



PRESS RELEASE

26 January 2017

Petropavlovsk PLC

2016 Full Year Production Results & 2017 Guidance

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

2016 Results (unaudited) Highlights

- Full year 2016 gold production of c.416,000oz (2H16: 228,900oz) in line with revised 2016 guidance
- Full year gold sales of c.400,000oz
- Average realised gold price of c.US\$1,222/oz, including US\$(21)/oz effect from hedging
- The Group re-iterates forecast 2016 total cash costs of c.US\$700/oz, and all in sustaining cash costs of c.US\$800/oz
- Due to high grade Andreevskaya ounces being deferred to the 2017 mine schedule, the Group's average processed grade for 2016 was 0.9 g/t
- Forecast total capital expenditure of c.US\$30 million
- Successful exploration works at the Albyn mine (Elginskoye deposit), are expected to add up to 2Moz ore reserves, which would significantly increase Albyn's mine life
- Full scale construction of the pressure oxidation facility ("POX Hub") has resumed and is scheduled for completion in 2018
- Successful refinancing of the Group's bank debt totalling c.US\$430 million, including a revised maturity profile – inclusive of option to extend the 2019 maturity payment to 2022 upon certain conditions being satisfied. The Sberbank US\$100m commodity linked loan facility remains on schedule for completion of final documentation, effective Q1 2017

2017 Guidance

- Gold production for 2017 is forecast between 420,000-460,000oz per annum, predominantly from open pit operations as underground production is scheduled to commence in H2 2017
- Total cash cost (TCC/oz) guidance of US\$600-700/oz and all in sustaining cash costs (AISC/oz) of US\$800-900oz
- Outstanding forward sales contracts of c.50,000oz at a gold price of US\$1,303/oz as at 31 December 2016
- Capital expenditure for the year is expected to be c.US\$100m-US\$110m, c.60% of which is allocated to the Pressure Oxidation ("POX Hub") development, including Malomir floatation.

Corporate Strategy

For 2017, Petropavlovsk remains focused on optimising its current asset base. The Company continues to maximise cash generation from its four operating mines, Pioneer, Albyn, Malomir and Pokrovskiy. Simultaneously, it continues to drive to first production its key growth projects, the POX Hub and the development of underground operations, on time and on budget.

Annual gold production by mine (koz)

	Year ended Dec 2016 (unaudited)	Year ended 31 Dec 2015
Pioneer	141.9	231.4
Pokrovskiy	37.6	56.0
Malomir	56.8	59.1
Albyn	180.0	157.6
Total	416.3	504.1

Annual operating results by Group

	Year ended Dec 2016 (unaudited)	Year ended 31 Dec 2015
Total material moved (000 m3)	61,947	74,775
Total ore tonnes mined (kt)	10,798	13,960
Combined plant throughput (kt)	16,166	15,910
Avg weighted process recovery rate (%)	86.1	83.0
Average weighted processed grade (g/t)	0.91	1.14
Total heap leach (kt)	1,141	1,341
Avg weighted leach grade (g/t)	0.50	0.55
Avg weighted leach recovery rate (%)	51	52
Total gold produced (koz)	416.0	504.1
Total gold sold (oz)	400.0	481.9
Total cash costs (US\$/oz)	c.700 ^(a)	749
AISC (US\$/oz)	c.800 ^(a)	874
Average realised gold price (US\$/oz)	1,222	1,178
Cash CAPEX (US\$m)	c.30.0 ^(a)	32.6

(a) Forecast

Pavel Maslovskiy, Chief Executive, comments:

"2016 was a transformative year for Petropavlovsk. We successfully finalised a two-year balance sheet restructuring, maintaining our focus on deleveraging.

We started 2015 with the refinancing of our convertible bond and concluded 2016 by refinancing US\$430m of our bank debt. The bank refinancing allows us to self-fund the completion of our state of the art POX Hub from

free cash flow, assuming a prevailing gold price of \$1250/oz, and retain 100% ownership of the project and the upside. The POX Hub enables Petropavlovsk to begin unlocking the value embedded within our 4Moz reserve of refractory ore base from 2018/19.

In 2016 key contracts were agreed with Outotec, a leading global provider of refractory processing technologies and orders for outstanding long lead items have been agreed. Full scale construction has been resumed. Outstanding CAPEX to completion of the POX Hub is estimated at c.US\$120m, with c.US\$60-65m budgeted for 2017. Although, we believe there is opportunity for additional cost savings throughout the construction process.

Underground development at Pioneer is on track for first production in H1 2017. Our experienced, local underground mining contractor and our in-house underground operations team are working extremely well together to deliver the projects on time and on budget. Nevertheless, underground mining is a new mining method for Petropavlovsk and we feel it prudent to be conservative with the potential contribution of underground ounces to our 2017 production guidance, as we continue to derisk both Pioneer and Malomir underground operations through the ramp up stage.

Operationally, the Petropavlovsk team again demonstrated a committed approach to operational excellence, ensuring the safe, responsible optimisation of our assets in spite of challenging circumstances experienced in 2016. Flooding and unusually cold weather prevented the team from delivering on the original mine schedule, resulting in a lower average processed grade for 2016. However, with strong capital discipline and dedicated cost control we were successful in achieving preliminary TCC of US\$700/oz, further improving the Group margin per ounce. We expect to benefit from further cost optimisations in 2017, with guided TCC/oz between US\$600-US\$700/oz and AISC/oz of US\$800–US\$900/oz.

We are proud of our exploration team, which with a limited 2016 budget has again successfully replenished ore reserves in excess of the Group's annual depletion. This demonstrates the strength of our regional and technical expertise and ability to discover ounces very cheaply.

In summary, I am pleased with our 2016 operational perseverance under adverse conditions and now look forward to 2017 and 2018 as we maximise our existing asset potential and transform the Group from an open pit non-refractory producer to one of Russia's leading refractory and non-refractory producers from both open pit and underground operations."

About Petropavlovsk

Petropavlovsk is one of Russia's leading gold mining companies, operating some of the largest gold mines in Russia in terms of gold production, processing capacity and resource base. As at 31 December 2016, the Company had produced approximately 6.4Moz 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 3,600km² 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\$340m project finance facility (US\$234m 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)

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Annual operating results by mine

Pioneer

Pioneer mining operations		H2 2016 (unaudited)	H2 2015	Year ended 31 Dec 2016 (unaudited)	Year ended 31 Dec 2015
Total material moved	<i>m³</i> <i>'000</i>	7,763	11,112	17,360	23,980
Ore mined	<i>t '000</i>	1,610	2,870	3,266	6,016
Average grade	<i>g/t</i>	0.96	1.54	0.95	1.28
Gold content	<i>koz</i>	49.5	141.8	99.4	248.4
Processing operations (Resin in pulp plant)					
Total milled	<i>t '000</i>	3,328	3,190	6,700	6,582
Average grade	<i>g/t</i>	0.74	1.42	0.75	1.25
Gold content	<i>koz</i>	79.6	146	159.8	264.5
Recovery rate	<i>%</i>	88.3%	87.1%	85.5%	85.0%
Gold recovered	<i>koz</i>	70.3	127.1	136.6	224.7
Heap leach operations					
Ore stacked	<i>t '000</i>	420	429	701	800
Average grade	<i>g/t</i>	0.53	0.53	0.53	0.56
Gold content	<i>koz</i>	7.2	7	12.0	14.5
Recovery rate	<i>%</i>	53.5%	69.9%	44.1 %	46.2%
Gold recovered	<i>koz</i>	3.8	5.1	5.3	6.7
Total gold recovered	<i>koz</i>	74.1	132.2	141.9	231.4

Mining

As scheduled, in 2016 Pioneer production was mined from open pit operations. The blend of ore was sourced from Alexandra, Bakhmut and Vostochnaya zones, as well as from stockpiles.

Pioneer's mining schedule for 2016 accounted for an increase in production in the fourth quarter as operations accessed high grade ore at the Andreevskaya zone, following extensive waste stripping throughout the year. Unusual weather conditions resulted in disruptions and ultimately deferred access to the high grade zone (into 2017).

The unusual weather conditions also caused some delays in the heap leach operations but successful scheduling adjustments meant target stacking and production were achieved as planned for 2016.

Processing

The plant performed as expected in 2016, delivering on all technological performance indicators. Throughput saw a slight year-on-year increase to 6.7Mt pa. During H2, optimising the blend of ore for processing resulted in a significantly improved gold recovery rate.

Exploration

At the Brekchievaya zone, a 500m extension east was confirmed. Assay results have shown the thickness of mineralisation varies between 1.4m to 1.7m, with grades of between 9.05g/t to 12.15g/t. Proximity, grade and metallurgy suggest this discovery could provide additional non-refractory feed to the Pioneer RIP plant.

At NE Bakhmut #2, surface drilling intersected a sub horizontal, mineralised zone 30-35m below surface. This orebody is a soft oxidised material expected to be suitable for open pit mining and RIP recovery. Current works

show an average mineralised width of 6.9m at 1.1g/t, along a 300m strike and still open in North and West directions.

The 2017 exploration programme includes further work to delineate both these areas.

Albyn

Albyn mining operations					
		H2 2016 (unaudited)	H2 2015	Year ended 31 Dec 2016 (unaudited)	Year ended 31 Dec 2015
Total material moved	m ³ '000	15,754	17,993	31,763	36,722
Ore mined	t '000	2,440	2,349	4,970	4,906
Average grade	g/t	1.42	1.09	1.25	1.15
Gold content	koz	111.5	83	199.5	181.5
Processing operations (Resin in pulp plant)					
Total milled	t '000	2,334	2,326	4,675	4,600
Average grade	g/t	1.45	1.07	1.28	0.89
Gold content	koz	108.6	80.3	192.5	168.8
Recovery rate	%	94.6%	94.5%	93.5%	93.3%
Gold recovered	koz	102.8	75.9	180.0	157.6

Mining

As scheduled, Albyn production in 2016 was from open pit operations. In H1 the majority of ore was mined and processed from the Eastern section of the pit, as well as from stockpiles, whilst stripping works were under way at the Northern section. In H2 ore was mined and processed from the Eastern section as well as the higher grade Northern section of the pit.

Year-on-year dilution was significantly improved and mining grades increased by 12%.

Processing

The plant performed as expected in 2016, delivering on all technological performance indicators. Throughput saw a slight year on year increase to 4.7Mt pa with gold recovery rates increasing from 92% in H1 to 94.6% in H2.

Exploration

Within the 1,100 km² Albyn license area, 28km west of the Albyn RIP plant, at a small mine, Yasnoe, which was operational under State ownership in the 1950s. Historical work, under State ownership, focused on quartz veins, reporting thicknesses from 0.12m to 3.0m with grades up to 32.6g/t.

The 2016 Petropavlovsk exploration programme confirmed a 3km mineralised extension. Five trenches were developed to explore this structure beyond the historically mined area. Initial assay results from one of the trenches confirmed the presence of a subparallel shallow-dipping (c.30 degrees along slope) gold bearing structure, with intersects of 12.2m @ 4.72g/t, 6.0m @ 3.09g/t and 6.0m @ 2.37g/t. Once the assays from the other four trenches have been received and interpreted, the 2017 exploration programme budgets for further focused exploration works to be carried out.

The feasibility study for the Elginskoye deposit is being finalised and reviewed by Russian Technical authorities. This only includes resource definition drilling for part of the Elginskoye deposit. It is expected that additional exploration work will further define additional reserves and resources. The current submission indicates a potential increase of up to 2Moz JORC ore reserves.

Malomir

Malomir mining operations

		H2 2016 (unaudited)	H2 2015	Year ended 31 Dec 2016 (unaudited)	Year ended 31 Dec 2015
Total material moved	<i>m³ '000</i>	4,394	4,421	8,115	8,904
Ore mined	<i>t '000</i>	1,145	1,067	1,535	2,105
Average grade	<i>g/t</i>	1.08	0.93	1.11	1.01
Gold content	<i>koz</i>	39.9	31.9	54.9	68.5
Processing operations (Resin in pulp plant)					
Total milled	<i>t '000</i>	1,446	1,486	3,000	2,937
Average grade	<i>g/t</i>	0.98	0.84	0.86	0.93
Gold content	<i>koz</i>	45.4	40.3	82.5	88
Recovery rate	<i>%</i>	70.2%	65.8%	68.9%	67.2%
Gold recovered	<i>koz</i>	31.9	26.5	56.8	59.1

Mining

As scheduled, Malomir production in 2016 was from open pit operations. An optimal blend of ore was mined from Quartzitovoye 2, Magnetitovoye, and stockpiles. In 2016, Quartzitovoye 1 mainly underwent waste stripping works, providing the appropriate access to ore for the 2017 mine schedule.

Processing

The plant performed as expected in 2016, delivering on all technological performance indicators, resulting in improved gold recovery rates from H1 to H2 and year on year.

Exploration

Exploration drilling confirmed further mineral resource for potential underground mining at Quartzitovoye 1. The JORC Ore reserve estimate is under way. The development of an underground mine at Quartzitovoye is scheduled for H1 2017. Further exploration is expected to continue from the underground work.

Pokrovskiy

Pokrovskiy mining operations

		H2 2016 (unaudited)	H2 2015	Year ended 31 Dec 2016 (unaudited)	Year ended 31 Dec 2015
Total material moved	<i>m³ '000</i>	2,456	2,509	4,709	5,169
Ore mined	<i>t '000</i>	695	639	1,027	933
Average grade	<i>g/t</i>	0.69	1.31	0.79	1.41
Gold content	<i>koz</i>	15.5	27.0	26.0	42.2
Processing operations (Resin in pulp plant)					
Total milled	<i>t '000</i>	892	925	1,791	1,791
Average grade	<i>g/t</i>	0.67	0.97	0.65	1.04
Gold content	<i>koz</i>	19.3	29.0	37.1	59.7
Recovery rate	<i>%</i>	89.3%	87.1%	90.1%	84.3%
Gold recovered	<i>koz</i>	17.2	25	33.5	50.4

Heap leach operations

Ore stacked	t '000	247	295	440	541
Average grade	g/t	0.46	0.53	0.45	0.53
Gold content	koz	3.6	5	6.3	9.2
Recovery rate	%	78.8%	84.0%	64.8%	60.6%
Gold recovered	koz	2.8	4.2	4.1	5.6
Total gold recovered	koz	20.1	29.2	37.6	56

Mining

As scheduled, Pokrovskiy production in 2016 was from open pit operations. An optimal blend of ore was mined from Pokrovka 1, Pokrovka 2 and satellite deposit Zheltunak.

Despite the unusual weather conditions causing some delays in the heap leach operations, successful scheduling adjustments meant target stacking and production were achieved as planned for 2016.

Processing

The plant performed as expected in 2016, delivering on all technological performance indicators.

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

Past performance cannot be relied on as a guide to future performance.

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