



## PRESS RELEASE

18 July 2017

Petropavlovsk PLC

### 2017 Half Year Trading Update

Petropavlovsk PLC (“Petropavlovsk”, or the “Company” and, together with its subsidiaries, the “Group”) today issues its Trading Update for the period from 1 January 2017 through 30 June 2017 (“the Period” or “H1 2017”) in advance of its 2017 Half-Year Interim Results, which are expected to be published in the week commencing 11 September 2017.

#### H1 2017 Highlights and FY 2017 Outlook

##### Production

- 19% yoy increase in H1 total gold production – c.232,400oz vs c.195,600oz in H1 2016
- Production forecast for full year production of c.420,000 – 460,000oz reconfirmed
- From the beginning of 2017, the Company moved to using gold poured as the definition for production.

##### Gold Sales

- 19% yoy increase in physical volumes of gold sold – c.231,800oz vs H1 2016 c.195,400oz
- 5% increase in average realised gold price – US\$1,255/oz, vs H1 2016 US\$1,194/oz
- As at 30 June 2017, the Group had outstanding hedging contracts for 500koz of gold at an average price of US\$1,252/oz

##### Net Debt

- 5% reduction in net debt as at 30 June 2017 - c.US\$570m (preliminary unaudited) from US\$599m as at 31 December 2016

#### Gold production – Dore (incl. GIC movement), '000oz

	Q2 2017	Q2 2016	H1 2017	H1 2016
Pioneer	47.9	34.7	96.4	71.0
Pokrovskiy	8.4	9.1	14.2	17.2
Malomir	12.3	12.2	28.7	24.8
Albyn	45.7	38.8	93.1	82.6
<b>Total</b>	<b>114.3</b>	<b>94.8</b>	<b>232.4</b>	<b>195.6</b>

**Note:** From the beginning of 2017, the Company moved to using gold poured as the definition for production.

#### Commenting on the announcement, Non-Executive Chairman Ian Ashby said:

“The increase in production in first half was due to operational efficiencies. The operations are currently progressing in line with the Company’s plan.

The wide range in the production forecast for the full year reflects the Company's conservative approach to the development of underground mines at Pioneer and Malomir.

The development of the POX plant is currently progressing on schedule and on budget. Further exploration of new discoveries made in the last year continues.

The Board's current focus is on the timely delivery of the Company's stated objectives: development of the POX Hub; the commissioning of underground mining operations; and the optimisation of the Company's capital structure.

A more detailed update on the Group's operational progress and outlook will be included in the interim results announcement."

## Operations Report Pioneer

### Pioneer mining operations

	<i>Units</i>	<b>Q2 2017</b>	Q2 2016	<b>H1 2017</b>	H1 2016
Total material moved	<i>m3 '000</i>	<b>3,812</b>	4,754	<b>7,206</b>	9,597
Ore mined	<i>t '000</i>	<b>1,895</b>	788	<b>2,935</b>	1,656
Average grade	<i>g/t</i>	<b>0.78</b>	1.05	<b>0.90</b>	0.94
Gold content	<i>oz. '000</i>	<b>47.5</b>	26.5	<b>85.1</b>	49.9

### Pioneer processing operations

Resin-in-pulp (RIP) plant					
Total milled	<i>t '000</i>	<b>1,707</b>	1,775	<b>3,349</b>	3,372
Average grade	<i>g/t</i>	<b>0.78</b>	0.69	<b>0.79</b>	0.74
Gold content	<i>oz. '000</i>	<b>42.7</b>	39.5	<b>85.4</b>	80.2
Recovery	<i>%</i>	<b>82.4</b>	85.8	<b>76.8</b>	82.6
Gold recovered	<i>oz. '000</i>	<b>35.2</b>	33.8	<b>65.6</b>	66.3
Heap leach operations					
Total stacked	<i>t '000</i>	<b>359</b>	281	<b>359</b>	281
Average grade	<i>g/t</i>	<b>0.51</b>	0.53	<b>0.51</b>	0.53
Gold content	<i>oz. '000</i>	<b>5.9</b>	4.8	<b>5.9</b>	4.8
Recovery	<i>%</i>	<b>39.6</b>	30.2	<b>39.6</b>	30.2
Gold recovered	<i>oz. '000</i>	<b>2.3</b>	1.5	<b>2.3</b>	1.5
<b>Pioneer gold production - Dore</b>	<i>oz. '000</i>	<b>47.9</b>	34.7	<b>96.4</b>	71.0

**Note:** From the beginning of 2017, the Company moved to using gold poured as the definition for production.

The main sources of low grade ore were pits of the Alexandra, Yuzhnaya and Promezhutachnaya zones. This ore was blended with lower grade material from stockpiles.

Heap leach operations commenced on schedule in April.

The development of the North East Bakhmut underground mine progressed as planned. Underground work during H1 totaled c.1,446m. The first ore was mined in June – c.3.5kt with an average gold content of c.2.7 g/t. As per the mine plan, production began at a low grade “bridge” area between North-East Bakhmut 2 and 3. Ore grades are expected to improve as mining moves into the higher grade North East Bakhmut 3 zone.

The significant increase in doré gold production in relation to gold recovered is mainly due to the successful implementation of measures for cleaning resin, and the resulting reduction in gold in circuit.

In H2, the main sources of low grade ore are expected to be Alexandra, Yuzhnaya and Andreevskaya West, with high grade ore to be mined from NE Bakhmut via underground.

The H2 gold production forecast for Pioneer is c.73,000-98,000oz.

## Pokrovskiy

### Pokrovskiy mining operations

	<i>Units</i>	<b>Q2 2017</b>	Q2 2016	<b>H1 2017</b>	H1 2016
Total material moved	<i>m3 '000</i>	<b>1,036</b>	1,223	<b>2,073</b>	2,253
Ore mined	<i>t '000</i>	<b>392</b>	134	<b>520</b>	332
Average grade	<i>g/t</i>	<b>0.51</b>	1.14	<b>0.50</b>	0.98
Gold content	<i>oz. '000</i>	<b>6.4</b>	4.9	<b>8.4</b>	10.5

### Pokrovskiy processing operations

Resin-in-pulp (RIP) plant					
Total milled	<i>t '000</i>	<b>450</b>	451	<b>888</b>	899
Average grade	<i>g/t</i>	<b>0.47</b>	0.65	<b>0.44</b>	0.62
Gold content	<i>oz. '000</i>	<b>6.8</b>	9.5	<b>12.4</b>	17.9
Recovery	<i>%</i>	<b>84.8</b>	91.7	<b>78.3</b>	91
Gold recovered	<i>oz. '000</i>	<b>5.8</b>	8.7	<b>9.7</b>	16.2
Heap leach operations					
Total stacked	<i>t '000</i>	<b>246</b>	193	<b>246</b>	193
Average grade	<i>g/t</i>	<b>0.40</b>	0.4	<b>0.40</b>	0.4
Gold content	<i>oz. '000</i>	<b>3.2</b>	2.7	<b>3.2</b>	2.7
Recovery	<i>%</i>	<b>22.4</b>	46	<b>22.4</b>	46
Gold recovered	<i>oz. '000</i>	<b>0.7</b>	1.2	<b>0.7</b>	1.2
<b>Pokrovsky gold production - Dore</b>	<i>oz. '000</i>	<b>8.4</b>	9.1	<b>14.2</b>	17.2

**Note:** From the beginning of 2017, the Company moved to using gold poured as the definition for production.

The Zeyskaya and Vodorazdelnaya zones were the main sources of low grade ore, which was blended with ore from stockpiles. This contributed to the decrease in processing recovery at the plant compared to H1 2016, due to the technological qualities of ores from stockpiles (initially scheduled), which were worse than expected.

Heap leaching began in April in line with the mining plan.

In H2, the main sources of low grade ore (c.15,000oz) are again expected to be Zeyskaya and Vodorazdelnaya.

## Malomir

### Malomir mining operations

	Units	Q2 2017	Q2 2016	H1 2017	H1 2016
Total material moved	m3 '000	2,772	1,957	5,126	3,721
Ore mined	t '000	675	253	1,434	390
Average grade	g/t	0.68	1.2	0.78	1.2
Gold content	oz. '000	14.9	9.5	36.0	15.1

### Malomir processing operations

Resin-in-pulp (RIP) plant					
Total milled	t '000	858	771	1,652	1,554
Average grade	g/t	0.71	0.8	0.78	0.7
Gold content	oz. '000	19.6	19.4	41.7	37.1
Recovery	%	58.9	66.8	59.8	67.3
Gold recovered	oz. '000	11.5	13.0	24.9	25.0
<b>Malomir gold production - Dore</b>	oz. '000	<b>12.3</b>	12.2	<b>28.7</b>	24.8

**Note:** From the beginning of 2017, the Company moved to using gold poured as the definition for production.

The main sources of low grade ore were pits at the Quartzitovoye and Magnetitovoye zones. Ore from stockpiles also contributed to production.

Construction of an underground mine at Quartzitovoye 1 began in January 2017, after delays due to the late mobilization of equipment by the mining contractor. Since May, the contractor has worked at the scheduled capacity in accordance with the mining plan. In the first half of the year, c.697m of underground workings had been completed. In spite of the delay, the first ore was mined in June – a total of c.4.2kt with an average gold content of c.5.4 g/t.

The volumes of ore treated through the plant were in line with the plan. Recovery rates were lower than planned for H1 2016 due to ore from the Quartzitovoye 2 pit being more refractory than expected. This pit was completed in H1.

In H2, the main sources of low grade ore will be Quartzitovoye 1 and Magnetitovoye. High grade ore will be mined from underground at Quartzitovoye 1.

The Malomir production forecast for the second half of the year is c.20,000-30,000oz.

## Albyn

### Albyn mining operations

	Units	Q2 2017	Q2 2016	H1 2017	H1 2016
Total material moved	m3 '000	7,426	7,775	14,942	16,009
Ore mined	t '000	1,258	867	2,633	2,530

Average grade	g/t	1.19	1.1	1.14	1.1
Gold content	oz. '000	48.1	29.7	96.4	88.0

### Albyn processing operations

Resin-in-pulp (RIP) plant					
Total milled	t '000	1, 152	1,177	2, 290	2,341
Average grade	g/t	1.23	1.1	1.14	1.1
Gold content	oz. '000	45.6	41.2	84.3	83.9
Recovery	%	93.6	90.1	93.0	92.0
Gold recovered	oz. '000	42.6	37.1	78.4	77.2
<b>Albyn gold production - Dore</b>	oz. '000	<b>45.7</b>	38.8	<b>93.1</b>	82.6

**Note:** From the beginning of 2017, the Company moved to using gold poured as the definition for production.

The main sources of ore were the Central and Eastern zones of the Albyn main pit, with a small amount of ore supplied from stockpiles. The plant operated as normal throughout the year.

In H2, the main source of ore will be the Central zone of the Albyn main pit, with some ore from stockpiles. The gold production forecast for the second half of the year is c.80,000-85,000oz.

**Note:** Figures in this release may not add up due to rounding

### Exploration

Exploration during H1 2017 has been successful in identifying and exploring new non-refractory targets for both open pit and underground mining.

A non-refractory deposit, Katrin (shallow orebody, hosted within a 1km long mineralised zone) was discovered within the Pioneer license area. The current exploration campaign at Katrin is nearly completed and formal mineral resource and ore reserve estimates are under preparation. Two new zones of mineralisation potentially suitable for open pit mining were also discovered near NE Bakhmut, Pioneer (bowl No 2).

Underground developments at Quartzitovoye, Malomir led to the discovery of a previously unknown zone of high grade mineralisation, with selected best intersections of 5.32m @ 69.9g/t, 1.8m @ 42.9 g/t and 1.01m @ 12.2 g/t. The new high grade zone was further explored by an underground drift, which proved the existence of a 20m long pay shoot. This has an average grade of c.18g/t and a thickness of 4.5m, with grades of up to 458g/t in selected samples. The zone remains open in all directions and it is possible that other similar pay shoots could be discovered along the strike.

Exploration also continued at Ulgen, where the best new trench intersections include 7.0m@5.11g/t, 5.0m@3.58g/t and 2.0m@2.84g/t. The Ulgen prospect has many similarities with Elginskoye, where JORC Resources and Reserves stand at 2.8Moz.

### IRC Limited (IRC)

Petropavlovsk is a shareholder (31.1%) of IRC Limited and is the guarantor of the US\$340 million project finance facility (US\$234 million principal outstanding, as at 31 December 2016). IRC is a

vertically integrated iron ore producer and developer in the Russian Far East and North Eastern China. IRC is listed on the Hong Kong Stock Exchange (Ticker: 1029.HK).

On 20 June, IRC announced that K&S, IRC's 3.2mtpa project, is stepping up its ramp-up program and the plant has successfully operated at over 80% of its designed capacity. To date, K&S has sold more than 800,000 tonnes of iron ore concentrate and is making a cash contribution to IRC. IRC continues to aim at operating K&S at full capacity in the second half of 2017. Most recently, on 3 July IRC announced that K&S has expanded its customer base and the project now has a greater variety of clients in different regions – a further step to derisk its business as K&S ramps up its production capacity.

The full text of IRC's announcements and further information may be obtained from the IRC website, [www.ircgroupp.com.hk](http://www.ircgroupp.com.hk).

### About Petropavlovsk

Petropavlovsk is one of Russia's leading gold mining companies. As at 31 December 2016, the Company had produced approximately 6.3Moz of gold.

Petropavlovsk is in the construction phase of a state of the art pressure oxidation facility to process the Company's substantial refractory resource base. The Company's combined 3,600km<sup>2</sup> license holding has untapped resource potential. 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.

Petropavlovsk is listed on the Main Market of the London Stock Exchange (Ticker POG:LN)

### Enquiries

For more information, please visit [www.petropavlovsk.net](http://www.petropavlovsk.net) and [www.ircgroupp.com.hk](http://www.ircgroupp.com.hk) or contact:

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***This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.***

#### ***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 40 and Transparency Rules, the Company is under no obligation to update the information contained in this release.*

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