATIONS CONCERNING INFORMATION DUTIES VIS-À-VIS ITS CLIENTS IN CONNECTION WITH THE EXISTING BONDS OR THE REPURCHASE.

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