PETROPAVLOVSK

PRESS RELEASE

21 July 2015

2015 Half-Year Trading Update

Petropavlovsk PLC ("Petropavlovsk", the "Company" or, together with its subsidiaries, the "Group") today issues its Trading Update for the period from 1 January 2015 to 30 June 2015 ("the Period" or "H1 2015") in advance of its 2015 Half-Year Results, which are expected to be published on 27 August 2015.

Peter Hambro, Chairman of Petropavlovsk, said:
"During the period, we maintained our focus on increasing efficiencies, controlling costs and maximising positive cash flows. In the lower gold price environment we are aiming to maximise cost benefits. Crucially, the recent volatility in the price of gold highlights the value of our increased production flexibility."

H1 2015 Highlights and FY 2015 Outlook

- **Costs**
    - Significant decrease of preliminary Total Cash Costs ("TCC") in Q2 at Pioneer and Albyn - two major producing entities of the Group
        - Pioneer TCC of c.US$550/oz when processing 1.1g/t vs c.US$650/oz in Q1 (a reduction of c.15%)
        - Albyn TCC of c.US$600/oz when processing 1.2g/t vs. c.US$950/oz in Q1 (a reduction of c.37%)

- **Net Debt**
    - c.US$234 million reduction in net debt (preliminary) as at 30 June 2015 to c.US$696 million (preliminary unaudited) compared with c.US$930 million audited net debt as at 31 December 2014
    - Reiterated 2015 year-end net debt guidance of c.US$600 million
    - Reiterated net debt:EBITDA ratio target of 1.5:1, though production plan provides sufficient cash flows for a scheduled senior bank debt repayment by the middle of 2018 and repayment of US$100 million Convertible Bonds in 2020
    - The Company is trading comfortably within bank covenants

- **Production**
    - H1 2015 total gold production of 240.2koz, in line with guidance
    - Increase in high-grade ores reserves accessible for open-pit extraction in 2015/16 at Andreevskaya (Pioneer)
    - Petropavlovsk maintains capacity to achieve FY production of c.680koz but will maintain flexibility in output in order to minimize operational expenses and maximise cash flow in low gold price environment
    - Tactical decision on absolute levels of production will be taken during the next six months to achieve the optimal cash flow generation and net debt repayment by potential exclusion from production of marginal ounces from Malomir and Albyn

- **Gold sales and hedging**
    - Physical volumes of gold sold of 229.7koz
    - Average realised gold price of US$1,221/oz
    - Positive effect of US$11/oz from the Group's hedging position
    - As at 30 June 2015, the Group had outstanding hedging contracts for 75.0koz of gold at an average price of US$1,201/oz

- **Capital expenditure (“Capex”)**
  - The Group reiterates full year target of US$35 million in total Capex

- **Exploration**
  - New deep drill holes at Pioneer confirmed the continuation of high-grade gold mineralization to depth. Group continues to assess plans for underground mining
  - Further promising exploration results from non-refractory mineralisation located near the ore processing plants at Pioneer, Pokrovskiy and Albyn

FY 2015 Outlook

- The Group issues improved TCC cost guidance of c.US$600/oz, down from US$700/oz previously, due to continuing success of efficiency programme and revised production schedule
- Reiterates 2015 year-end net debt guidance of c.US$600 million, due to strong anticipated cash flows in H2
- The Company reiterates FY production capacity of 680koz but stresses that this may not be optimal from a cash generation point of view

- **IRC**
  - Prospectus issued for fully underwritten rights issue of HK$408 million on the basis of 4 offer shares for every 15 held. Petropavlovsk has undertaken not to apply and its holding will be decreased to 35.83%

Gold production, *’000oz*

	Q2 2015	Q2 2014	**H1 2015**	H1 2014
Pioneer	**55.2**	58.9	**99.1**	124.3
Pokrovskiy	**14.1**	16.1	**26.8**	30.3
Malomir	**16.1**	16.3	**32.6**	46.8
Albyn	**42.1**	48.2	**81.7**	97.3
Alluvial operations	**n/a**	7.7	**n/a**	7.7
Total	**127.5**	147.2	**240.2**	306.4

Commenting on the announcement, Pavel Maslovskiy, CEO, said:

"In the first half of 2015, in accordance with the strategy adopted by our Company to take account of the lower gold price environment, our continuing focus has been on increasing operational efficiencies, optimising working capital and controlling capital expenditure. Our aim has been to ensure that all of the Company's mines would continue to generate stable, positive, free cash-flows to decrease debt further.

Our strategy has been and remains to concentrate on the gross margin in order to maximize our NPV, via effective management of production and tight control of administrative and other expenses.

The success of the optimisation programme, initiated in 2013, is evident from the positive results achieved by the Group in H1 2015. At our flagship mine, Pioneer, which accounts for approximately half of the Group's gold production, we achieved preliminary TCC of c.US$550/oz in Q2 2015, c.US$100/oz reduction on the figure for Q1 2015. This decrease was achieved without compromising ore volumes or grades, through a combination of increased mining and processing efficiency, cost optimisation and Rouble devaluation. This achievement looks even more impressive when compared to the same period in 2014.

The team also achieved impressive results at Albyn, another of our mines that will be key to our production outlook over the next ten years. Without compromising volumes and grades of processed material, a 37% reduction in costs in Q2 2015 was achieved, compared with Q1 2015, thanks to the optimisation of mining schedules.

This dramatic decline in costs at Albyn was partly achieved by revision of the production plan for the mine. The original plan envisaged the simultaneous processing of a blend of ore both from the flanks of the Unglichikan deposit and the main Albyn deposit.

However, analysis of Albyn's performance during Q1 2015 showed that it would be more effective to process these ores separately in the Albyn plant, in order to achieve optimal gold recovery rates from the Unglichikan ore. Accordingly, processing of Unglichikan ores through the Albyn plant has been deferred for several years, until the ores from the main Albyn deposit have been depleted.

Although this approach will decrease the amount of gold produced in the earlier years, it maximises free cash-flow generation and prolongs the life of the mine.

Production costs are not the only performance indicator which the Company is scrutinizing in calculating the effectiveness of its operations.

Optimal processing parameters and the effective use of mining equipment (both of which have an impact on the quantities of spare parts required), administrative expenses and flexibility of capital expenditure requirements all support a decrease in the Company's outgoings and secure its financial stability and these are taken into account when preparing our production plans.

At Malomir, such an integrated approach to the creation of an optimal mining plan was decisive in demonstrating to us the need to reschedule the processing of a part of the mine's reserves to another year.

The original 2015 production plan for Malomir envisaged the processing of oxidised ore from the main pit and some flanks of the deposit. Analysis of the mine's performance in Q1 2015 indicated that this plan was not optimal, as it was contributing to increased operating expenditure and shortening the life of mining equipment. As a result, it was increasing production costs and decreasing net cash flow.

A revision of the development plan for this deposit has included delaying the processing of some mineral reserves to later years, facilitating a decrease in capital expenditure and increasing profitability.

This ongoing optimisation programme is designed to enable the Company to deliver its projected levels of profitability and cash flow with lower overall production volumes, enabling Petropavlovsk to preserve a greater proportion of its reserves in the current lower gold price environment.

Our original 2015 plan envisaged total cash costs for all of the Company's mines at below US$700/oz. Following the optimisation programme, we are expecting this indicator to decrease to c.US$600/oz. Though the new plan envisages a potential decrease in 2015 production output, the lower costs and increased profitability enable us to reiterate our guidance for EBITDA and cash flow and a planned reduction in net debt to US$600m by year-end.

We should not forget that, in the second half of the year, gold production will, as usual, be significantly higher than in the first. In essence, this will be achieved by a healthy increase in production from Pioneer, the most profitable of the Company's mines.

Looking further ahead, the continuing promising results from our exploration programme, the structural reduction in our cost base and our favourable position on the gold production cost curve give us increased confidence in the future of the Company and our ultimate aim of restoring shareholder value."

Conference call details
There will be a conference call today to discuss the announcement at **10.30 BST**.*
To access the call, please dial **+44(0)20 3139 4830**. When prompted, please enter the pin code **12546870#** to be transferred to the call.

* *The conference calls may include information relating to the shares and convertible bonds*

Operations Report

Pioneer

Pioneer mining operations					
	Units	**Q2 2015**	Q2 2014	**H1 2015**	H1 2014
Total material moved	*m3 '000*	**6,623**	7,493	**12,868**	13,120
Ore mined	*t '000*	**1,376**	1,998	**3,146**	3,240
Average grade	*g/t*	**1.1**	1.2	**1.05**	1.5
Gold content	*oz. '000*	**49.8**	74.3	**106.6**	153.2
Pioneer processing operations					
Resin-in-pulp (RIP) plant					
Total milled	*t '000*	**1,740**	1,705	**3,392**	3,152
Average grade	*g/t*	**1.1**	1.3	**1.1**	1.5
Gold content	*oz. '000*	**64**	72.3	**118.5**	152.3
Recovery	*%*	**84**	78	**82**	80
Gold recovered	*oz. '000*	**53.6**	56.6	**97.6**	122
Heap leach operations					
Total stacked	*t '000*	**371**	354	**371**	354
Average grade	*g/t*	**0.6**	0.6	**0.6**	0.6
Gold content	*oz. '000*	**7.2**	6.9	**7.2**	6.9
Recovery	*%*	**22**	34	**22**	34
Gold recovered	*oz. '000*	**1.6**	2.3	**1.6**	2.3
Total gold recovered	*oz. '000*	**55.2**	58.9	**99.1**	124.3

The results of analyses of data from grade control and additional core drilling carried out on the north-east part of Andreevskaya zone have demonstrated that the high-grade orebody, which was previously mined by the Group, is not only open in depth, but also is stretching horizontally along the strike into the wall of the existing pit and plunging towards a south-east direction.

These results have led us to review our plans for the development of this pit as we have been able to increase, and keep increasing the high-grade ores reserves, accessible for open-pit extraction in 2015/16.

The availability of new high-grade reserves for 2015-2016 mining schedules has given the Group the ability to constantly review its mine planning, not only at Pioneer, but at the Malomir and Albyn mines, optimising cash costs, sustaining capital expenditure and efficiency of usage of fleet and machinery.

In practice, it means that the main task of the Group - maximising cash flows - can be achieved not only via an increase in absolute production levels, but also through the minimisation of operational expenses and sustaining capital expenditure, taking into account the schedule of preparation of the reserves for extraction in 2016 and further years.

The new high-grade reserves enable the Group to vary the production levels at Pioneer in H2 2015 from a two to three fold increase compared with the first half of the year and a tactical decision on absolute levels of production will be taken during the next six months to achieve the targeted cash flow generation and net debt repayment.

In line with this decision, large-scale expansion of the Andreevskaya pit was carried out in H1 2015, moving c.4.5 million meters^3 of material from its north-east part in order to expose high-grade reserves for extraction in the third and fourth quarters of 2015. In addition, the planned expansion of the central part of the pit was carried out in order to prepare the reserves of rich ores for extraction in Q4 2015.

In H1 2015, the main sources of feed for the plant were average grade ores from Alexandra and Vostochnaya, with some additions from the high-grade ore zones, NE Bakhmut and Nikolaevskaya.

The heap-leach operation commenced in Q2 and will continue until the end of Q3. Low-grade ore from stockpile 8, pit 7 and Alexandra (less than 0.8g/t) is being used to feed the heap leach.

Head grades through the Pioneer plant averaged 1.1g/t in H1 and this is expected to rise significantly in H2. Plant recovery in H1 was 82%, in line with the plan.

Pokrovskiy

Pokrovskiy mining operations

	Units	**Q2 2015**	Q2 2014	**H1 2015**	H1 2014
Total material moved	*m3 '000*	**1,378**	1,380	**2,660**	2,139
Ore mined	*t '000*	**101**	212	**294**	240
Average grade	*g/t*	**1.2**	1.2	**1.6**	1.9
Gold content	*oz. '000*	**3.9**	8	**15.2**	14.7
Pokrovskiy processing operations					
Resin-in-pulp (RIP) plant					
Total milled	*t '000*	**418**	466	**866**	912
Average grade	*g/t*	**1**	1.1	**1.1**	1.1
Gold content	*oz. '000*	**13.8**	16.1	**31**	32.7
Recovery	*%*	**91**	85	**82**	86
Gold recovered	*oz. '000*	**12.6**	13.7	**25.4**	27.9
Heap leach operations					
Total stacked	*t '000*	**246**	239	**246**	239
Average grade	*g/t*	**0.5**	0.6	**0.5**	0.6
Gold content	*oz. '000*	**4.2**	4.3	**4.2**	4.3
Recovery	*%*	**34**	55	**34**	55
Gold recovered	*oz. '000*	**1.4**	2.4	**1.4**	2.4
Total gold recovered	*oz. '000*	**14**	16.1	**26.8**	30.3

The expansion to the upper benches of the north-western part of the Pokrovka-1 pit continued throughout H1 2015 and this was the source for the medium-grade ore. This work will continue throughout H2. In H1 2015, a small amount of ore came from an extension to the northern pit wall at Pokrovka-3 and low-grade ore was fed to the processing plant from existing stockpiles.

At Pokrovskiy, the positive news is the discovery of higher-grade ores (c.2g/t) at the horizons of the Pokrovka 3 pit. These ores are being prepared for treatment in Q3 2015.

In Q12015, high-grade ore for processing through the Pokrovskiy plant was sourced from the Burinda satellite pit and this was completed in March. Mining of medium-grade ore recommenced at the Zeltunak satellite pit in April and will continue through H2.

Head grades through the Pokrovskiy plant averaged 1.1g/t in H1 and are expected to remain constant in H2.

Malomir

Malomir mining operations

	Units	Q2 2015	Q2 2014	H1 2015	H1 2014
Total material moved	*m3 '000*	**2,665**	2,006	**4,483**	3,876
Ore mined	*t '000*	**595**	615	**1,038**	1,154
Average grade	*g/t*	**1.1**	1	**1.1**	1.4
Gold content	*oz. '000*	**20.7**	19.5	**36.6**	52.5
Malomir processing operations					
Resin-in-pulp (RIP) plant					
Total milled	*t '000*	**737**	739	**1,451**	1,416
Average grade	*g/t*	**1**	1	**1**	1.4
Gold content	*oz. '000*	**24.3**	23.8	**47.7**	64.4
Recovery	*%*	**66.3**	69	**68**	73
Gold recovered	*oz. '000*	**16.1**	16.3	**32.6**	46.8
Total gold recovered	*oz. '000*	**16.1**	16.3	**32.6**	46.8

Although the vast majority of non-refractory reserves and resources at the Malomir mine are confined within the Quartzitovoye and Magnetitovoye deposits, during H1 2015 mining was also carried out at some of the mine's smaller ore zones, namely Osennaya, Bazoviy, Sukhanir and Ozhidaemoye.

Originally this mine plan was justified by the fact that the best quality Magnetitovoye reserves in terms of continuity, grade and thickness are located at a substantial depth under a thick barren sill. In H1 2015, mainly stripping was carried out at Magnetitovoye by a contractor resulting also in some small quantities of ore being produced from this pit.

Mining from a number of small pits located at substantial distances from the plant resulted in an increase in operating expenses and sustaining capital costs in relation to the mining fleetand an increase in the mine's overall gold output.

New data from the Pioneer mine has given the Group the flexibility to revise Malomir's plan for H2 2015. In order to optimise operating and sustaining capital costs and also to increase the efficiency of usage of the mining fleet, production at Malomir in H2 2015 will be limited to the Quartzitovoye 2 and Magnetitovoye pits. Total H2 2015 production from Malomir is expected to remain the same or slightly exceed the H1 output.

Albyn

Albyn mining operations					
	Units	**Q2 2015**	Q2 2014	**H1 2015**	H1 2014
Total material moved	*m3 '000*	**8,778**	7,569	**18,729**	13,972
Ore mined	*t '000*	**1,344**	1,125	**2,557**	2,152
Average grade	*g/t*	**1.2**	1.4	**1.2**	1.4
Gold content	*oz. '000*	**52.5**	50.2	**98.9**	98.6
Albyn processing operations					
Resin-in-pulp (RIP) plant					
Total milled	*t '000*	**1,105**	1,151	**2,274**	2,300
Average grade	*g/t*	**1.2**	1.4	**1.2**	1.4
Gold content	*oz. '000*	**43.6**	50.9	**88.5**	102.1
Recovery	*%*	**91**	95	**92**	95
Gold recovered	*oz. '000*	**39.6**	48.2	**81.7**	97.3
Total gold recovered	*oz. '000*	**39.6**	48.2	**81.7**	97.3

In H1 2015, mining was mainly concentrated in the Central pit with some stripping taking place in the East Pit.

In Q1 2015, the Albyn plant treated a blend of ore from the main Albyn deposit and from the nearby Unglichikan deposit, the latter containing some higher-grade ore. However, technical and economic analysis of the results of the treatment of this blend indicated that this approach was not optimal, despite leading to an increase in gold output. When blended with the ore from the main Albyn deposit, the recovery rate from the Unglichikan ore was c.70% however technical work has indicated that the separate treatment of Unglichikan ore should result in recovery rates of more than 90%.

It was discovered that Unglichikan ores need different technological parameters to provide optimal recovery rates. These parameters include: the finest of the grind, the leaching time and, potentially, some flow sheet adjustments, which, though not very expensive, would require considerable time to be undertaken.

It is also evident that, in order to avoid dilution, the mining of ore from Unglichikan requires a special approach. Such an approach, although very well known in global practice, has not been used by the Group before, thus personnel would need training and significant managerial time would be required.

In addition, in order to cut the cost of transporting large volumes of ore from the Unglichikan deposit to the Albyn plant, the quality of some 13km of roads would need to be improved.

Furthermore, the deposit has very strong potential to increase its reserves and resources. This could affect its mining schedule.

Taking into account all of the above factors, it was decided to postpone the treatment of Unglichikan ores at the Albyn plant. This substantially improved operational costs at the mine.

Ores from Afanasevskaya, a new satellite pit which is at an advanced stage of development, are expected to be tested at the Albyn plant in H2 2015.

Forecast gold production for Albyn in H2 2015 is expected to be slightly higher than in H1.

Project Development

Underground mining at Pioneer

Following the earlier strategic decision to develop mineral resources and ore reserves suitable for underground mining, deep drill holes completed during H1 2015 successfully confirmed the anticipated continuation of Pioneer high-grade mineralization to the depth of 100 to 240m below the open pits.

Resources potentially suitable for underground mining have been identified at Pioneer's Bakhmut and Andreevskaya trends. At the Bakhmut trend, there are 3 proven pay shoots: one under North East Bakhmut pit 6.3 (mined from open pit to a depth of 230m), pay shoot No 1 at the Bakhmut Zone itself and another high -rade shoot at the Pormezhutochnaya Zone.

At NE Bakhmut pit 6.3, high-grade mineralisation remained at the bottom of the pit with the strike length of 60m and a thickness of 15m at an average grade of 25.0g/t. It was traced 125m down below the existing pit to elevation of -50m by 12 drill holes. The best intersections from this area include 19.8m at 7.92g/t and 9.4m at 86.26g/t. The high-grade mineralization is open in a down dip direction, continued drilling is expected to extend known high-grade mineralisation further down.

Pay shoot No 1 (Bakhmut) was intersected by 11 drill holes and traced to the elevation of +40 some 160m below the existing pit. The thickness of drill intersections varies between 5.2 and 22.4m at a grade between 2.0 and 19.46g/t. Pay shoot strike length is up to 70m and, similar to the NE Bakhmut pay shoot, it is open in depth.

The Promezhutochnaya pay shoot is also located within the Bakhmut trend, close to conjunction with Yuzhnaya zone. It is not as well explored as the first two pay shoots; nonetheless, it has been intersected by drilling c.240m below the existing open pit with an intersection width of 1.5m at 47.8g/t.

At Andreevskaya, which has been a source of exceptionally high-grade ore, Group geologists identified 3 pay shoots which warrant further exploration. The Andreevskaya East shoot has been explored by 20*20m drilling (40 drill holes) to an elevation of -10m some 130m below the planned open pit. The main high-grade zone has a thickness between 1.5 and 4.8m with the grade varying between 34.7 and 90.6g/t. A secondary smaller zone, which is believed to be an apophysis to the main zone, has a thickness between 1.1 and 2.8m with intersection grade varying between 12.35 and 20.5g/t. Both zones are surrounded by a lower-grade halo with thickness of 2.0-2.5m and grades of 1.86-4.38g/t. The exploration results are being evaluated by Group specialists and expected to be included in the next JORC mineral resource update. At least two higher grade shoots are anticipated at Andreevskaya central and western sections. These require further drilling to be confirmed which is budgeted for H2 2015 and 2016.

Outlook for FY 2015

The Company reiterates FY production capacity of 680koz but stresses that this may not be optimal from a cash generation point of view.

Due to the introduction of this optimization process and the Rouble devaluation, the Company decreases its guidance for Total Cash Costs of production from below US$700/oz to c.US$600/oz

The Company reiterates its 2015 year-end Net Debt guidance to c.US$600 million.

IRC Limited (IRC)

IRC is a producer and developer of industrial commodities with its shares quoted on the Hong Kong Stock Exchange (Stock Code 1029).

On 29 June 2015, IRC announced that it proposes to raise approximately HK$408 million (approximately US$52.6 million (before expenses) by way of an Open Offer involving the issue of 1,295,976,080 Offer Shares at the Subscription Price of HK$0.315 per Offer Share on the basis of 4 Offer Shares for every 15 Shares in issue held on the Record Date and payable in full on application.

On 17 July 2015, IRC published a prospectus in relation to its open offer on the basis of 4 offer shares for every 15 shares held on the record date at the subscription price of HK$0.315 per offer share ("the Prospectus"). The Prospectus is available to view on the website of IRC, www.ircgroup.com.hk.

As a result Petropavlovsk share will be diluted to 35.83%.

On 17 July 2015, IRC issued its Q2 trading update for the three months ended 30 June 2015. The following additional highlights were reported:

- Second quarter and first half production at Kuranakh significantly exceed annualised target
- K&S has started cold commissioning, with hot commissioning in the second half of 2015, whilst reaching full capacity in the fourth quarter and thereafter
- As advised by the IRC contractor, K&S project is on track to produce c.500,000 tonnes of iron ore during the calendar year

The full text of IRC's announcements and further information may be obtained from the IRC website, www.ircgroup.com.hk

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Note: Figures throughout this release may not add up due to rounding.

Forward-looking statements

This release may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this release and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations of the industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this release. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this release, those developments may not be indicative of developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, currency fluctuations (including the US dollar and Rouble), the Group's ability to recover its reserves or develop new reserves, changes in its business strategy, political and economic uncertainty. Save as required by the Listing and Disclosure and Transparency Rules, the Company is under no obligation to update the information contained in this release.

Past performance cannot be relied on as a guide to future performance.

The content of websites referred to in this announcement does not form part of this announcement.