



PETROPAVLOVSK

## PRESS RELEASE

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20 June 2019

**Petropavlovsk Plc**

**Placement of U.S.\$125 million new convertible bonds and results of concurrent repurchase of outstanding U.S.\$100 million Guaranteed Convertible Bonds due 2020 issued by Petropavlovsk 2010 Limited**

Petropavlovsk Plc (the “**Company**”) today announces the placement of U.S.\$125 million of Guaranteed Convertible Bonds due 2024 (the “**Bonds**”) to be issued by Petropavlovsk 2010 Limited (the “**Issuer**”). The U.S.\$25 million increase option has been exercised in full. Concurrently with the issue of the Bonds, the Issuer also concluded the previously announced 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 the Issuer and guaranteed by the Company (the “**Existing Bonds**”), which was launched together with a related consent solicitation pursuant to which the Issuer has requested 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**”).

**CEO Dr Pavel Maslovskiy said:**

*“I am pleased to report that our new convertible bond offering has been met with strong interest by the market, resulting in a significantly oversubscribed book of demand from a range of investors, which I believe highlights the attractiveness of the Petropavlovsk investment case.*”

*The new U.S.\$125 million convertible bond enables Petropavlovsk to maintain an optimal capital structure by refinancing the existing short-term U.S.\$100m convertible bond with a coupon of 9%, using a long-dated instrument and at a lower cost.*

*The net proceeds from the issue of the bonds, after the buyback and any additional redemptions of the outstanding convertible bond have been completed, will be used to advance construction of a new flotation facility at the Pioneer mine, enabling us to grow our production by unlocking the value embedded in our refractory reserves via the Pressure Oxidation (POX) Hub.”*

**Convertible Bond Offering**

The Bonds will have a principal amount of U.S.\$200,000. The Bonds will be issued at par and will carry a coupon of 8.25% 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 an initial exchange price of U.S.\$0.1350, set at a premium of 22.5% above the volume weighted average price of a Share on the London Stock Exchange from launch to the close of trading on 19 June 2019, converted to U.S.\$ at the prevailing U.S.\$:GBP spot rate of 1:0.7916. 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.

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 acted as Joint Bookrunners.

### **Invitation to Repurchase Existing Bonds**

Concurrently with the placement of the Bonds, the Joint Bookrunners have assisted 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). At the close of the reverse bookbuilding process, the Issuer had received indications of interest from holders of the Existing Bonds representing approximately U.S.\$78 million in aggregate principal amount of the Existing Bonds (approximately 78% of the aggregate principal amount outstanding). The Issuer has decided to accept all such Existing Bonds offered for repurchase, subject to the Settlement Condition and settlement of the issue of the Bonds.

Holders whose Existing Bonds have been accepted for purchase 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 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 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 has requested 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 have been 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 19 June 2019.

### **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**

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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

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