



PRESS RELEASE

29 March 2018

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

Notice of Publication of Annual Report

The Annual Report for the year ended 31 December 2017 (the "Annual Report 2017") is available to view and download from the Company's website at www.petropavlovsk.net. A copy of the Annual Report 2017 has also been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm

The information contained in the Appendix to this announcement, which is extracted from the Annual Report 2017, is included solely for the purposes of complying with the Disclosure Guidance and Transparency Rules (the "DTR") 6.3.5 and the requirements it imposes on how to make public annual financial reports. The Appendix should be read in conjunction with the Company's Annual Results for the year ended 31 December 2017 issued on 28 March 2018 (the "Annual Results Announcement"). Together, these constitute the material required by DTR 6.3.5 to be communicated to the media in unedited full text through a Regulatory Information Service. This material should be read in conjunction with, and is not a substitute for reading, the Annual Report 2017.

References to page numbers and notes to the financial statement made in the Appendix refer to page numbers and notes to the financial statements in the Annual Report 2017. The information contained in this announcement does not constitute the Company's statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act") for 2017 or 2016 but is derived from those accounts. The auditors have reported on those accounts and their report was unqualified, and did not contain statements under section 498(2) of the Act (regarding adequacy of accounting records and returns) or under section 498(3) of the Act (regarding provision of necessary information and explanations). The statutory accounts for the year ended 31 December 2017 have been approved by the Board and will be delivered to the Registrar of Companies. A copy of the statutory accounts for the year ended 31 December 2016 was delivered to the Registrar of Companies.

Neither the content of the Company's website, nor the content of any other website accessible from hyperlinks on the Company's website is incorporated into, or forms part of, this announcement.

APPENDIX

1. Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

2. Principal risks relating to the Group

The most significant risks that may have an adverse impact on the Group's ability to meet its strategic objectives and to deliver shareholder value are set out below. The Group seeks to mitigate these risk wherever possible, although some, such as political risks, are largely beyond the Group's control. Summarised alongside each risk is a description of its potential impact on the Group. Measures in place to manage or mitigate against each specific risk, where it is within the Group's control, are also described.

OPERATIONAL RISKS

PRODUCTION RELATED RISK – Failure to achieve the Group's production plan

Risk	Description and potential impact	Mitigation/comments	2017 Progress
Risk to production from: —severe weather conditions; —the availability of suitable machinery, equipment and consumables; and —logistics for the delivery of equipment and services.	The Group's assets are located in the Russian Far East, a remote area that can be subject to severe climatic conditions. Severe weather conditions, such as cold temperatures in winter and torrential rain, potentially causing flooding in the region could have an adverse impact on operations, including the delivery of supplies, equipment and fuel; and exploration and extraction levels may fall as a result of such climatic factors. The Group relies on the supply and availability of various services and equipment in order to successfully run its operations. Delay in the delivery or the failure of mining equipment could significantly delay production and impact the Group's profitability.	Preventative maintenance procedures are undertaken on a regular and periodic basis to ensure that machines will function properly under extreme cold weather conditions; heating plants at operational bases are regularly maintained and operational equipment is fitted with cold weather options which could assist in ensuring that equipment does not fail as a result of adverse weather conditions. Pumping systems are in place and tested periodically to ensure that they are functioning. Management monitor natural conditions in order	During 2017 the Group delivered production in accordance with its mining plan. Potential impact – High Change since 2016 - No change

The Group is dependent on production from its operating mines in order to generate revenue and cash flow and comply with the production and sales covenants in certain of its borrowing facilities.

to pre-empt any disaster and in order that appropriate mitigating action can be taken expediently. The Group aims to maintain several months of essential supplies at each site. Equipment is ordered with adequate lead time in order to prevent delays in the delivery of equipment.

The Group has a number of contingency plans in place to address any disruption to services.

EXPLORATION RELATED RISK

Risk

The Group's activities are reliant on the quantity and quality of the Mineral Resources and Ore Reserves available to it.

Description and potential impact

Exploration activities are speculative, time-consuming and can be unproductive. In addition, these activities often require substantial expenditure to establish Reserves through drilling and metallurgical and other testing, determine appropriate recovery processes to extract gold from the ore and construct or expand mining and processing facilities. Once deposits are discovered it can take several years to determine whether Reserves exist. During this time, the economic viability of production may change. As a result of these uncertainties, the exploration programmes in which the Group is engaged in may not result in the expansion or replacement of the current production with new Reserves or operations

Mitigation/comments

The Group uses modern geophysical and geochemical exploration and surveying techniques. The Group employs a world class team of geologists with considerable regional expertise and experience. They are supported by a network of fully accredited laboratories capable of performing a range of assay work to high standards.

Group Mineral Resource and Ore Reserve estimates are prepared by a team of qualified specialists following guidelines of JORC Code 2012, which is one of the most recognised reporting codes. Mineral Resource and Ore Reserve estimates are subject to regular independent reviews and audits. The last full audit was completed in April 2017 by Wardell Armstrong International.

In addition, as a part of compliance with The Subsoil Law Group, the Group also prepares reserve estimates following Russian GKZ guidelines.

2017 Progress

Successful near mine exploration completed during 2017 led to an increase in both JORC Mineral Resources and Ore Reserves. It also identified a number of promising targets that warrant further exploration, which may result in further Mineral Resources and Ore Reserves discoveries.

The Group's Gold Ore Reserves and Mineral Resources estimated as at 31 December 2017 was prepared by the Group's Competent Person in accordance with the JORC Code. Total Mineral Resource ounces (including Reserves) as at 31 December 2017 amounted to 20.86Moz compared to 20.16Moz in 2016, with a total Reserve of 8.15Moz compared to 7.95Moz as at 31 December 2016.

Taking into account the 0.47Moz depletion from mining operations during 2017, the Group achieved a 1.17Moz gross increase in Mineral Resources and a 0.67Moz gross increase in Ore Reserves,

These estimates are subject to GKZ audits. Where possible, the Group reconciles GKZ and JORC estimates which provides additional confidence to the Company.

The Group employs a team of qualified mining engineers to undertake mine planning, complete open pit and underground mine design and production scheduling.

compared to the 2017 Wardell Armstrong International estimate prepared in April 2017.

The completion of the POX Hub will unlock the 9.26Moz refractory Resource which supports Petropavlovsk's long-term growth objectives in doubling the average life of mine and sustaining its production profile.

Potential impact – high

Change since 2016 – No change

PROJECT RELATED RISKS – Failure to deliver various construction and development projects. The Group's long-term strategy is dependent on the successful commissioning of POX and the continuing delivery of the underground mining project.

Risk	Description and potential impact	Mitigation/comments	2017 Progress
Pressure Oxidation (POX) Hub	<p>If the Group is unable to deliver POX within the agreed budget and timeframes this may have an adverse impact on the Group's growth plans and its future profitability.</p> <p>Of Petropavlovsk's 20.86Moz of Resources and Reserves, 9.63Moz is classified as refractory. Unlike non-refractory ore, refractory ore cannot be processed via regular processes; in order to unlock the value embedded in these ounces, alternative methods must be used. The Company has decided to adopt the pressure oxidation method to do this. Consequently the Company will not be able to process and access the value of its refractory ore without the commissioning of the POX Hub.</p>	<p>The Group has entered into a management contract with Outotec a world leader in the design and construction of pressure oxidation and flotation plants. Outotec will oversee the manufacture, installation and commissioning of the equipment and has guaranteed certain operating parameters.</p> <p>The delivery of the POX project is being led by an experienced and skilled Project Team. This includes an experienced scientific team which is developing the optimal parameters of the process suitable for the specifics of Petropavlovsk's concentrates.</p> <p>The Group operates a unique POX pilot plant that replicates principal processing stages of an industrial POX processing plant on a small scale.</p>	<p>Full scale construction works on the POX Hub were resumed at the beginning of 2017 with key construction milestones reached during the year.</p> <p>The POX Hub is on schedule for commissioning Q4 2018 with the ramp up to commercial production due to occur throughout 2019.</p> <p>Potential impact – high</p> <p>Change since 2016 – No change</p>

Risk	Description and potential impact	Mitigation/comments	2017 Progress
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The underground mining project.

If the Group is unable to achieve planned production within the agreed capital and operating cost budget this may have an adverse impact on the Group's growth plans and its future profitability.

The Group employed a Russian engineering firm to undertake a pre-feasibility study and mine design on underground mining. The study concluded that underground mining should be technically feasible and economically viable.

Planned underground development was substantially completed at Pioneer and Malomir during 2017 in spite of some delays; production began at both underground mines.

Potential impact – high

Change since 2016 – No change

The Group engaged an experienced mining contractor to undertake underground mining development and underground mining. The contractor is supervised by an in-house team of experienced underground mining managers and engineers.

FINANCIAL RISKS

FUNDING AND LIQUIDITY RELATED RISKS

Risk	Description and potential impact	Mitigation/comments	2017 Progress
<p>Lack of funding and liquidity to allow the Group to:</p> <p>i. Support its existing operations;</p> <p>ii. Invest in and develop its exploration and underground mining projects;</p> <p>iii. Complete the construction of the POX Hub;</p> <p>iv. Extend the life and capacity of its existing mining operations;</p> <p>v. Refinance/repay the Group's debt as it falls due; and</p> <p>vi. Complete the construction of the POX Hub out of its free cash flow.</p>	<p>The Group needs ongoing access to liquidity and funding in order to:</p> <p>(i) refinance its existing debt as required,</p> <p>(ii) support its existing operations and</p> <p>(iii) invest in new projects and exploration.</p> <p>There is a risk that the Group may be unable to obtain the necessary funds when required or that such funds will only be available on unfavourable terms.</p> <p>The Group may therefore be unable to develop and/or meet its operational or financial commitments.</p>	<p>Detailed annual budgets are approved by the Board and monthly forecasts provided. A successful cost reduction programme was undertaken to offset the effect of a reduction in the gold price.</p> <p>The Group continues to progress its internal KPI to reduce Total Cash Costs◆ during the period 2013-2018.</p>	<p>On 14 November 2017 the Group issued US\$500m 8.125% Guaranteed Notes due 2022 (the Notes). Proceeds of the Notes were used to substantially refinance the Group's loans pursuant to the banking facilities with Sberbank and VTB Bank.</p> <p>The Group's borrowing facilities with Sberbank and VTB included a requirement to comply with certain specified covenants in relation to the level of Net Debt◆ and interest cover. A breach of these covenants could result in a significant proportion of the Group's borrowings becoming repayable immediately. These covenants have been removed.</p> <p>The issuance of the Notes and the refinancing of the Group's bank debt has provided medium term financial stability and flexibility for the business.</p>

In addition on 22 March 2018, the Company signed and fully executed a gold sales agreement with Gazprombank, for a total volume of 96koz and for advance payment for up to 12 months. Advances will be settled using proceeds at the prevailing gold price at the date of the shipment.

The forward gold sales agreement with Gazprombank provides flexibility in managing working capital of the Group.

Potential impact - high

Change since 2016 – Decrease

Please also see IRC related risk.

GOLD PRICE RISK

Risk

The Group's result of operations may be affected by changes in the gold price

Description and potential impact

The Group's financial performance is highly dependent on the price of gold. A sustained downward movement in the market price for gold may negatively affect the Group's profitability and cash flow and consequently its ability to fund the construction of the POX Hub. The market price of gold is volatile and is affected by numerous factors which are beyond the Company's control.

Mitigation/comments

The Chief Financial Officer constantly monitors the gold price and influencing factors on a daily basis and consults with the Board as appropriate.

The Group has a hedging policy and hedges a portion of production as the Chief Financial Officer and the Board deem necessary.

2017 Progress

In order to increase certainty in respect of a significant proportion of its cash flows, the Group entered into a number of gold forward contracts during 2017. Forward contracts to sell an aggregate 212,501oz of gold matured during the year, resulting in a gain for the Group of US\$0.8m.

Forward contracts to sell an aggregate of 400,000oz of gold at an average price of US\$1,252oz were outstanding as at 31 December 2017.

During 2018 the Company has continued to hedge a portion of its gold production in order to protect itself from volatility in the price.

Potential impact – High

Changes since 2016 – No change

FX RISK

Risk	Description and potential impact	Mitigation/comments	2017 Progress
Currency fluctuations may affect the Group.	<p>The Company reports its results in US Dollars, which is the currency in which gold is principally traded and therefore in which most of the Group's revenue is generated. Significant costs are incurred in and/or influenced by the local currencies in which the Group operates, principally Russian Roubles. The appreciation of the Russian Rouble against the US Dollar tends to result in an increase in the Group's costs relative to its revenues, whereas the depreciation of the Russian Rouble against the US Dollar tends to result in lower Group costs relative to its revenues.</p> <p>In addition, a portion of the Group corporate overhead is denominated in Sterling. Therefore, adverse currency movements may materially affect the Group's financial condition and results of operations.</p> <p>In addition, if inflation in Russia were to increase without a corresponding devaluation of the Russian Rouble relative to the US Dollar, the Group's business, results of operations and financial condition may be adversely affected.</p>	The Group does not undertake any foreign currency transaction hedging although this is kept under review.	<p>During 2017, the Russian Rouble appreciated by 13% against the US Dollar, with the average exchange rate for the period decreasing from 67.18 Roubles per US Dollar in 2016 to 58.32 Roubles per US Dollar in 2017.</p> <p>Potential impact – High</p> <p>Change since 2016 – No change</p>

IRC Related RISKS – The Company has a 31.10% interest in IRC, a Hong Kong Listed iron ore producer

Risk	Description and potential impact	Mitigation/comments	2017 Progress
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Risk that funding may be demanded from Petropavlovsk under a guarantee in favour of ICBC arising from:

Inability of K&S to service the interest and meet the repayments due on the ICBC loan due to insufficient funds arising from:

– further delays in K&S achieving full production; and

– decrease in iron ore price

A further delay in the commissioning of K&S and/or a decrease in the iron ore price could result in a decrease in the value of the Company's shareholding in IRC.

Petropavlovsk has provided a guarantee against a US\$340 million project loan facility provided to K&S by ICBC to fund the construction of IRC's iron ore mining operation at K&S, of which c.US\$234m is outstanding (2016: cUS\$234m). This loan is supported by Sinosure, the Chinese export credit agency. In the event that K&S was to default on its loan, Petropavlovsk may be liable to repayment of the outstanding loan under the terms of the guarantee and other Group indebtedness may become repayable under cross-default provisions.

Consequently the Group's going concern status remains highly sensitive to IRC's ability to comply with covenants within the ICBC facility and generate sufficient cash flows from its K&S mine.

The Board and the Chief Financial Officer maintain close communication with IRC's Executive whilst the Chairman communicates regularly with the IRC Chairman.

The Company is seeking a nominee on the Board of IRC.

IRC and the Company continue to consider various options available to them, both separately and jointly, regarding the restructuring of IRC's debt and the potential removal of the guarantee. This is a key focus of the Board.

On 31 March 2017, IRC announced that ICBC had waived the obligation of K&S to repay all loan principal instalments due in 2017 totalling US\$42.5m. This amount will be spread equally between the five subsequent repayment instalments due under the project finance facility. The next scheduled repayment of US\$29.75m is due on 20 June 2018.

Management of the Company and IRC are in discussions with ICBC regarding an amendment of the repayment schedule and to obtain waivers in respect of obligations to comply with certain financial covenants. IRC is also in active discussions regarding the full refinancing of the ICBC facility with a leading bank. However, if the ICBC refinancing is not completed and IRC is unable to refinance the ICBC facility with another lender, IRC and/or the Company would then need to carry out contingency plans including entering into negotiations with banks or other investors for additional debt and/or equity financing. As a result of this issue, the going concern statement in the Annual Report 2017 includes a material uncertainty statement.

The Company has proposed the appointment of a nominee Director on the Board of IRC during 2018.

K&S produced 1,563,066 tonnes of iron ore concentrate during 2017 and operated at a steady state capacity of greater than 60% in January 2018.

The Company's interest in IRC was valued at c.US\$70.9m as at 31 December 2017 (2016: US\$36m). The increase in the Company's interest relates principally to a reversal of impairment by IRC Ltd – please see the 2017 Annual Report for further information.

Potential impact – High

Change since 2016 – Increase in risk

HEALTH, SAFETY AND ENVIRONMENTAL RISK

Risk	Description and potential impact	Mitigation/comments	2017 Progress
<p>Mining: – is subject to a number of hazards and risks in the workplace – requires the use of hazardous substances including cyanide and other reagents</p>	<p>The Group's employees are one of its most valuable assets. The Group recognises that it has an obligation to protect the health of its employees and that they have the right to operate in a safe working environment. Certain of the Group's operations are carried out under potentially hazardous conditions. Group employees may become exposed to health and safety risks which may lead to the occurrence of work-related accidents and harm to the Group's employees. These could also result in production delays and financial loss.</p> <p>Accidental spillages of cyanide and other chemicals may result in damage to the environment, personnel and individuals within the local community.</p>	<p>Board level oversight of health and safety issues occurs through the work of the Health, Safety and Environmental Committee ('HSE') which was chaired by Mr Alexander Green Independent Non-Executive Director from 1 January 2017 to 22 June 2017 and by Mr Vladislav Egorov during the period 22 June 2017 to 31 December 2017.</p> <p>Health and Safety management systems are in place across the Group to ensure that the operations are managed in accordance with the relevant health and safety regulations and requirements.</p> <p>The Group continually reviews and updates its health and safety procedures in order to minimise the risk of accidents and improve accident response, including additional and enhanced technical measures at all sites,</p>	<p>Mr Vladislav Egorov, HSE Committee Chair visited the Group's operations in the Amur Region of Russia in the latter part of 2017 and met with a number of HSE personnel in order to promote a strong health and safety culture within the Group.</p> <p>The Lost-Time Injury Frequency Rate (LTIFR) for 2017 of 3.11 accidents per 1 million manhours worked compared with a LTIFR of 2.64 in 2016. Regrettably this included three fatalities which are summarised in the Sustainability report of the Annual Report 2017 together with details of the agreed actions to ensure that these type of accidents do not reoccur.</p> <p>Given the Board's commitment to improving health and safety of its employees throughout the Group the Board has also agreed a new non-Board position of HSE Director. This is particularly relevant given the Group will</p>

improved first aid response and the provision of further occupational, health and safety training.

Cyanide and other dangerous substances are kept in secure storages with limited access only to qualified personnel, with access closely monitored by security staff.

H&S targets are included in the annual bonus scheme for Executive Directors and the Executive Committee.

continue to develop underground mining and autoclave technologies during 2018 which are all deemed to be high risk from a health and safety perspective.

Potential impact - Medium/High

Change since 2016 – No change

LEGAL AND REGULATORY RISKS

Risk	Description and potential impact	Mitigation/comments	2017 Progress
The Group requires various licences and permits in order to operate.	<p>The Group's principal activity is the mining of precious and non-precious metals which require it to hold licences which permit it to explore and mine in particular areas in Russia. These licences are regulated by Russian governmental agencies and if a material licence was challenged or terminated, this would have a material adverse impact on the Group. In addition, various government regulations require the Group to obtain permits to implement new projects or to renew existing permits.</p> <p>Failure to comply with the requirements and terms of these licenses may result in the subsequent termination of licenses crucial to operations and cause reputational damage. Alternatively, financial or legal sanctions could be imposed on the Group. Failure to secure new licences or renew existing ones could lead to the cessation of mining at the Group's operations or an inability to expand operations.</p>	There are established processes in place to monitor the required and existing licences and permits on an on-going basis and processes are also in place to ensure compliance with the requirements of the licences and permits.	<p>Potential impact – Medium/High</p> <p>Change since 2016 – No change</p>
The Group is subject to risks associated with operating in Russia.	<p>Actions by governments or changes in economic, political, judicial, administrative, taxation</p>	To mitigate the Russian economic and banking risk the Group strives to use	This risk cannot be influenced by the management of the

or other regulatory factors or foreign policy in the countries in which the Group operates or holds its major assets could have an adverse impact on the Group's business or its future performance. Most of the Group's assets and operations are based in Russia.

Russian foreign investment legislation imposes restrictions on the acquisition by foreign investors of direct or indirect interests in strategic sectors of the Russian economy, including in respect of gold reserves in excess of a specified amount or any occurrences of platinum group metals.

The Group's Pioneer and Malomir licences have been included on the list of subsoil assets of federal significance, maintained by the Russian Government ("Strategic Assets"). The impact of this classification is that changes to the direct or indirect ownership of these licences may require obtaining clearance in accordance with the Foreign Strategic Investment law of the Russian Federation.

the banking services of several financial institutions and not keep disproportionately large sums on deposit with a single bank.

The Group seeks to mitigate the political and legal risk by constant monitoring of the proposed and newly adopted legislation to adapt to the changing regulatory environment in the countries in which it operates and specifically in Russia. It also relies on the advice of external counsel in relation to the interpretation and implementation within the Group of new legislation.

The Group closely monitors its assets and the probability of their inclusion into the Strategic Assets lists published by the Russian Government. The Company's Articles of Association include a provision which allows the Board to impose such restrictions as the Directors may think necessary for the purpose of ensuring that no ordinary shares in the Company are acquired or held or transferred to any person in breach of Russian legislation, including any person having acquired (or who would as a result of any transfer acquire) ordinary shares or an interest in ordinary shares which, together with any other shares in which that person or members of their group is deemed to have an interest for the purposes of the Strategic Asset Laws, carry voting rights, exceeding 50 per cent. (or such lower number as the Board may determine in the context of the Strategic Asset Laws) of the total voting rights attributable to the issued ordinary shares

Company. However, the Group continues to monitor changes in the political environment and reviews changes to the relevant legislation, policies and practices.

Potential impact – High

Change since 2016 – No change

without such acquisition having been approved, where such approval is required, pursuant to the Strategic Asset Laws.

25. Related parties

Related parties the Group entered into transactions with during the reporting period

PJSC Asian-Pacific Bank ('Asian-Pacific Bank'), LLC Insurance Company Helios Reserve ('Helios') and Peter Hambro Limited are considered to be related parties as members of key management had an interest in and collectively exercise significant influence over these entities until 22 June 2017 when the Group lost significant influence over these companies.

The Petropavlovsk Foundation for Social Investment (the 'Petropavlovsk Foundation') is considered to be a related party due to the participation of the key management of the Group in the governing board of the Petropavlovsk Foundation and their presence in its board of guardians.

IRC Limited and its subsidiaries (Note 31) are associates to the Group and hence are related parties since 7 August 2015.

Transactions with related parties which the Group entered into during the years ended 31 December 2017 and 2016 are set out below.

Trading Transactions

Related party transactions the Group entered into that relate to the day-to-day operation of the business are set out below.

	Sales to related parties		Purchases from related parties	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Asian-Pacific Bank				
Other	3	22	35	102
	3	22	35	102
Trading transactions with other related parties				
Insurance arrangements with Helios, rent and other transactions with other entities in which key management have interest and exercises a significant influence or control	-	66	1,301	3,514
Associates				
IRC Limited and its subsidiaries	85	69	2,062	1,996
	85	135	3,363	5,510

During the year ended 31 December 2017, the Group made US\$0.2 million charitable donations to the Petropavlovsk Foundation (2016: US\$0.2 million).

The outstanding balances with related parties at 31 December 2017 and 2016 are set out below.

	Amounts owed by related parties at 31 December		Amounts owed to related parties at 31 December	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Helios and other entities in which key management have interest and exercises a significant influence or control ^(b)	236	1,383	-	1

Asian-Pacific Bank ^(b)	-	1	-	-
IRC Limited and its subsidiaries	2,099	14,502 ^(a)	527	1,704
	2,335	15,886	527	1,705

(a) Including US\$12.5 million advanced to IRC in December 2016. This balance was fully repaid in January 2017.

(b) PJSC Asian-Pacific Bank ("Asian-Pacific Bank"), LLC Insurance Company Helios Reserve ("Helios") and Peter Hambro Limited ceased being related parties to the Group from 22 June 2017.

Banking arrangements

The Group has current and deposit bank accounts with Asian-Pacific Bank.

The bank balances at 31 December 2017 and 2016 are set out below.

	2017 US\$'000	2016 US\$'000
Asian-Pacific Bank	- (c)	629

(c) PJSC Asian-Pacific Bank ("Asian-Pacific Bank") ceased being related party to the Group from 22 June 2017.

Financing transactions

The Group has charged a fee for the provision of the guarantee to IRC (note 14), equal to 1.75% on the outstanding loan amount under the ICBC Facility Agreement and which amounted to US\$4.1 million during the year ended 31 December 2017 (31 December 2016: US\$4.5 million). The Guarantee fee principal outstanding amounted to an equivalent of US\$6.4 million (31 December 2016:US\$3.4 million).

Key management compensation

Key management personnel, comprising a group of 13 (2016: 15) individuals, including Executive and Non-Executive Directors of the Company and members of senior management, are those having authority and responsibility for planning, directing and controlling the activities of the Group.

	2017 US\$'000	2016 US\$'000
Wages and salaries	6,285	6,103
Pension costs	176	182
Share-based compensation	136	610
	6,597	6,895

Post-balance sheet events

There have been no material events from 31 December 2017 to 27 March 2018.

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).

Enquiries

For more information, please visit www.petropavlovsk.net and www.ircgroup.com.hk or contact:

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