



PETROPAVLOVSK

PRESS RELEASE

Petropavlovsk announces appointment of new Chairman as part of Board development

LONDON, 15 MAY 2017:

Further to the announcements on 12 May 2017 and the succession planning referred to in its Annual Results, London-listed Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group"), a leading gold producer in the Russian Federation, provides the following comments on its proposed Board changes and the recently received requisition requests:

Summary

- Andrew Vickerman to become independent interim non-executive chairman following conclusion of AGM; Peter Hambro to step down as Chairman but to remain with business as it completes its turnaround
- Company commits to appointment of permanent non-executive Chairman and fourth independent non-executive director as part of continuing work to refresh and strengthen Board and focus on best practice governance
- Board opposes appointment of requisitioning shareholder nominees as directors as not in the interests of shareholders as a whole and urges shareholders to vote against their proposals at AGM

Commenting on the announcement, Peter Hambro said:

"Our proposal for moving to an independent Non-Executive Chairman and the addition of a fourth Non-Executive Director reflects our commitment to our shareholders and to maintaining corporate governance best practice. Retaining the current Board and adding a further Non-Executive Director provides vital continuity and strong leadership combined with independent oversight as Petropavlovsk moves into its next phase of growth. We have always recognised that, in order to grow, companies must evolve and we have taken this decision in adherence to the corporate governance standards required of a modern and forward thinking company. Our immediate priority is to ensure that our recent operational and financial successes continue.

With respect to the requisitioned resolutions from Renova Asset Holding Ltd, Sothic Capital European Opportunities Master Fund Limited and M&G Debt Opportunities Fund II Limited (shareholders of the Company) it is my belief that replacing the Non-Executive Directors and myself on the Board with their own nominees, is not in the interests of shareholders as a whole. Accordingly, we will recommend in our AGM circular to shareholders, that the existing Board should be re-elected to implement the Company's growth plan and the requisitioned resolutions should be voted down by shareholders who want to ensure the Directors, as custodians of their investment, are working for all stakeholders."

Petropavlovsk PLC Board

Board proposal for independent Chairman and fourth independent Director

As part of its consideration of Board succession which has already been announced, Petropavlovsk announces that it intends to appoint Andrew Vickerman, currently an independent Non-Executive Director of the Company, as independent Non-Executive Chairman of Petropavlovsk, taking over from the current Executive Chairman, Peter Hambro, who would remain an Executive Director. Assuming the existing Board are re-elected, this will take place immediately following completion of the forthcoming Annual General Meeting ("AGM") on 20 June 2017. Mr Vickerman's appointment is intended to be for an interim period pending conclusion of an already initiated process for appointing a permanent independent Non-Executive Chairman of Petropavlovsk. The Board has engaged recruitment specialists to assist it in this process.

The Company is also continuing its process to appoint a fourth independent Non-Executive Director.

Although currently fully compliant for a company of its size, following these changes, the Board structure will be in line with best practice corporate governance requirements for larger companies as well.

Board and management continuity – building on the successes of the last two years

All the existing Directors intend to stand for re-election at the AGM. Information on the Directors is set out in the Appendix.

Executive Directors

On the basis of the Board's proposed changes, if re-elected:

Dr Pavel Maslovskiy will remain as Chief Executive, Andrey Maruta will remain as Chief Financial Officer and Peter Hambro will remain an Executive Director.

Non-Executive Directors

As part of the Company's 2015 debt restructuring process (the "2015 Restructuring"), and the dialogue at that time between the Company and its leading bondholders (including M&G Debt Opportunities Fund II Limited ("M&G") and Sothic Capital European Opportunities Master Fund Limited ("Sothic")), in 2015 the Company appointed the current Non-Executive Directors (Andrew Vickerman, Robert Jenkins and Alexander Green) to ensure rigorous independent scrutiny of the executive members of the Board.

Over the last two years, the independent Non-Executive Directors have developed an informed understanding of Petropavlovsk's business and the challenges that it has faced, and, although all will submit themselves for re-election at the AGM, none of them are due for retirement under the corporate governance guidelines. Before they were appointed to the Board, Andrew Vickerman and Alexander Green's appointments were approved by certain major shareholders including M&G and Sothic.

Significant achievements over the last two years

The Company's performance reflects significant achievements in the key areas of its business since the 2015 Restructuring. This is further reflected in the performance of the Company's share price, which has risen by around 50% since the 2015 Restructuring, which was conducted at an issue price of 5 pence per share.

Petropavlovsk returned to profitability in 2016, aided by a continuing focus on both cost control and profitable ounces. This was achieved in the context of the operational challenges of increased stripping ratios and declining grades at certain mines ahead of the development of its planned Pressure Oxidisation project ("POX Hub"). The implementation of the POX Hub will enable higher-grade refractory ores to be processed and allow Petropavlovsk to unlock the value from its large gold reserves and resources. Higher-grade ore will also be accessed through the Company's development of underground mining, which is already underway and is also expected to increase profitability.

Petropavlovsk's 2016 Annual Results Release included the following financial highlights:

- Underlying EBITDA of US\$200.1m, a 16% improvement on 2015 primarily due to contribution from mines as a result of higher realised gold price achieved and improvement in total cash costs ("TCC").

- Group TCC of US\$660/oz, outperformed the Company's guidance and was a 12% improvement on 2015, due to cost optimisation measures and the positive effect of Rouble depreciation.
- Group all in sustaining cash costs ("AISC") were in line with guidance at US\$807/oz, an 8% improvement on 2015.
- Average realised gold price of US\$1,222/oz (including US\$(21)/oz effect from hedging), an increase of 4% on 2015. Gold sales of c.400,000oz, 17% lower than 2015.
- The Group had forward contracts to sell 50Koz of gold at an average price of US\$1,303/oz and 547Koz of gold at an average price of US\$1,253/oz as at 31 December 2016 and 26 April 2017, respectively.
- Net profit of US\$31.7m (EPS: US\$0.01), compared to a net loss of US\$297.5 million for 2015, which reflects improvement in underlying EBITDA, substantially lower losses from IRC and deferred tax credit (mostly due to Rouble devaluation).
- Capital expenditure of US\$29.4m, a reduction of 10% from 2015.
- Successful refinancing of c.US\$430 million of the Group's bank debt, including a revised maturity profile to match the Group's production profile until September 2022 subject to certain conditions being satisfied.
- Reduction in the year end Net Debt to US\$598.6m vs US\$610m as at 31 December 2015. Bringing a 15% improvement in the Net Debt/ EBITDA ratio to 3:1 in comparison with the full year 2015.

As highlighted in the Company's Q1 2017 Production Results, Petropavlovsk has achieved a strong start to FY2017 with production of 118,046 ounces in Q1 2017, an equivalent 18% increase on Q1 2016 and trending towards the top end of the Company's 2017 gold production guidance range of 420,000 - 460,000 ounces.

Other operational highlights in Q1 2017 include:

- Pioneer underground development is on schedule for first production in Q2 2017.
- Malomir underground first production remains on schedule during Q2 2017.
- POX Hub construction is progressing on schedule and on budget.

Shareholder requisitions

As already announced, the Company has received requisitions and notifications of current voting intentions from certain of its major shareholders. The principal reasons cited by the three shareholders for proposing new directors and stating their intention to vote against the re-election of the Executive Chairman of the Company and each of the Independent Non-Executive Directors is the perceived lack of requisite focus on corporate governance by the existing Board. Their full statements and information on their proposed directors will be included in the AGM circular. The Board considers such claims and concerns as being without foundation. The independence of the existing Non-Executive Directors was a key criterion in their selection, and this has also been confirmed in a recently conducted independent board external evaluation. They have highly relevant experience as Board members of a listed mining company operating in Russia and they conduct themselves to the highest standards in the execution of their fiduciary duties. The Board as a whole and the Group's management are highly focussed on good corporate governance, appropriate oversight of management, and financial and operational performance.

Renova Asset Holding Ltd ("Renova"), who currently hold 483,992,984 or 14.76% of the total voting rights, have requisitioned the addition of resolutions to be put to shareholders at the Company's AGM on 20 June 2017 for the appointment of Bruce Buck and Vladislav Egorov as nominee Directors. They have also stated their current intention to vote against the re-election of Peter Hambro, Robert Jenkins and Alexander Green if they stand for re-election at the AGM.

Sothic and M&G, who currently collectively hold 513,931,814 or 15.66% of the total voting rights, have requisitioned the addition of resolutions to be put to shareholders at the AGM for the appointment of Ian Ashby and Garrett Soden as Directors. Collectively, both the Renova and M&G and Sothic requisitions originally proposed resolutions to remove each of Peter Hambro and all three independent non-executive directors. Subsequently, at the request of the Company, in order to ensure clarity about the resolutions to be proposed at the AGM, Renova, M&G and Sothic confirmed to the Company that the resolutions relating to the removal of the directors do not have to be proposed to shareholders at the AGM. Renova, M&G and Sothic have subsequently stated their current intention is to vote against

the re-election of Peter Hambro and all three independent Non-Executive Directors if they stand for re-election at the AGM.

As stated above, short CVs of the individuals whose election as Directors is the subject of these additional resolutions, as provided by the requisitioning shareholders, will be included in the AGM circular.

If at the AGM the resolutions to re-elect the current Chairman and all the existing independent Non-Executive Directors are not passed and the resolutions for the proposed new Directors are all passed, as the requisitioning shareholders currently propose, this would have the effect of removing all of the Company's current independent Non-Executive Directors, as well as the Executive Chairman, and replacing them with four appointees of the requisitioning shareholders. The Board considers that if Mr Egorov (one of Renova's nominated proposed Directors) were to be appointed, he would not be an independent Non-Executive Director because he is currently a Renova employee. The Board also questions the independence of the remaining nominees given their relationship and/or engagement with companies in which the requisitioning shareholders have invested.

The Board considers that the proposed change of two thirds of its composition being put forward by certain shareholders, at a time when the Company is in the process of completing its operational transformation through the successful development of underground mining, the POX Hub implementation and the development of its latest gold discovery, is not in the best interests of the Company or of its shareholders as a whole.

Since the 2015 Restructuring, the Board of Petropavlovsk (some of whom were approved by those now seeking to have them removed) have delivered a successful cost reduction programme, favourably re-financed the Company's bank debt and delivered strong operational and production metrics at the same time as positioning the Company for sustainable growth. The Board believes that this turn-around is set to transform the financial performance of the business in the coming years. It is in this context that the Board of Petropavlovsk regards the timing and co-ordinated nature of the actions of M&G, Sothic and Renova seeking to change a majority of the Board particularly troubling and wholly unjustified. The Board remains willing to continue discussing its Board restructuring proposals with the requisitioning shareholders.

AGM Notice

As noted above, the proposed resolutions, as well as the statements and proposed Director CVs as provided in the requisitioning communications from Renova, M&G and Sothic and the Company's recommendations to shareholders in relation to the resolutions to be put to the AGM will be provided in the forthcoming AGM circular to be issued by the Company.

Commenting on the announcement, CEO Pavel Maslovskiy said:

"I am confident that, thanks to the hard work of the team and the support of all of our stakeholders since the 2015 restructuring, the Company is on the threshold of an operational and financial transformation. The focus of the entire Company and, in particular, the Executive Team will be on ensuring we deliver sustainable operations with a stable balance sheet and be in a position to return to a dividend paying status in 2020."

Commenting on the announcement, Proposed Chairman Andrew Vickerman said:

"The move to an independent non-executive Chairman reflects the Board's commitment to further enhance our corporate governance procedures as part of a process we had begun some time ago. This move, together with the appointment of an additional independent Non-Executive Director, will ensure that the Board will have the strong leadership and independent oversight required to progress through Petropavlovsk's next phase of growth."

APPENDIX – DIRECTOR AND PROPOSED DIRECTOR INFORMATION

Peter Hambro

Peter Hambro is Chairman of the Board at Petropavlovsk PLC, a London-listed gold mining company co-founded in 1994 with Dr. Pavel Maslovskiy. Peter started his career at a bank owned by his family, later becoming a co-director of Smith St. Aubyn Holdings Ltd. He then proceeded to work at Mocatta Group, the world's largest bullion trader, before founding his own boutique mining finance house in 1990 called Peter Hambro Ltd., of which he remains chairman and the largest shareholder.

Pavel Maslovskiy

Pavel Maslovskiy is Chief Executive Officer of Petropavlovsk PLC and together with Peter Hambro, co-founded the Company in 1994. Dr Maslovskiy was Chief Executive Officer from the Group's inception until December 2011, when he relinquished all remunerated positions following his appointment as a Senator-Member of the Federation Council (Upper House of the Russian Parliament). Dr Maslovskiy retired as a Senator-Member in October 2014 and was re-appointed as Chief Executive Officer in November 2014, having acted as the Company's Honorary President during 2012 to November 2014.

Prior to embarking on his business career, Dr Maslovskiy was a Professor of Metallurgy at the Moscow Aircraft Technology Institute.

Andrey Maruta

Andrey Maruta was appointed to the Board as Finance Director – Russia in January 2011, and promoted to the position of Chief Financial Officer in 2012. Mr Maruta is a fellow member of The Association of Chartered Certified Accountants having qualified at Moore Stephens in 2001. Mr Maruta joined the Group in 2003 as Group Chief Accountant and was promoted to the position of Deputy Finance Director in 2005 and the position of Finance Director in 2006.

Andrew Vickerman

Andrew Vickerman spent 20 years with Rio Tinto, the last 10 as a member of the Operations and Executive Committees. He is currently a Non-Executive Director of Trafigura, a leading international commodities trading group, and Director of Direct Nickel, an Australian business that has developed technology for processing nickel laterite deposits.

Robert Jenkins

Robert Jenkins has been associated with the company since 2014 and was appointed to the Board on 30 April 2015. Mr Jenkins, who is a Russian speaker, also chairs the Audit Committee and is Senior Independent Director. Mr. Jenkins has approaching 25 years of Russia related investment experience. He has been CFO of two Russia focussed natural resource companies, Eurasia Mining and Urals Energy, and also a Director and Audit Committee Chairman of Ruspetro plc and of Toledo Mining Corporation plc, including as Senior Independent Director of the former.

Alexander Green

Alexander Green joined the Board on 27 August 2015 having been selected by the Nomination Committee. He has two decades of experience in the resources industry, including as a Marketing Director at BHP Billiton. He was also a Non-Executive Director of Torm A/S Copenhagen and is a member of the advisory board of Bahia Mineração S/A and Board Observer with Fluidic Analytics Limited.

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

ENDS.

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Notes to Editors:

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 currently rated as the one of the most efficient gold mining companies when measured by its relative grade adjusted Total Cash Costs. The Company is currently developing a Pressure Oxidation hub for the treatment of refractory gold ore and has recently started work on underground mining, following more than 20 years of producing gold from open pit mines.

The Company's combined 3,605km² 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 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).

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

<http://www.petropavlovsk.net/en/>