Petropavlovsk PLC response to Olga Murashko’s rejoinder

In her rejoinder to the letter from the Petropavlovsk representative, Olga Murashko gives examples which in her assessment illustrate "the firm resistance of the residents of the village and its chairman Sergei Nikiforov to the numerous attempts of Petropavlovsk and its subsidiaries (Hergu, Tyemy and others) to obtain licenses for gold mining within the borders of the Ivanovo municipality ". In her rejoinder, many facts are attributed to Petropavlovsk incorrectly or inaccurately. Below, Petropavlovsk responds to these in the order mentioned in the rejoinder.

1. The proceedings of the public hearings, in which the residents of the Ivanovskoye village voiced their support for Albyn, are attached to Petropavlovsk’s letter (Proceedings of the Public Hearings). Coverage of the hearings also appeared on State Television and Radio Company AMUR in its programme New Economic Policy (NEP), where Mr S.S. Nikifirov spoke in favour of cooperation with Albyn subsidiary. A recording of this programme can be provided.

2. The first part of Olga Murashko’s analysis is devoted to Hergu and to the protests made by Evenks in Ivanovskoye against its activities. CJSC HERGU is one of the oldest gold mining enterprises in Russia and has been mining alluvial gold for more than 100 years. It is not part of the Petropavlovsk Group of companies. This is confirmed by a number of open sources:

1) Statutory and registration documents of CJSC Hergu and records of the Register of Legal entities

2) Annual reports of Petropavlovsk PLC, where all subsidiaries and affiliated legal entities are fully disclosed (see pages 160-161 of the Annual report for 2016): <http://petropavlovsk.net/images/stories/FinancialsAnnualReports/PETROPAVLOVSK_AR_2016.pdf> - lists of subsidiaries for previous years are available in annual reports for corresponding years).

It is important to understand that Petropavlovsk is not the only miner operating in the Selemdzhinsky district. Alluvial mining in the north-east of the region, including the vicinity of the Ivanovskoye village, is conducted by CJSC KHERGU and other independent enterprises that are not subsidiaries of Petropavlovsk PLC. Petropavlovsk PLC only conducts hard rock gold mining and does not mine alluvial gold.

3. The letter of protest dated 22nd February 2012 is not related to Petropavlovsk - it is fully dedicated to CJSC Hergu. Neither Petropavlovsk nor its subsidiaries participated in the auction described.

4. The organisation DalTeploEnergo is not a subsidiary of Petropavlovsk PLC, nor is it affiliated with the Company. As far as Petropavlovsk is aware, it was independently selected by Mr S.S. Nikiforov and the Ivanovo Village Council, who appointed it as a contractor.

5. The following information is particularly important to understand the chronology of events. The Albyn complex, established by Petropavlovsk not far from Zlatoustovsk village (more than 20 km from Ivanovskoye), was launched at the end of 2011. The residents of Ivanovskoye supported its construction - see point 1.

On 19th January 2013, subsidiaries of Petropavlovsk obtained a license for geological surveying, exploration and hard rock gold mining within the Afanasyevskaya ore-prospecting area (License BL2 02491 BR). The subsoil plot has an area of 688.1km2. This does not mean that the work will be conducted on the whole area, however. Before works commence it is necessary to obtain permits for the requested area and approvals from the owners and occupiers of the land. This is what Petropavlovsk was doing.

6. The rejoinder referred to a meeting in July 2015, at which residents of Ivanovskoye protested against gold mining by open pit with the use of explosives at a distance of 1.5-2 km from residential buildings. It is important to understand that Petropavlovsk subsidiaries have only conducted the geological exploration, not mining operations in the vicinity of the Ivanovskoye village. Prior to the start of the blasting operations for bulk ore sampling, Petropavlovsk carried out an experimental blast to measure a possible seismic load on village buildings, in the presence of Ivanovskoye representatives According to all regulations and calculations, the hazardous zone during explosions has a radius of 300-500m. The bulk sampling was carried out 5060m away from the village border, so the operations did not have any effect on the village environment. Sampling was completed in February 2016. Relevant documentation/the results of this preparatory work is/are attached.

7. The rejoinder states that on 11th August 2015, the Ivanovskoye Village Council signed a refusal for the drilling of 8 bore holes on the Afanasyevskaya area by Tami. Indeed, the refusal had been signed, but it was a mutually beneficial decision for Ivanovskoye and Petropavlovsk. The basins of the Ivanovskiy and Bogorodskiy streams are included in the license area acquired by Petropavlovsk subsidiary Tyemi LLC. However, as these streams affect village life, and the described location is 1.5-2 km from Ivanovskoye, the company was not going to conduct geological exploration within this territory. However, by not exploring the basins of these streams, which are included in the license, the company would have violated the license agreements. The official refusal to conduct geological exploration works within the basins of Ivanovskiy and Bogorodskiy streams from the local authorities has allowed Petropavlovsk to justify its waiver to explore this area.

8. The legislation of the Russian Federation and the Amur Region regulates the status of Ivanovskoye Village Council land and the types of activities that can be carried out there. Maximum protection for communities of indigenous peoples is guaranteed by assigning the status of ‘Traditional Land Use’ granted for specially protected areas. However, with respect to the Evenk community of Ivanovskoye, the area was defined as suitable for traditional residence and traditional economic activities, but was not given Traditional Land Use status. The status of the lands where Petropavlovsk subdivisions are conducting geological prospecting and exploration allow this type of activity to be carried out. The Ivanovskoye state farm Ulgen is a leaseholder of the land plot (where it conducts traditional activities). Petropavlovsk does not operate in this area due to receiving a negative response to the company's request for an operations permit.

9. Petropavlovsk can give a meaningful and factual answer only in relation to its operations and subsidiaries. Comments on the activities of the judiciary and the prosecutor's office, related to the criminal punishment of Mr S.S. Nikiforov, must be requested directly from them.

10. With regard to Petropavlovsk PLC, there are no issues between the Company and the residents of the Ivanovskoye village. The Company’s position has been consistent in that it has an active dialogue with the local population at all sites, and strictly observes Russian legislative requirements and international standards as applicable.

At present, Petropavlovsk is working constructively with the Ivanovskoye community. The Government of the Amur Region has established a working group following a recommendation from the Council of Representatives of Indigenous Peoples of the North, which includes representatives of the Government, Petropavlovsk PLC, the Ivanovskoye Village Council and the Association of Indigenous Minorities of the Amur Region (proposals from the working group are attached). In February 2017, a working group was formed in the village to work with business entities, including gold mining companies operating in the vicinity of the village. In July, the working group will be holding a meeting at which it is planned to develop specific proposals for cooperation with economic entities, including Petropavlovsk. Our company is ready to cooperate with the Ivanovskoye village both within the framework of this working group and in a broader format (relevant protocol and Group regulations are attached).