



## PRESS RELEASE

16 December 2016

Petropavlovsk PLC

### Transaction Update

Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group") announces the following update on recent proposed acquisitions.

#### Amur Zoloto

On 28 April 2016, the Company announced that it had entered into an agreement (the "Agreement") with Russia's Alliance Mining Group ("AMG") and Lexor Group S.A. ("Lexor" and, together with AMG, the "Contributors") to acquire Amur Zoloto LLC ("AZ"), an established gold company with production and development assets in the Khabarovsk region in the Far East of Russia (the "Proposed Acquisition"). On 5 December 2016, the Company announced that it had received a letter from the Contributors proposing improved terms to the original Agreement (the "Improved Offer").

Although both Boards notionally support the Proposed Acquisition, the Contributors have advised the Company that they will not seek to extend the Agreement beyond its long-stop date of 31 December 2016 for the following reasons. Firstly, preference of some major shareholders that the Company remain focussed on unlocking value from the pressure oxidation ("POX Hub") and underground mining initiatives in the near term. Secondly, the Contributors have concerns over the Company's potential and ongoing contingent liability under its guarantee of IRC Limited's ("IRC") project finance facility.

#### Kamchatka Gold

On 13 June 2016, the Company announced that its largest shareholder, Renova Group, requested the Company and the Contributors consider amending the Proposed Acquisition to include the Renova Group's gold assets in Kamchatka, Far East of Russia ("Kamchatka Gold").

The Company announces that it will not be progressing discussions, as it focusses on the corporate strategy outlined below.

#### Corporate Strategy

Petropavlovsk's strategic focus remains firmly on optimising its current asset base. The Company continues to maximise cash generation from the four operating mines, Pioneer, Albyn, Malomir and Pokrovskiy, whilst driving the POX Hub and underground growth development projects to first production, on time and within budget.

#### Refinancing Update – IRC Limited

As notified by the Company to the market, IRC has made a number of disclosures relating to its financial position, including in relation to its proposed fund raising of US\$25.3m.

IRC is due to repay approximately US\$26 million under its project finance facility (the “IRC December Payment”). Due to the requirement to seek shareholder approval, which is being sought at an extraordinary general meeting on 29 December 2016, IRC will not be in receipt of the funds from Tiger Capital Fund SPC – Tiger Global SP, the subscriber, until 29 December 2016 at the earliest. IRC’s two largest shareholders, Petropavlovsk and General Nice, who have voted in favour of the resolution, own in aggregate 56.35% of IRC’s shares. IRC currently requires additional funds of approximately US\$10m to supplement its existing cash resources in order to enable it to make the IRC December Payment. IRC is in discussions with various parties to obtain this additional funding. It is a condition precedent to the implementation of Petropavlovsk’s refinancing with one of its lending banks as referred to in its announcement on 30 November 2016 that such bank is satisfied that IRC will make the IRC December Payment in full on the due date or that this requirement is waived by such bank.

The Company is in regular dialogue with IRC and has been informed that IRC expects to make the IRC December Payment which is the final pre-condition to the Group’s refinancing with this bank coming into effect. Implementation of the refinancing, which would result in deferral of its obligation to make a debt repayment on 20 December 2016, is critical to the Company’s financial condition. If this debt repayment obligation is not deferred Petropavlovsk would then be in breach of its existing facilities.

#### **About Petropavlovsk PLC**

Petropavlovsk is one of Russia’s leading gold mining companies. We operate some of the largest gold mines in Russia in terms of their gold production output, processing capacity and resource base. Furthermore, our assets have untapped exploration potential. We are a leading employer and contributor to the development of the local economy in the Amur region, Russian Far East, where we have operated since 1994. As at 31 December 2015, we have produced approximately 6Moz of gold.

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

#### **Enquiries**

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