



PRESS RELEASE

30 January 2018

Petropavlovsk PLC

2017 Full Year Production Results & 2018 Guidance

Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group") announces the following:

2017 Highlights

- Full year 2017 gold production of c.439,600oz (H1 2017: c.232,400oz), within guidance of 420,000-460,000oz
- Full year gold sales (unaudited) of c.439,800oz
- Average realized gold price (unaudited) of c.US\$1,262/oz, including c.US\$2/oz positive effect from hedging
- Full scale construction of the pressure oxidation facility ("POX Hub") on schedule for the commencement of commissioning and first production during Q4 2018. Works have included preparing the Pokrovskiy mine for closure to be converted into the POX Hub site
- Planned underground development substantially completed at Pioneer and Malomir during the year in spite of some delays; production began at both underground mines
- Successful issuance of US\$500m 8.125% guaranteed notes improves the Group's capital profile
 - Company used net proceeds to repay loans provided pursuant to banking facilities by Sberbank and VTB Bank
- A decrease in outstanding debt principal of US\$26m to US\$604m as of 31st December 2017, compared to 31st December 2016 (US\$630m)
- Total cash cost (TCC/oz) for 2017 expected to be just above US\$700/oz due to rouble appreciation towards the end of 2017
- Total CAPEX for 2017 of c.US\$93m, including:
 - c.US\$42m related to refractory ore processing (c.US\$33m of which relates to the POX Hub)
 - c.US\$35m related to underground mine development and exploration
 - c.US\$16m on other capex

2018 Guidance

- 2018 gold production in the range of c.420,000-460,000oz including first production from POX Hub
- Pokrovskiy mine closure and completion and ramping up of new developments (underground and the POX Hub) reflect normal start up risks
- FY Total Cash Costs expected to be within the range of US\$700-750/oz, an increase vs 2017 due to the continued negative effect of rouble appreciation
 - This guidance is based on a stronger rouble assumption (RUR58/US\$)
- CAPEX forecast for 2018 is c.US\$105m, including:
 - c.US\$62m related to the completion and commissioning of the POX Hub

- c.US\$6m for Malomir flotation including related tailings
- c.US\$10m for underground mine development at Pioneer and Malomir
- c.US\$15m for exploration
- c.US\$12m of other
- The POX Hub is expected to produce first gold in Q4 2018
- The new Malomir flotation plant is expected to be commissioned in April 2018 with first concentrate production shortly thereafter
- Outstanding forward sales contracts of 400,000oz at a gold price of US\$1,252/oz as at 31 December 2017

Corporate Strategy

Petropavlovsk's strategy is to leverage the Company's substantial refractory resource base whilst optimising its non-refractory resources. The focus remains on producing profitable gold ounces, maximising cash generation from operating mines and enhancing open pit production, with a gradual ramp up of higher grade underground operations at Pioneer and Malomir. The POX Hub, which remains the top priority for management in 2018, is at the heart of the Group's growth prospects.

Gold production – Doré (incl. gold in circuit (“GIC”) movement), '000oz				
	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Pioneer	30.0	28.0	161.8	133.2
Albyn	43.6	48.8	181.6	173.9
Malomir	21.8	14.9	65.6	54.9
Pokrovskiy	7.8	10.5	30.6	38.2
Total	103.2	102.2	439.6	400.2

***Note: from the beginning of 2017, the Company moved to using gold poured as the definition for production. Comparable 2016 gold production numbers are adjusted accordingly.**

Ian Ashby, Chairman, Comments

“Petropavlovsk produced almost 440,000oz in 2017, a 20% increase on the previous year from both Pioneer and Malomir, which falls comfortably within our guided range of 420,000-460,000oz. Both of our flagship mines – Pioneer and Albyn – outperformed the previous year's production. Pioneer's output in ounces for the year improved partly due to GIC reduction.

We continued with the development of our underground operations at Pioneer and Malomir, which traditionally have been open pit mines. Developing underground operations at both mines simultaneously has proved to be challenging, and we did face some delays, mainly due to development delays at Malomir and issues with underground water at NE Bakhmut, Pioneer. Solid progress at Malomir towards the end of the year meant that these delays did not have a material impact on total production.

Fiscal year 2018 marks the beginning of a new era for Petropavlovsk with the closure of our Pokrovskiy mine, as the site is being transformed into a key component of the POX Hub, our flagship development project. The construction of the POX Hub progressed as planned during the year and commissioning is expected to commence in September 2018. We have been cautious in our guidance around full year production from the POX Hub as the technology, whilst proven globally, is new to Petropavlovsk.

The Board has consequently taken a conservative approach towards the production forecast for 2018.

The Company plans to commence the production of concentrate at Malomir's flotation plant from April 2018. This is in order to accumulate a sufficient stockpile for processing ahead of the commissioning of the POX Hub. The additional option of selling this high-grade concentrate, should there be any delays with the POX Hub commissioning, helps to de-risk the Group's financial position in this transitional year.

The bond issue in November 2017 has provided greater stability to the Group and, under these improved conditions, the Board continues to pursue its previously stated strategy. That is, to focus on organic growth in order to maximise returns from the Company's current asset portfolio, including the completion of the POX Hub, and to monetise the Company's underground operations to generate additional cash flow and further strengthen the Company's balance sheet."

Capital Markets Day

Petropavlovsk is planning an institutional capital markets day in London during April 2018.

The event will focus on technical aspects of the Company's flagship POX Hub development project and will include presentations from industry experts, both internal and external.

A presentation will be made available on the Company's website following the event, full details of which will be circulated in due course.

About Petropavlovsk

Petropavlovsk is one of Russia's leading gold mining companies. As at 31 December 2017, the Company had produced approximately 6.8Moz of gold.

At this time, 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 3,430km² 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 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 2017). 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).

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

Operations Report

Pioneer

Pioneer open pit and underground mining operations

	Units	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total material moved	m3 '000	4,219	3,689	15,857	17,360
Ore mined	t '000	1,393	1,009	8,489	3,266
Average grade	g/t	0.56	1.07	0.72	0.95
Gold content	oz. '000	25.3	34.7	196.4	99.4

Pioneer processing operations

Resin-in-pulp (RIP) plant					
	Units	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total milled	t '000	1,692	1,669	6,783	6,700
Average grade	g/t	0.56	0.78	0.68	0.75
Gold content	oz. '000	30.5	41.9	148.9	159.8
Recovery	%	72.0%	93.3%	75.3%	85.5%
Gold recovered	oz. '000	22.0	39.1	112.1	136.6

Heap leach operations

Total stacked	t '000	44	84	752	701
Average grade	g/t	0.45	0.55	0.49	0.53
Gold content	oz. '000	0.6	1.5	11.7	12.0
Recovery	%	190.0%*	72.2%	51.8%	44.1 %
Gold recovered	oz. '000	1.2	1.1	6.1	5.3
Pioneer gold production – Doré**	oz. '000	30.0	28.0	161.8	133.2

Notes (also applicable to tables below):

* Because it takes weeks to recover gold via heap leach, monthly and quarterly recovery figures cannot be accurately measured and sometimes may result in erroneous values. Only full year figures should be used as a representative gold recovery measure for Group heap leach operations.

** “Gold recovered” lines represent gold recovered from the ore processed during the period; “gold production - doré” shows the amount of gold contained in the doré bars produced during the period. The difference between “gold production - doré” and “Gold recovered” is due to changes in the amount of gold in circuit, which is gold remaining in the processing circuit of the plant: primarily in resin sorbent, cyanide solution, and in the form of electrolytic product.

In 2017, Pioneer produced 161.8koz, 37% of total Group production, and a 21% increase from 2016 (133.2koz). The increase is attributable to a significant reduction of gold in circuit, which is gold remaining in the processing circuit of the plant (primarily in resin sorbent and cyanide solution, in the form of electrolytic product). The release of gold in circuit was primarily achieved through the successful commissioning, in Q1 2017, of a resin treatment facility that releases gold “trapped” in used resin.

The main sources of ore at Pioneer were pits of the Alexandra, Yuzhnaya, Promezhutachnaya and Andreevskaya-West zones. This ore was blended with lower grade material from stockpiles. RIP processing recoveries were lower compared to the previous year due to lower head grades and the ore processed being more refractory than in the previous year. Heap leach operations commenced on schedule in April 2017 and operated as normal through the warmer season until the end of October.

During 2017, a total of 3,646m (50,268m³) of underground development was completed. The first underground ore was produced in June. In total, 35.1kt of underground ore with an average gold content of 2.78g/t was mined in 2017. Water inflow into the mine was higher than expected and delayed the decline development, resulting in less underground production than expected. The Group is expanding its pumping facilities and expects to see Pioneer underground in full production in Q1 2018.

Albyn

Albyn mining operations

	Units	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total material moved	m3 '000	5,838	7,863	28,557	31,763
Ore mined	t '000	1,586	1,456	5,263	4,970
Average grade	g/t	1.24	1.54	1.16	1.25
Gold content	oz. '000	63.1	72.1	196.5	199.5

Albyn processing operations

Resin-in-pulp (RIP) plant					
	Units	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total milled	t '000	1,154	1,173	4,618	4,675
Average grade	g/t	1.19	1.69	1.16	1.28
Gold content	oz. '000	44.3	63.7	171.9	192.5
Recovery	%	93.7%	95.1%	93.3%	93.5%
Gold recovered	oz. '000	41.5	60.6	160.3	180.0
Albyn gold production - Doré	oz. '000	43.6	48.8	181.6	173.9

In 2017 Albyn produced 181.6koz, 41% of total Group production, a 4% increase on 2016 (173.9koz). 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 processing plant had consistently high recoveries - over 90% - throughout the year.

Preparations were carried out for the production of ore from Unglichikan, which is expected to become one of the additional feeders for the Albyn plant in 2018.

Malomir

Malomir open pit and underground mining operations

	Units	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total material moved	m3 '000	1,929	2,339	9,380	8,115
Ore mined	t '000	579	690	2,770	1,535
Average grade	g/t	1.49	1.00	0.97	1.11
Gold content	oz. '000	27.8	22.2	86.1	54.9

Malomir processing operations

Resin-in-pulp (RIP) plant					
	Units	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total milled	t '000	901	745	3,404	3,000
Average grade	g/t	1.17	0.97	0.91	0.86
Gold content	oz. '000	33.8	23.2	99.5	82.5
Recovery	%	71.8%	71.5%	64.9%	68.9%
Gold recovered	oz. '000	24.2	16.6	64.6	56.8
Malomir gold production - Doré	oz. '000	21.8	14.9	65.6	54.9

In 2017 Malomir produced 65.6koz, 15% of total Group production, and a 20% increase from 2016 (54.9koz). The increase is mostly attributable to the processing of high grade underground ore and to an overall increase in plant throughput.

The main sources of ore were pits of the Quartzitovoye and Magnetitovoye zones, blended with high grade ore mined from underground and low grade ore from stockpiles. The volumes of ore treated through the plant increased by 13% compared to 2016, which was in line with the mining plan.

The Quartzitovoye 2 pit was completed in H1, though recovery rates from the pit were lower than planned due to its ore being more refractory than expected.

The construction of an underground mine at Quartzitovoye 1 began in January 2017, and 3,084m (47,157m³) of underground development was completed during the year.

Delays primarily related to mining contractor mobilisation experienced in Q1 2017 were largely rectified by the end of Q3. In December, full scale stope mining commenced, resulting in strong production towards the year end. A total of 73.6kt of ore was mined from underground with an average gold content of 8.03g/t during 2017. The Quartzitovoye underground mine is expected to be in full production throughout 2018.

Pokrovskiy

Pokrovskiy mining operations

	Units	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total material moved	m3 '000	773	1,123	3,745	4,709
Ore mined	t '000	473	257	1,468	1,027
Average grade	g/t	0.52	0.68	0.51	0.79
Gold content	oz. '000	7.9	5.6	24.1	26.0

Pokrovskiy processing operations

Resin-in-pulp (RIP) plant					
	Units	Q4 2017	Q4 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total milled	t '000	463	452	1,815	1,791
Average grade	g/t	0.51	0.72	0.47	0.65

Gold content	oz. '000	7.6	10.5	27.4	37.1
Recovery	%	85.4%	87.2%	82.9%	90.1%
Gold recovered	oz. '000	6.5	9.1	22.7	33.5
Heap leach operations					
Total stacked	t '000	55	16	498	440
Average grade	g/t	0.40	0.44	0.39	0.45
Gold content	oz. '000	0.7	0.2	6.3	6.3
Recovery	%	122.7%	371.4%	45.4%	64.8%
Gold recovered	oz. '000	0.9	0.8	2.9	4.1
Pokrovskiy gold production - Doré	oz. '000	7.8	10.5	30.6	38.2

In 2017, Pokrovskiy produced 30.6koz, 7% of total Group production, and a 20% decrease from 2016 (38.2koz) due to the mine's closure.

The Zeyskaya and Vodorzadelnaya zones were the main sources of low grade ore, which was blended with ore from stockpiles. This contributed to a year-on-year decrease in H1 processing recovery at the plant as this material was of lower quality than expected.

Leading up to the transition of the RIP plant into a key POX Hub component, both RIP and heap leach plants operated as planned. Heap leaching commenced in April and ended with the arrival of cold weather in October.

Enquiries

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

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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 future price of gold, the Group's results of operations, financial position, liquidity, prospects, growth, estimation of mineral reserves and resources and strategies, and exchange rates and the expectations of the industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances outside the control of the Group. 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 results and/or developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, demand, supply and prices for gold and other long-term commodity price assumptions (and their effect on the timing and feasibility of future projects and developments), trends in the gold mining industry and conditions of the international gold markets, competition, actions and activities of governmental authorities (including changes in laws, regulations or taxation), currency fluctuations (including as between the US Dollar and Rouble), the Group's ability to recover its reserves or develop new reserves, changes in its business strategy, any litigation, and political and economic uncertainty. Except as required by applicable law, rule or regulation (including the Listing and Disclosure Guidance and Transparency Rules), the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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