29 August 2013

Half-Year Report for the Period Ended 30 June 2013

Petropavlovsk PLC ("Petropavlovsk", the "Company" or, together with its subsidiaries, the "Group") today issues its Half-Year Report for the period from 1 January 2013 to 30 June 2013 ("H1 2013" or the "Period").

Highlights

H1 2013 Results

- Record half-year revenues of US$597 million, up 9% on H2 2012 revenues, notwithstanding a decrease in the average gold spot price
- US$83 million net cash from operating activities, up 79% year-on-year
- Total cash costs ("TCC/oz") (hard-rock mines) of US$1,136/oz[1] (US$740 in H1 2012); significant improvement expected in H2
- US$1,579/oz average realised gold price, including US$84/oz benefit from hedging
- Forward gold sales outstanding as at 1 July 2013:
  - 219,400oz at forward price of US$1,664/oz for H2 2013
  - 145,700oz at forward price of US$1,494/oz for H1 2014
- Since 30 June 2013, further forward gold sales were put in place:
  - 95,000oz at a price of US$1,313/oz for H2 FY2013
  - 62,000oz at a price of US$1,412/oz for Q3 FY2014
- Net debt reduced to US$1.15 billion compared to the peak (c.US$1.2 billion) in March 2013
- Cash and equivalents of c.US$59 million and committed undrawn facilities of US$123.4 million (excluding US$219.6 million for IRC)
- Capital expenditure (excluding exploration) of US$149 million, a 43% decrease year-on-year
- Comprehensive cash optimisation programme launched:
  - Hedging programme implemented to limit downside exposure to price volatility
  - Non-essential capital expenditure postponed (c.US$150 million deferred)
  - Central administration costs savings of c.US$6 million and c.US$13 million expected in FY 2013 and FY 2014 respectively
  - Operating costs expected to be reduced by c.US$12 million in FY 2013 and c.US$58 - US$68 million in FY 2014
- The net loss for the period was US$742.2 million, compared to an US$11.0million profit for H1 2012
- Lower gold price environment has led to a non-cash, post-tax impairment of c.US$358 million of goodwill and mining assets and $62.2 million of Tokur exploration and evaluation assets
- The Group's annual review of its exploration and evaluation assets resulted in an additional US$31.2 million impairment
- A further US$143 million impairment of IRC assets was due to IRC's net assets being adjusted to fair value, based on IRC's share price of HK$0.85 as at 30 June 2013
- The Group assessed the recoverability of the carrying value of its ore stockpiles and recorded post-tax impairment charges of c.US$35 million

[1] Including US$22.1 million (US$14.1 million in H1 2012) depreciation of prospective stripping undertaken in prior periods which contributed US$78/oz (US$53/oz in H1 2012) to TCC/oz for hard-rock mines

FY 2013 Outlook

- 760,000 – 780,000oz production forecast for FY 2013 maintained
  - Higher production in H2 due to higher grades and increased seasonal alluvial and heap leach production
- FY 2013 total cash costs (hard rock mines) expected to be lower than guidance, driven by:
  - Higher production in H2
  - A decrease in stripping across all mine sites
  - On-going impact of cash optimisation programme
- Capex anticipated to be substantially less than H1 with full year target now US$220 million
- Net debt (exclusive of IRC) at year-end expected to fall below US$1 billion
- No interim dividend given volatile environment; dividend to be reviewed at year-end
- On-going review of 2014 production schedules –market update anticipated in Q4 2013

Financial Results Summary

	Six months to 30 June 2013 (unaudited)	Six months to 30 June 2012 (unaudited)	Variance	Year ended 31 December 2012
Total attributable gold production (*'000oz*)	**294.7**	279.1	6%	710.4
Gold sold (*'000oz*)	**297.1**	286.1	4%	703.2
Group revenue (*US$m*)	**597.3**	546.8	9%	1,375.2
Avg. realised gold price (*US$/oz*)	**1,579**	1,639	(4%)	1,670
Total average cash cost (US$/oz)	**1,157**	796	45%	875
Total average cash costs for hard-rock mines (*US$/oz*)	**1,136**	740	54%	805
Total EBITDA[(a)] (*US$m*)	**102.1**	204.1	(50%)	487.7
Net (loss)/profit before exceptional items	**(143.3)**	9.4	*n/m*	92.5
Exceptional items[(b)] within net (loss)/profit	**(598.9)**	1.6	*n/m*	(336.4)
Total net (loss)/profit for the period	**(742.2)**	11	*n/m*	(243.9)
Net (loss)/ profit attributable to shareholders of Petropavlovsk PLC	**(666.0)**	15.1	*n/m*	(159.7)
Before exceptional items	**(136.8)**	13.5	*n/m*	98.7
Exceptional items[(b)]	**(529.2)**	1.6	*n/m*	(258.4)
Basic (loss) earnings per share (*US$*)[(c)]	**(3.57)**	0.08	*n/m*	(0.85)
Before exceptional items	**(0.73)**	0.07	*n/m*	0.54
Exceptional items[(b)]	**(2.84)**	0.01	*n/m*	(1.39)
Net cash from operating activities	**82.7**	46.3	*79%*	271.9
Final dividend paid	**-**	-	*n/m*	£0.07[(d)]
Interim dividend proposed/paid for H2 2012	**-**	£0.05	*n/m*	£0.05

Note: Figures may be rounded. n/m = not meaningful

(a) EBITDA is the profit for the Period before financial income, financial expenses, foreign exchange gains and losses, fair value changes, taxation, depreciation, amortisation and impairment charges. A reconciliation of profit for the year and EBITDA is set out in note 25 to the financial statements.
(b) Exceptional items are those detailed in note 5 to the financial statements.
(c) Basic earnings per share before exceptional items is the profit or loss for the Period attributable to equity holders of Petropavlovsk PLC before exceptional items divided by the weighted average number of ordinary shares during the period.
(d) A final dividend comprising a cash payment of £0.02 per Ordinary Share, together with an entitlement to new shares, with an attributable value of £0.05 per Ordinary Share.

Net Debt is as set out in note 22 to the financial statements. As at 31 December 2012 and 30 June 2013, net debt excludes IRC.

Analysis of the Group's net debt position

	At 30 June 2013 (unaudited) US$m	At 31 December 2012 US$m	Variance
Cash and cash equivalents	**58.6**	159.2	(63%)
Borrowings	**(853.0)**	(870.0)	(2%)
Convertible bonds[(a)]	**(359.7)**	(352.5)	2%
Net debt	**(1,154.1)**	(1,063.3)	9%

(a) US$380M convertible bonds at amortised cost

Analysis of capital expenditure

The Group spent an aggregate US$168.8 million on its gold projects, including exploration. Prior to the Board's decision to defer the commissioning of POX the key areas of focus during the Period were the further development of POX, Malomir (including flotation line), Albyn and Pioneer and on-going exploration related to the areas adjacent to the ore bodies of the main mining operations.

	Exploration expenditure US$ million	**Development expenditure and other CAPEX US$ million**	**Total US$ million**
Pressure oxidation	**-**	**58.0**	**58.0**
Pokrovskiy and Pioneer	**6.8**	**26.8**	**33.6**
Malomir	**1.0**	**25.1**	**26.1**
Albyn	**7.1**	**25.7**	**32.8**
Alluvial operations	**2.0**	**2.4**	**4.4**
Other	**2.7**	**11.2**	**13.9**
Total invested in Gold Division	**19.6**	**149.2**	**168.8**

Commenting on the announcement, Peter Hambro, Chairman, said:

"*I am pleased to announce that during the first six months of 2013, production increased by 6%, sales by 4% and revenue by 9%. Our early decision to hedge generated an additional US$25 million to cash revenue or US$84 per ounce over and above the prevailing market price for the Period. This supported a 79% increase in net cash from operating activities and facilitated a US$50 million reduction in net debt compared to its peak in March 2013.*

Petropavlovsk is not alone in finding the current operating and financial environments a challenge, but we are demonstrating, nonetheless, a commitment to, and some early success in, dealing with these difficult circumstances. I am confident that the Company is on the right track and, as we enter the second half of 2013, a period that is traditionally stronger in terms of production, we will continue to build a stronger foundation for the business for the long-term.

TCC/oz in the first half of 2013, on the other hand, were adversely affected by mining through low-grade ore to grant access to higher grade material in H2 2013 and the processing of ore from low-grade stockpiles; the latter, releasing c.US$12 million of cash from working capital. However, costs are expected to be lower in the second half as grades will be higher and stripping volumes reduced. We are also expecting a further release of c.US$70 – US$80 million of working capital via treatment of low grade stockpiles at Pioneer in the second half of the year.

In the lower gold price environment it has been our priority to generate cash and reduce net debt and the 79% increase in net cash from operating activities is testament to our success in this endeavour. When taken together with our cost-cutting programme (in H1 we were able to cut our central administration expenses by 17%) and our deferral of investments, this is reflected in the reduction in net debt of US$50 million in the first half after it peaked at c.US$1.2 billion in March 2013 and further reduction is anticipated in the second half, with net debt expected to fall below US$1 billion by the year end.

Like most of our fellow gold miners we have taken non-cash impairment charges against the value of our investments which reflect the lower gold price environment in which we find ourselves and these have severely affected our earnings. We have chosen US$1,300 per ounce for this purpose however I have reason to believe that demand for physical gold – as opposed to paper promises of gold – is strong and that this will, as a minimum, underpin the gold price in the coming years.

During the second half of the year we will continue to pursue our cash generation and debt reduction targets. Our capital expenditure in the second half is likely to be much lower than in the first half, as the full effect of the postponement of completion of our Pressure Oxidation investment is reflected in our cash flows, and the result of cost cutting and working capital reductions are also felt. The average grade of ore processed through the mills in the second half is expected to be higher than in the first half, thanks to exploration success and the access to high grade ore exposed through H1 mining activities, and this should also increase our cash flow. It should not be forgotten that production in the second half of the year always exceeds that in the first half primarily due to better weather conditions.

To help ensure the Company maintains its liquidity position in the current environment, on 27 August 2013, the Board of Directors suspended the upcoming semi-annual dividend. Future decisions regarding the dividend will be based on a number of factors, including market conditions, balance sheet strength and liquidity, operational performance, and the impact of on-going cost reduction measures.

All in all, I am sure that our target of reducing net debt to below US$1 billion can be achieved by a satisfactory margin. In the mean-time we have sufficient cash and undrawn facilities with which to run the business.

The Amur Region, where the majority of the Company's operations are located, has recently experienced "once-in-100-year" rainfall, which has caused widespread flooding. Extensive and efficient work by our team has minimised the effect on our production with a slight increase in costs as a consequence of additional pumping. Currently we remain confident of achieving our production targets although if heavy rains continue for several weeks approximately 10,000oz of gold, or 1% of annual production may be delayed to Q1 2014.

The work of the geological team, which has performed very well identifying further prospective non-refractory mineralisation, was also affected by the flooding and we now hope to publish an update that reflects their work during the fourth quarter of the year. This will enable us to take a decision on the timing of full implementation of our Pressure Oxidation plans in light of the discovery of additional non-refractory ore.

The hedging programme that we undertook during the first half of the year has given us a stable platform from which to plan our future and so long as uncertainty and high volatility remain we may continue to use this sales method.

Our investment in IRC has continued to deliver well on all its operational and corporate targets. They have delivered another record period of production at Kuranakh and report that they are on schedule at K&S for commissioning within the next twelve months. The market for iron ore remains strong and has rebounded from its lows due to better than expected Chinese steel production and on-going supply challenges in the domestic and seaborne markets. The new strategic Chinese investors place IRC on a stronger footing for the long-term. I believe that it is telling that the investors had a wide choice of investment opportunities in iron ore globally, and that they chose to invest up to nearly a quarter of a billion dollars into IRC is a strong endorsement for their growth plans. This investment has strengthened the IRC balance sheet and by supporting the Petropavlovsk corporate guarantee, reduced our exposure to iron ore. "

Webcast

There will be a webcast presentation followed by a question and answer session* today at 09:30am. Please log onto the Company's website, www.petropavlovsk.net, to view. To ask a question, please dial **+442031394830.** When prompted, please enter the confirmation number **67430002#.**

** The question and answer session may include information relating to the Company's shares and convertible bonds*
Note: it is recommended smart phone users download the conference App when prompted in order to view the slides.

Financial Review

	Six months to 30 June 2013			Six months to 30 June 2012		
	Before exceptional items US$ million	**Exceptional items US$ million**	**Total US$ million**	Before exceptional items US$ million	Exceptional items US$ million	Total US$ million
Group revenue	**597.3**	**-**	**597.3**	546.8	-	546.8
Operating expenses	**(665.3)**	**(660.0)**	**(1,325.3)**	(452.7)	1.6	(451.1)
	(68.0)	**(660.0)**	**(728.0)**	94.1	1.6	95.7
Share of results of joint ventures	**(1.4)**	**-**	**(1.4)**	(1.9)	-	(1.9)
Share of results of associates	**(0.2)**	**-**	**(0.2)**	-	-	-
Operating (loss)/profit	**(69.6)**	**(660.0)**	**(729.6)**	92.2	1.6	93.8
Investment income	**0.7**	**-**	**0.7**	1.5	-	1.5
Interest expense	**(39.2)**	**-**	**(39.2)**	(36.1)	-	(36.1)
Other finance losses	**-**	**-**	**-**	(10.4)	-	(10.4)
(Loss)/profit before taxation	**(108.1)**	**(660.0)**	**(768.1)**	47.2	1.6	48.8
Taxation	**(35.2)**	**61.1**	**25.9**	(37.8)	-	(37.8)
(Loss)/profit for the period	**(143.3)**	**(598.9)**	**(742.2)**	9.4	1.6	11.0
Attributable to:						
Equity shareholders of Petropavlovsk PLC	**(136.8)**	**(529.2)**	**(666.0)**	13.5	1.6	15.1
Non-controlling interests	**(6.5)**	**(69.7)**	**(76.2)**	(4.1)	-	(4.1)
	(143.3)	**(598.9)**	**(742.2)**	9.4	1.6	11.0
(Loss)/earnings per share						
Basic	**(US$0.73)**	**(US$2.84)**	**(US$3.57)**	US$0.07	US$0.01	US$0.08
Diluted	**(US$0.73)**	**(US$2.84)**	**(US$3.57)**	US$0.07	US$0.01	US$0.08

REVENUE

	Six months to 30 June 2013 US$ million	Six months to 30 June 2012 US$ million
Revenue from precious metal operations	469.5	469.7
Revenue generated by IRC	**92.2**	56.9
Revenue from other operations	**35.6**	20.2
Total	**597.3**	546.8

PHYSICAL VOLUMES OF GOLD PRODUCTION AND SALES

	Six months to 30 June 2013 oz	Six months to 30 June 2012 oz
Gold sold from Pokrovskiy, Pioneer, Malomir, Albyn	***283,086***	***265,622***
Gold sold from alluvial operations	**14,032**	20,452
Movement in gold in circuit and doré-bars	**(2,418)**	(6,973)
Total attributable production	**294,700**	279,101

Group revenue during the Period was US$597.3 million, 9% higher than the US$546.8 million achieved in H1 2012.

Revenue from the precious metals operations of US$469.5 million in H1 2013 remained at the same level as in H1 2012. Gold remains the key commodity produced and sold by the Group, comprising 79% of total revenue generated H1 2013. The physical volume of gold sold increased by 4% from 286,074 ounces in H1 2012 to 297,118 ounces in H1 2013 which was offset by a 4% decrease in the average realised gold price from US$1,639/oz in H1 2012 to US$1,579/oz in H1 2013.

IRC revenue increased by US$35.3 million from US$56.9 million in H1 2012 to US$92.2 million in H1 2013. IRC sold approximately 548,850 tonnes of iron ore concentrate and approximately 78,336 tonnes of ilmenite, and recorded revenue of US$87 million from the combined sales. Ilmenite was previously classified as a by-product. IRC reported ilmenite sales of US$19.4 million as a revenue item in H1 2013 while in H1 2012 it was treated as a by-product credit, netted off against the cost of iron ore production. Equivalent ilmenite sales for H1 2012 totalled US$15.2 million.

Cash flow hedge arrangements

In order to increase certainty in respect of a significant proportion of its cash flows, the Group has entered into a number of financing contracts as set out below:

- In February 2013, the Group entered into financing contracts to sell a total of 399,000 ounces of gold over a period of 14 months ending in March 2014 at an average price of US$1,663/oz.
- In May 2013, the Group entered into financing contracts to sell a total 96,000 ounces of gold over a period of 3 months ending in June 2014 at an average price of US$1,408/oz.
- Subsequent to 30 June 2013, the Group entered into financing contracts to sell a further total 95,000 ounces of gold over a period September-December 2013 at an average price of US$1,313/oz and a further total 62,000 ounces of gold over a period July-September 2014 at an average price of US$1,412/oz.

Financing contracts to sell a total of 129,860 ounces of gold matured during the Period and contributed US$25 million to cash revenue and US$84/oz to the average realised gold price during the Period.

IMPAIRMENT REVIEW

Impairment of mining assets

During the six months ended 30 June 2013, the gold price declined significantly and remained at those lower levels which also resulted in the revised long-term gold price outlook. In response to the declining gold price environment, the Group performed an impairment review of the tangible assets and goodwill attributable to the gold mining projects and the supporting in-house service companies (representing the business segments 'Precious metals' and 'Other').
The Group recorded impairment charges to the extent that recoverable amounts did not support the relevant carrying values of assets on the balance sheet as at 30 June 2013 as set out below:

	Impairment of goodwill US$ million	Impairment of property, plant and equipment US$ million	Pre-tax impairment charge US$ million	Taxation US$ million	Post-tax impairment charge US$ million
Pokrovskiy		**22.7**	**22.7**	**(4.5)**	**18.2**
Pioneer		**88.9**	**88.9**	**(17.8)**	**71.1**
Malomir		**156.0**	**156.0**	**(17.9)**	**138.1**
Albyn		**17.6**	**17.6**	**(3.5)**	**14.1**
In-house service companies	**21.7**	**102.2**	**123.9**	**(7.3)**	**116.6**
	21.7	**387.4**	**409.1**	**(51.0)**	**358.1**

The forecast future cash flows are based on the Group's current mining plan and reflect certain in-process cost cutting measures implemented in response to the declining gold price environment. The other key assumptions which formed the basis of forecasting future cash flows and the value in use calculation are set out below:

	Six months to 30 June 2013	Year ended 31 December 2012
Long-term gold price	**US$1,300/oz**	US$1,680/oz
Discount rate [(a)]	**9.5%**	8.6%
RUS/ US$ exchange rate	**RUR32/US$**	RUR31.5/US$

(a) Being the post-tax real weighted average cost of capital

The impairment assessments are most sensitive to changes in gold price. Changes to this assumption would result in changes to impairment conclusions, which could have a significant effect on the consolidated financial statements. In particular, with all other assumptions being constant, a US$50/oz reduction in the applicable long-term gold price would result in additional impairment of approximately US$120 million. Should the long-term gold price expectation decline further than this, the Group's mining plan would be re-assessed in order to include further measures to mitigate the effect of the declining gold price and optimise cash flows.

Impairment of exploration and evaluation assets

The Group performed a review of its exploration and evaluation assets and recorded the following impairment charges:

- An exceptional US$62.2 million post-tax impairment charge (being US$63.6 million gross impairment charge net of reversal of associated deferred tax liabilities) was recorded against the Tokur assets which are awaiting development of a full-scale mining operation and which has been put on hold to minimize Group's CAPEX in the current gold price environment; and

- A further non-exceptional US$31.2 million impairment charges were recorded against associated exploration and evaluation costs previously capitalized within intangible assets following the decision to suspend exploration at various licence areas, primarily located in the Amur region.

Impairment of ore stockpiles
The Group assessed the recoverability of the carrying value of ore stockpiles and recorded an exceptional impairment charges as set out below:

	Pre-tax impairment charge US$ million	Taxation US$ million	Post-tax impairment charge US$ million
Pokrovskiy	**3.3**	**(0.7)**	**2.6**
Pioneer	**30.0**	**(6.0)**	**24.0**
Malomir	**9.9**	**(2.0)**	**7.9**
Albyn	**1.1**	**(0.2)**	**0.9**
	44.3	**(8.9)**	**35.4**

During the current period the impairment of stockpiles is considered by the Directors to be exceptional as it resulted from the significant decline in the gold price and relates to ore stockpiles which were substantially mined in prior periods.

IRC
IRC continued being classified as "held for sale". The Group recorded a further US$143.1 million write-down to adjust the carrying value of IRC's net assets to fair value less costs to sell based on IRC's share price of HK$0.85 as at 30 June 2013 and reflect the change in the market share price of IRC share.

EXCEPTIONAL ITEMS

The Group has separately disclosed exceptional items, being significant items of income and expense, which due to their nature or the expected infrequency of the events that give rise to these items should, in the opinion of the Directors, be disclosed separately to enable a better understanding of the financial performance of the Group.

This period, the following items were considered as exceptional:
- US$409 million impairment of tangible assets and goodwill;
- US$63.6 million impairment of Tokur exploration and evaluation assets assets;
- US$44.3 million impairment or ore stockpiles; and
- US$143.1 million write-down of IRC's net assets to fair value

The effect of exceptional items on profit for the period is set out in the table below.

	Six months to 30 June 2013			Six months to 30 June 2012		
	Before exceptional items US$ million	**Exceptional items US$ million**	**Total US$ million**	Before exceptional items US$ million	Exceptional items US$ million	Total US$ million
EBITDA	**102.1**	**-**	**102.1**	202.5	1.6	204.1
(Loss)/profit for the period	**(143.3)**	**(598.9)**	**(742.2)**	9.4	1.6	11.0

EBITDA AND ANALYSIS OF OPERATING COSTS

	Six months to 30 June2013			Six months to 30 June 2012		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
	US$ million	**US$ million**	**US$ million**	US$ million	US$ million	US$ million
(Loss)/profit for the period	**(143.3)**	**(598.9)**	**(742.2)**	9.4	1.6	11.0
Add/(less):						
Interest expense	**39.2**	**-**	**39.2**	36.1	-	36.1
Investment income	**(0.7)**	**-**	**(0.7)**	(1.5)	-	(1.5)
Other finance losses	**-**	**-**	**-**	10.4	-	10.4
Foreign exchange losses	**9.0**	**-**	**9.0**	3.4	-	3.4
Taxation	**35.3**	**(61.2)**	**(25.9)**	37.8	-	37.8
Depreciation	**131.5**	**-**	**131.5**	106.9	-	106.9
Impairment of mining assets	**-**	**409.1**	**409.1**	-	-	-
Impairment of exploration and evaluation assets	**31.1**	**63.6**	**94.7**	-	-	-
Impairment of ore stockpiles	**-**	**44.3**	**44.3**	-	-	-
Write-down to adjust the carrying value of IRC's net assets to fair value less cost to sell	**-**	**143.1**	**143.1**	-	-	-
EBITDA	**102.1**	**-**	**102.1**	202.5	1.6	204.1

EBITDA, as contributed by business segments, is set out below.

	Six months to 30 June 2013 US$ million	Six months to 30 June 2012 US$ million
Precious metals	**125.3**	241.9
IRC	**15.1**	6.8
Other	**0.5**	2.2
Central Administration [(a)]	**(38.8)**	(46.8)
EBITDA	**102.1**	204.1

(a) Including US$11.7 million central administration expenses of IRC (six months to 30 June 2012: US$13.6 million)

Precious metals operations

This period, the precious metals operations generated EBITDA of US$125.3 million compared to US$241.9 million EBITDA in H1 2012. The average total cash cost per ounce for the Group increased from US$796/oz in H1 2012 to US$1,157/oz in H1 2013, primarily reflecting the scheduled decrease in grades processed at Malomir and Albyn, decrease in recovery rates at Pioneer, Pokrovskiy and Malomir and industry-specific cost inflation, resulting in a net US$107 million decrease in EBITDA. The decrease in the average realized gold price from US$1,639/oz in H1 2012 to US$1,579/oz in H1 2013, partially offset by the increase in physical ounces sold, contributed to a further US$10 million decrease in EBITDA compared to H1 2012.

Total cash costs for hard-rock mines this Period were US$1,136/oz compared to US$740/oz in H1 2012. Total cash costs for hard-rock mines this Period include US$22.1 million depreciation of prospective stripping undertaken in prior periods which contributed US$78/oz to the average total cash costs per ounce for hard-rock mines compared to US$53/oz in the average total cash costs per ounce for hard-rock mines in H1 2012.

The key components of the operating cash expenses are wages, electricity, diesel, chemical reagents and consumables, as set out in the table below. The key cost drivers affecting the operating cash expenses are stripping ratios, production volumes of ore mined and processed, grades of ore processed, recovery rates, cost inflation and fluctuations in the Rouble to US Dollar exchange rate.

Compared with H1 2012 there was ongoing inflation of Rouble denominated costs, in particular, electricity costs increased by 4%, cost of chemical reagents increased by 27%, cost of diesel increased by 3% and consumables prices increased by up to 5%. The impact of Rouble price inflation was partially mitigated by the 1% average depreciation of the Rouble against the US Dollar, with the average exchange rate for the period going from 30.6 Roubles per US Dollar in H1 2012 to 31.0 Roubles per US Dollar in H1 2013.

Refinery and transportation costs are variable costs dependent on the production volume and comprise about 0.5% of the gold price. Royalties, comprising 6% of the gold price, are also variable costs dependent on the production volume and the gold price realized.

	Six months to 30 June 2013		**Six months to 30 June 2012**	
	US$ million	%	US$ million	%
Staff cost	**75.4**	23%	75.6	27%
Materials	**105.1**	32%	75.1	27%
Fuel	**57.3**	17%	49.3	17%
Electricity	**24.7**	8%	18.3	6%
Other external services	**36.5**	11%	41.9	15%
Other operating expenses	**28.9**	9%	23.1	8%
	327.9	100%	283.3	100%
Movement in ore stockpiles, work in progress and bullion in process attributable to gold production [(a)]	**(47.8)**		(109.2)	
Total operating cash expenses	**280.1**		174.1	

(a) Excluding deferred stripping

	Hard-rock mines				Alluvial Oper-ns	Other	Six months to 30 June 2013	Six months to 30 June 2012
	Pioneer	Pokrovskiy	Malomir	Albyn				
	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million
Revenue								
Gold	**249.9**	**62.9**	**60.1**	**77.3**	**18.9**	**-**	**469.1**	**468.8**
Other external sales	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**	**0.9**
	249.9	**62.9**	**60.1**	**77.3**	**18.9**	**0.3**	**469.4**	**469.7**
Expenses								
Operating cash expenses	**124.3**	**26.9**	**56.2**	**60.1**	**12.0**	**0.6**	**280.1**	**174.1**
Refinery and transportation	**1.3**	**0.3**	**0.3**	**0.3**	**0.1**	**0.1**	**2.4**	**2.2**
Other taxes	**2.8**	**0.7**	**0.1**	**0.1**	**0.3**	**-**	**4.0**	**7.3**
Royalties	**14.3**	**3.6**	**3.5**	**4.6**	**2.2**	**-**	**28.2**	**27.8**
Deferred stripping costs	**-**	**21.9**		**0.2**	**7.1**	**-**	**29.2**	**16.3**
Depreciation and amortisation	**39.3**	**15.2**	**23.7**	**35.9**	**5.8**	**0.3**	**120.2**	**98.8**
Impairment charges	**-**	**-**	**-**	**-**	**0.1**	**31.1**	**31.2**	**-**
Operating expenses	**182.0**	**68.6**	**83.8**	**101.2**	**27.6**	**32.1**	**495.3**	**326.5**
Share of results in joint ventures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share of results of associates						**(0.2)**	**(0.2)**	**-**
Result of precious metals operations before exceptional items	**67.9**	**(5.7)**	**(23.7)**	**(23.9)**	**(8.7)**	**(32.0)**	**(26.1)**	**143.1**
Segment EBITDA							**125.3**	**241.9**
Physical volume of gold sold, oz	**154,826**	**38,936**	**38,890**	**50,434**	**14,032**	**-**	**297,118**	**286,074**
Cash costs								
Operating cash expenses	**124.3**	**26.9**	**56.2**	**60.1**	**12.0**	**0.6**	**280.1**	**174.1**
Refinery and transportation	**1.3**	**0.3**	**0.3**	**0.3**	**0.1**	**0.1**	**2.4**	**2.2**
Other taxes	**2.8**	**0.7**	**0.1**	**0.1**	**0.3**	**-**	**4.0**	**7.3**
Operating cash costs	**128.4**	**27.9**	**56.6**	**60.5**	**12.4**	**0.7**	**286.5**	**183.6**
Operating cash cost per oz, US$	**830**	**717**	**1456**	**1,199**	**-**	**-**	**965**	**640**
Royalties	**14.3**	**3.6**	**3.5**	**4.6**	**2.2**	**-**	**28.2**	**27.8**
Deferred stripping costs	**-**	**21.9**		**0.2**	**7.1**	**-**	**29.2**	**16.3**
Total cash costs	**142.7**	**53.4**	**60.1**	**65.3**	**21.7**	**0.7**	**343.9**	**227.7**
Total cash costs per oz for hard- rock mines, US$	**922**	**1,372**	**1,547**	**1,293**	**-**	**-**	**1,136**	**740**
Total average cash costs per oz, US$							**1,157**	**796**

The Group does not report cash costs per ounce for alluvial operations as it is not representative in the first half of the year; alluvial operations are seasonal with production skewed towards the second half of the year. The Group includes the results of all mines and operations within the precious metals operations for the total average cash cost calculation.

IRC
IRC contributed US$3.4 million net of its share of central administration expenses to the Group EBITDA compared to US$6.8 million deficit in H1 2012.

Following negotiations with several interested parties in 2012 the Directors of the Company resolved to approve the potential investment in IRC Limited by General Nice and Minmetals Cheerglory and to accept the resulting dilution of the Group's holding in IRC to a non-controlling interest. This dilution is expected to be completed within 12 months after the reporting date and accordingly IRC continues being classified as "held for sale" and presented separately in the balance sheet as at 30 June 2013. IRC's net assets are valued based on the market share price of HK$0.85 per IRC share as at 30 June 2013 (31 December 2012: HK$1.17) less transaction costs. The Group recorded a further US$143.1 million write-down to adjust the carrying value of IRC's net assets to fair value less costs to sell and reflect the change in the market price per IRC share.

The first phase of the strategic investment in IRC was completed in April 2013 with the injection of just over US$100 million into IRC. The second phase is on track for completion in H2 2013 with the additional capital injection of approximately US$135 million, after which the Group's share in IRC will dilute below the controlling interest threshold and IRC will become an associate to the Group.

Central administration expenses
The Group has corporate offices in London, Hong Kong, Moscow and Blagoveschensk which together represent the central administration function. Central administration expenses decreased by US$8.0 million from US$46.8 million in H1 2012 to US$38.8 million in H1 2013, primarily reflecting cost cutting measures undertaken by the Group.

INTEREST INCOME AND EXPENSE

	Six months to 30 June 2013 US$ million	Six months to 30 June 2012 US$ million
Investment income	**0.7**	1.5

The Group earned US$0.7 million interest income on the cash deposits with banks.

	Six months to 30 June 2013 US$ million	Six months to 30 June 2012 US$ million
Interest expense	**51.4**	39.8
Less interest capitalised	**(12.8)**	(3.9)
Other	**0.6**	0.2
Total	**39.2**	36.1

The interest expense increased by US$3.1 million from US$36.1 million in H1 2012 to US$39.2 million in H1 2013. Interest expense for the period was comprised of US$14.8 million effective interest on the convertible bonds and US$36.6 million interest on bank facilities. A further US$12.8 million of interest expense was capitalised as part of mine development costs within property, plant and equipment (Six months to 30 June 2012: US$3.9 million).

TAXATION

	Six months to 30 June 2013 US$ million	Six months to 30 June 2012 US$ million
Tax (credit)/ charge	**(25.9)**	37.8

The Group is subject to corporation tax under the UK, Russia and Cyprus tax legislation. The average statutory tax rate for H1 2012 was 23.5% in the UK and 20% in Russia.

This Period tax credit arises primarily in relation to the Group's precious metals operations and is predominantly represented by deferred tax driven by the impact of impairment charges.

This Period, the Group made corporation tax payments in aggregate of US$18.1 million in Russia (H1 2012: corporation tax payments in aggregate of US$36.1 million in Russia).

EARNINGS PER SHARE

	Six months to 30 June 2013	Six months to 30 June 2012
(Loss)/profit for the period attributable to equity holders of Petropavlovsk PLC	**US$(666.1) million**	**US$15.1 million**
Weighted average number of Ordinary Shares	**186,621,787**	**186,508,287**
Basic (loss)/ earnings per ordinary share	**US$(3.57)**	**US$0.08**

Basic loss per share for H1 2013 was US$(3.57) compared to US$0.08 basic earnings per share for H1 2012. The key factor affecting the basic earnings per share was the decrease of net profit for the period attributable to equity holders of Petropavlovsk PLC from US$15.1 million for H1 2012 to net loss US$666.1 million for H1 2013.

The total number of Ordinary Shares in issue as at 30 June 2013 was 187,860,093 (30 June 2012: 187,860,093).

On 26 July 2013, the Company issued 9,778,332 ordinary shares to eligible shareholders in respect of their entitlement to receive 1 new Ordinary Share for every 19.21 Ordinary Shares held on the Register at the close of business on 28 June 2013.

FINANCIAL POSITION AND CASH FLOWS

	30 June 2013 **US$ million**	31 December 2012 US$ million
Cash and cash equivalents	58.6	159.2
Loans	(853.0)	(870.0)
Convertible bonds	(359.7)	(352.5)
Net Debt	(1,154.1)	(1,063.3)

(a) US$380million convertible bonds at amortised cost

	Six months to **US$ million**	Six months to US$ million
Net cash from operating activities	82.7	46.3

Key movements in cash and net debt

	Cash **US$ million**	**Debt** **US$ million**	**Net Debt** **US$ million**
As at 1 January 2013	**159.2**	**(1,222.5)**	**(1,063.3)**
EBITDA	**102.1**	**-**	
Decrease in working capital	**33.2**	**-**	
Income tax paid	**(18.1)**	**-**	
Capital expenditure on Precious metals projects and in-house service companies	**(149.2)**	**-**	
Exploration expenditure on Precious metals projects	**(19.6)**		
Capital expenditure on IRC projects	**(26.2)**	**-**	
Amounts repaid under bank facilities, net	**(19.9)**	**19.9**	
Amounts borrowed by IRC, net [(b)]	**10.3**	**(10.3)**	
Interest accrued	**-**	**(51.4)**	
Interest paid	**(40.0)**	**40.0**	
Proceeds from disposal of subsidiaries	**13.4**	**-**	
Investment in IRC by third party investors	**100.4**	**-**	
Other	**1.6**	**0.5**	
Re-classified as assets held for sale and associated liabilities at beginning of the period	**18.0**	**(124.5)**	
Re-classified as assets held for sale and associated liabilities at end of the period	**(106.6)**	**135.6**	
As at 30 June 2013	**58.6**	**(1,212.7)**	**(1,154.1)**

(b) Net of transaction costs.

The decrease in working capital reflects the efforts undertaken by the Group to optimise the working capital structure, including

- partial processing of low grade ore stockpiles at Pioneer which contributed US$18.8 million to the aggregate US$12.1 million decrease in ore stockpiles;
- US$12.7 million decrease in capitalised deferred stripping costs primarily due to depreciation of prospective stripping undertaken at Pokrovskiy in prior periods in line with this Period mining activity; and
- US$11.4 million decrease in stores and spares.

As at 30 June 2013, the Group had committed, but undrawn facilities, of US$123.2 million in aggregate and IRC had committed, but undrawn facilities, of US$219.6 million.

CAPITAL EXPENDITURE

The Group spent an aggregate of US$195.0 million on its gold and iron projects compared to US$383.5 million invested in H1 2012. The key areas of focus this year were on the further development of POX, completion of Malomir (including flotation line), Albyn and Pioneer, development of K&S and on-going exploration related to the areas adjacent to the ore bodies of the main mining operations.

	Exploration expenditure	**Development expenditure and other CAPEX**	**Total**
	US$ million	**US$ million**	**US$ million**
POX	**-**	**58.0**	**58.0**
Pokrovskiy and Pioneer	**6.8**	**26.8**	**33.6**
Malomir	**1.0**	**25.1**	**26.1**
Albyn	**7.1**	**25.7**	**32.8**
Vysokoye	**0.5**	**0.3**	**0.8**
Alluvial operations	**2.0**	**2.4**	**4.4**
Upgrade of in-house service companies	**-**	**8.3**	**8.3**
Other	**2.2**	**2.6**	**4.8**
Total invested in Gold Division	**19.6**	**149.2**	**168.8**
Kuranakh	**-**	**2.1**	**2.1**
K&S	**-**	**23.5**	**23.5**
Other	**0.1**	**0.5**	**0.6**
Total invested in IRC	**0.1**	**26.1**	**26.2**
Total	**19.7**	**175.3**	**195.0**

FOREIGN CURRENCY EXCHANGE DIFFERENCES

The principal subsidiaries have a US Dollar functional currency. Foreign exchange differences arise on translation of monetary assets and liabilities denominated in foreign currencies, which for the principal subsidiaries of the Group are Russian Rouble and GB Pounds Sterling.

The following exchange rates to the US dollar have been applied to translate monetary assets and liabilities denominated in foreign currencies.

	30 June 2013	30 June 2012
GB Pounds Sterling (GBP: US$)	**0.66**	0.64
Russian Rouble (RUR : US$)	**32.71**	32.82

The Group recognised foreign exchange losses of US$9.0million in H1 2013 (Six months to 30 June 2012: foreign exchange losses of US$3.4 million) arising primarily on Russian Rouble denominated net monetary assets and GB Pounds Sterling denominated net monetary liabilities.

GOING CONCERN

As set out in note 2 to the condensed consolidated interim financial statements, at the time when the condensed consolidated interim financial statements are authorised, there is a reasonable expectation that the Group has sufficient liquidity and adequate resources to continue operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Operations summary

Production

- Total gold production during the Period was 294,700oz, 6% more than for the comparative period in 2012;
- H2 2013 production is projected to be higher than H1 2013 for the Group due to an increase in grades scheduled to be processed at all hard-rock mines and increased seasonal alluvial production;
- The Group re-iterates its full-year production target of 760,000-780,000oz.

Costs

- TCC/oz for the Group's hard-rock gold mines increased to US$1,136/oz from US$740/oz in H1 2012;
- Compared with H1 2012 there was on-going inflation of Rouble denominated costs:
    - electricity costs increased by 4%,
    - cost of chemical reagents increased by 27%,
    - cost of diesel increased by 3% and other consumables prices increased by up to 5%.
- The impact of Rouble price inflation was partially offset by the 1% average depreciation of the Rouble against the US Dollar (the average exchange rate for the period went from 30.6 Roubles per US Dollar in H1 2012 to 31 Roubles per US Dollar in 2013).
- TCC for H2 2013 will benefit from the anticipated scheduled increase in head grades at all mines:
    - Pioneer head grade to increase by 38% to 2.2g/t,
    - Pokrovskiy head grade to increase by 47% to 2.2g/t,
    - Malomir head grade to increase by 57% to 2.2g/t and
    - Albyn head grade to increase by 78% to 1.6g/t;
- In May 2013, the Group began to roll out a programme of comprehensive cost-cutting measures, which are set to benefit TCC in H2 2013.

Summary of gold production and total cash costs

	Six months to 30 June 2013	Six months to 30 June 2012	Variance	Year ended 31 December 2012
Hard-rock mines				
Pioneer				
Gold production ('000oz)	**143.9**	125.3	15%	333.6
Total cash costs (US$/oz)	**922**	639	44%	734
Pokrovskiy				
Gold production ('000oz)	**36.6**	37.4	(2%)	92.1
Total cash costs (US$/oz)	**1,372**	880	56%	759
Malomir				
Gold production ('000oz)	**38.5**	66.1	(42%)	103.3
Total cash costs (US$/oz)	**1,547**	712	117%	911
Albyn				
Gold production ('000oz)	**51.1**	24.1	112%	89.3
Total cash costs (US$/oz)	**1,293**	1,251	(3%)	980
Total average cash costs (US$/oz) for the Group's hard-rock mines	**1,136**	740	54%	805
Alluvial operations				
Gold production ('000oz)	**24.6**	26.2	(6%)	92.1
Total gold production ('000oz)	**294.7**	279.1	6%	710.4

Detailed Operational Update

Pioneer

The Group's flagship mine produced 143,900oz of gold during the Period, an increase of 15% on the comparable period in 2012. This was due to the successful expansion of the sorption circuit in Q1 2013 which enabled a 35% increase in tonnes milled.

The majority of the ore mined during the Period was from the high-grade NE Bakhmut ore body; however this ore was blended with low-grade stockpiles for the mill feed. The RIP recovery rate for the Period was 81%, affected by the processing of ore from deep horizons of Pit 4 of the NE Bakhmut deposit, which has complex metallurgical properties. However, this decrease in head grades and recovery rates compared to H1 2012 was offset by the expanded plant capacity.

During the Period, the Group conducted advanced stripping of the Andreevskaya deposit and Pits 1 and 3 of the NE Bakhmut deposit. As a result, high-grades ores have been exposed and these are scheduled for processing in H2 2013.

TCC/oz at Pioneer for the Period were US$922/oz (US$639 in H1 2012). Increase in the TCC/oz compared to the same Period in 2012 is partially attributable to 11% decrease in processed grades, a 5% decrease in recovery rates and blending of low-grade stockpile.

Pioneer mining operations			
	Units	**H1 2013**	H1 2012
Total material moved	*m^3 '000*	**16,163**	19,967
Ore mined	*t '000*	**2,409**	4,120
Average grade	*g/t*	**1.9**	1.6
Gold content	*oz. '000*	**144.2**	209.4
Pioneer processing operations			
Resin-in-pulp ("RIP") plant			
Total milled	*t '000*	**3,334**	2,476
Average grade	*g/t*	**1.6**	1.8
Gold content	*oz. '000*	**173.3**	144.5
Recovery rate	*%*	**81**	86
Gold recovered	*oz. '000*	**140.1**	124.1
Heap leach operations			
Ore stacked	*t '000*	**478**	432
Average grade	*g/t*	**0.7**	0.6
Gold content	*oz. '000*	**10.6**	8.3
Recovery rate	*%*	**36**	15
Gold recovered	*oz. '000*	**3.8**	1.3
Total gold recovered	*oz. '000*	**143.9**	125.3

Outlook for H2 2013

Pioneer is expected to produce 190,000-195,000oz of gold in H2 2013. The increase in production compared to H1 reflects an anticipated 38% increase in head grades to 2.2g/t, achievable as a result of the high grade ore exposed through mining activities in the Period. The processing of this high-grade ore is expected to offset a lower gold recovery rate of c.77%, caused by the continued processing of some metallurgically-challenging ore from Pit 4 at NE Bakhmut.

TCC/oz at Pioneer are expected to drop in H2 2013 due to the anticipated significant increase in average head grades for the key producing half of the year and the full effects of the cost-cutting measures introduced in May 2013.

Pokrovskiy

Pokrovskiy produced 36,600oz of gold during the Period, a minor decrease compared to the comparative period in 2012. The ore processed was a blend of high-grade ore from the Zheltunak deposit, average and low-grade ore from the Pokrovka-2 deposit and ore from stockpiles. The recovery rate was impacted by the processing of heap-leach tailings which had been stockpiled from previous years.

During the Period, total material moved increased by 22%, whereas the actual ore mined decreased by 38% compared to H1 2012. This reflects the volume of low grade mining conducted on the Pokrovka-1 deposit in order to expose the high-grade ores (of c.2.3g/t) scheduled for processing in H2.

TCC/oz for Pokrovskiy for the Period were US$1,372/oz (US$880/oz in H1 2012) having been adversely affected by a significant amount of deferred stripping amortisation from 2012 (41% of TCC/oz represented non-cash write-off of deferred stripping).

Pokrovskiy mining operations			
	Units	**H1 2013**	H1 2012
Total material moved	*m^3 '000*	**4,807**	3,927
Ore mined	*t '000*	**524**	850
Average grade	*g/t*	**2.1**	1.5
Gold content	*oz. '000*	**35.2**	39.8
Pokrovskiy processing operations			
Resin-in-pulp ("RIP") plant			
Total milled	*t '000*	**907**	828
Average grade	*g/t*	**1.5**	1.5
Gold content	*oz. '000*	**42.3**	39.8
Recovery rate	*%*	**77**	83
Gold recovered	*oz. '000*	**32.7**	32.9
Heap leach operations			
Ore stacked	*t '000*	**329**	446
Average grade	*g/t*	**0.7**	0.7
Gold content	*oz. '000*	**7.0**	9.9
Recovery rate	*%*	**56**	45
Gold recovered	*oz. '000*	**3.9**	4.5
Total gold recovered	*oz. '000*	**36.6**	37.4

Outlook for H2 2013

Pokrovskiy is expected to produce c.60,000oz of gold in H2 2013, almost double the amount produced in H1 2013. This is expected to be achieved due to an anticipated increase in head grades (to c.2.3g/t) and recoveries (to c.85%) as the plant processes ore from those areas of the Pokrovka-1 deposit that were exposed during the first half of the year.

During H2 2013, two of the three milling lines at Pokrovskiy were previously scheduled to be integrated into the POX Hub. However, with the delay in the development of the POX Hub, all three lines at Pokrovskiy are now expected to continue operating at full capacity, processing the mine's non-refractory ores, until at least September 2014.

Malomir

During the Period, Malomir produced 38,500oz of gold. Despite a 32% increase in ore milled compared to H1 2012, gold production was impacted by lower head grades (1.4g/t vs. 2.9g/t) and a lower recovery rate (67% vs. 72%), the latter due to the processing of transitional ore, which has a high sulphide content.

The stripping of refractory ore was halted in May 2013 following the postponement of the commissioning of the POX Hub.

TCC/oz for Malomir for the Period were US$1,547/oz (US$712/oz in H1 2012) having been adversely affected by the c.50% decrease in processed grades and c.7% decrease in recovery rates. It is expected that TCC/oz at Malomir will decrease in H2 due to an anticipated increase in head grades through the mill of c.57%.

Malomir mining operations			
	Units	**H1 2013**	H1 2012
Total material moved	*m^3 '000*	**8,228**	7,009
Ore mined	*t '000*	**1,393**	1,783
Average grade	*g/t*	**1.4**	2.1
Gold content	*oz. '000*	**62.0**	119
Malomir processing operations			
Resin-in-pulp ("RIP") plant			
Total milled	*t '000*	**1,309**	994
Average grade	*g/t*	**1.4**	2.9
Gold content	*oz. '000*	**57.3**	91.6
Recovery rate	*%*	**67**	72
Gold recovered	*oz. '000*	**38.5**	66.1
Total gold recovered	*oz. '000*	**38.5**	66.1

Outlook for H2 2013

Malomir is expected to produce 70,000-75,000oz in H2 2013, 82-95% higher than the amount produced during H1 2013. The increase in production will be possible due to an anticipated 57% increase in head grade (2.2g/t) and an expected 5% increase in recovery rate compared to H1 2013 as the majority of ore for the mill feed in H2 2013 is expected to be the high-grade ore (3.3g/t) from the Quartzitovoye deposit which was exposed during the Period.

The stockpiling of refractory ore is not expected to recommence until 2014, consequently the total volume of ore mined in H2 2013 will be significantly lower than H1 2013.

These factors are expected to have a positive effect on TCC for Malomir.

Albyn

Albyn produced 51,100oz of gold during the Period, 112% more than in H1 2012 as the RIP plant was still ramping up during the majority of 2012.

During the Period, the majority of mining at Albyn was focussed on exposing the higher grade ore in the central part of the deposit scheduled for processing in H2.

The initial mining schedule for Albyn was adversely affected during the Period by abnormally cold temperatures of below -40^{0}C. This resulted in a delay in stripping as the use of hydraulic excavators was temporarily halted and new equipment, 16m^3-capacity excavators and 136-tonne dump trucks, could not be assembled until temperatures rose. The Group is preparing to divert additional mining equipment from Malomir to Albyn to assist with catching up on stripping works delayed from the beginning of the year. This equipment is currently not in use as the stockpiling of refractory ore at Malomir has been halted until 2014 due to the postponement in the commissioning of the Malomir flotation plant and the POX Hub.

TCC/oz for Albyn during the Period were US$1,293/oz.

Albyn mining operations

	Units	H1 2013	H1 2012
Total material moved	*m^3 '000*	**9,917**	4,180
Ore mined	*t '000*	**1,669**	691
Average grade	*g/t*	**1.0**	1.6
Gold content	*oz. '000*	**51.4**	35.9

Albyn processing operations

Resin-in-pulp ("RIP") plant			
Total milled	*t '000*	**1,916**	556
Average grade	*g/t*	**0.9**	1.5
Gold content	*oz. '000*	**55.6**	27.1
Recovery rate	*%*	**92**	89
Gold recovered	*oz. '000*	**51.1**	24.1
Total gold recovered	*oz. '000*	51.1	24.1

Outlook for H2 2013

Albyn is expected to produce 85,000-90,000oz of gold in H2 2013. The increase in production reflects an expected 78% increase in head grades compared to H1 2013 as ore will be mined from zones which are wider and higher-grade. The recovery rate is expected to be 93%.

The increase in grades during the mine's main producing period is expected to have a positive impact on Albyn's TCC.

Alluvial operations

During the Period, the Group's alluvial operations produced 24,600oz of gold, 6% less than in H1 2012. Alluvial mining, the washing of gold-bearing gravels, can only be conducted during the warmer months of the year, with operations running typically from April to November. Consequently, H2 alluvial production is expected to be significantly higher than H1.

Project Development

POX Hub

The Group announced in May 2013 that it would defer the commissioning of the POX Hub in order to shift US$150 million of the 2013 capital expenditure budget to 2014. This measure was conducted in response to the decline in the gold price in Q2 and will enable the Group to continue to decrease its net debt position during 2013. Work conducted in H2 2013 will be restricted to honouring existing contracts only.

The following works are contracted and scheduled to be conducted in H2 2013:

- The lining of the autoclaves and flash tanks, which is due to be completed by specialist contractors by the end of December 2013;
- Construction of the oxygen plant, autoclave building and the water reservoir for the autoclave plant.

The Group is intending to review its schedule for the development of the POX Hub in 2014. The Group has sufficient oxide ores at Malomir and Pokrovskiy to continue operations at full capacity until September 2014 however this timeline is expected to be extended as the results of recent exploration work are converted into Reserves.

EXPLORATION REPORT

During H1 2013 the Group continued to successfully explore areas near and adjacent to its operating mines. Exploration was focused on improving and extending non-refractory reserves which would be suitable for immediate processing through the existing RIP and heap-leach facilities. Good progress was made at Pioneer, Malomir and Albyn. In addition, higher grade resources at the Burinda deposit, located 150km by road west from Pokrovskiy, were evaluated as a further source of high-grade ore for the Pokrovskiy RIP plant.

Exploration has indicated that further non-refractory resources and reserves will be delineated. The work is still in progress and the Company expects to provide the results by the end of 2013.

The semi-annual review of all exploration licences resulted in:

- A post-tax US$62.2 million exceptional impairment charge recorded against Tokur assets awaiting development of a full-scale mining operation which has been put on hold to minimise the Group's CAPEX in the current gold price environment

- A further US$31.2 million impairment charge was recorded against early stage exploration and evaluation assets.

Management still considers some of these assets to be prospective. However their immediate development is not justified due to location, scale or stage and increased uncertainty since 31 December 2012, therefore the Group is not intending to allocate any material funds to these assets going forward. Consequently, in accordance with IFRS 6 the book value of these assets has been written off. Management intends to keep these licences in good standing in the hope of realising value at some point in the future.

During the Period, the Group invested US$19.6 million in exploration, 43% less than in 2012 (US$34.7 million), as budgeted.

Pioneer

- New mineralised zones discovered 5-10km north of active pits are expected to add substantially to Pioneer non-refractory reserves
- West extension of the high-grade Andreevskaya Zone established, new high grade pay-shoot discovered

The continued extensive exploration of the Pioneer area in Q1 2013 resulted in a discovery of new, substantial mineralised zones, 5-10 km north of active open pits. Further work completed in Q1 and Q2 2013 was mostly focused on the Alexandra Zone, which was considered a first priority target. It has been established that this mineralisation is predominantly non-refractory in nature, hence should be suitable feed for the Pioneer RIP plant or heap leach facility. Both newly-discovered zones are situated near the surface and also have bulk morphology with a true thickness of c.30-c.100m which makes them potentially suitable for low-cost, open-pit mining with a low strip ratio. Preliminary Group estimates indicate the potential reserve target of the area which has been drilled to date as 100-300koz with the average grade of approximately 1.0g/t which is broadly in line with the reserve grade for Pioneer. Both zones are open in strike direction as well as to the depth. Work continues on exploring extensions and the higher-grade areas which will be the priority targets for future extraction. Group geologists believe the overall gold resources of the area, when the potential is fully realised, may be comparable with the combined resources of the zones currently being mined (Andreevskaya, Bakhmut NE, Yuzhnaya, Bakhmut, Nikolaevskaya) before mining started.

As was previously reported, in-fill drilling within the western extensions of the Andreevskaya Zone discovered new high-grade zones. In addition, Andreevskaya mineralisation has now been traced 300m further west and connected with the Yuzhnaya Zone. Due to the complex geological structure at the intersection, this area will require further exploration before it can be included in the reserve statement. However, as this mineralisation is directly exposed to the surface and is substantial in width, it is expected to be added to the Pioneer non-refractory reserves. Our geologists at Pioneer are also evaluating the possibility of further high-grade ore in this area.

In H2 2013 work will continue on the Alexandra and Shirokaya Zones with a view to evaluating JORC Mineral Resources and Ore Reserves for these zones.

Malomir

- Non-refractory mineralisation discovered in the western extensions of the Ozhidaemoye deposit and in proximity to the Quartzitovoye pit
- Exploration started on new licences which surround the main Malomir area

During the Period, exploration at Malomir focused on areas surrounding the Quartzitovoye open pit as well as eastern extensions of Ozhidaemoye Zone. In-fill drilling of the ore bodies 69 and 70, which are situated east and parallel to the high-grade Quartzitovoye ore body No.55, indicated intersections with grades varying between 1.08g/t and 9.77g/t Au at an apparent thickness of 1.0-18.3m. Metallurgical tests have indicated that this mineralisation is predominantly refractory, although it does contain pockets amenable for RIP leaching with a recovery of 72-86%. These non-refractory areas tend to be higher grade and therefore they will be incorporated into the Group's near-term production plan.

Exploration continued to produce encouraging results from the eastern extension of the Ozhidaemoye Zone. Whilst Ozhidaemoye mineralisation itself is the same refractory type as the Malomir Zone, the eastern exertion is proven to be non-refractory. The mineralisation extends over more than 1,000m in strike length in a south-west direction and remains open to south-west and down dip. Potential economical ore bodies are steeply dipping and relatively narrow with a true thickness of between 1 and 6m (up to 13m in selected intersections). At a cut-off grade of 0.4g/t Au, intersection grades vary between 0.52g/t and 31.2g/t with grades between 1.0g/t and 4.0 g/t the most common. High-grade pay shoots with the strike length of 30-50m have been identified, offering the opportunity to schedule higher-grade mineralisation to be mined first. Work in this area is continuing; Group geologists expect to identify further non-refractory mineralisation which could add substantially to Malomir RIP reserves and resources.

In H1 2013, exploration work started on two newly-acquired licence areas surrounding the main Malomir area and covering an area of 10-20km radius from the Malomir plant. Preliminary investigations identified a potential gold-bearing target within a geological setting similar to the high-grade Quartzitovoye deposit. Sampling and geophysical surveys of this area is currently in progress.

Albyn

- Very encouraging results from Uglichikanskoye (Afanasevskaya licence area), presence of non-refractory high grade mineralisation confirmed
- Substantial increase in the Elginskoye resources

In H1 2013 exploration started at the historically known Uglichikanskoye gold deposit situated 10 - 15km north-west from the Albyn processing plant. Verification drilling completed in Q2 2013 confirmed the relevance of the historical data and the presence of substantial gold mineralisation. The best intersections identified by new drilling include: 4.4m at 14.92g/t Au, 9.6m at 6.6g/t Au, 3.6m at 15.5g/t, 11m at 2.95g/t Au, 7.4m at 31.46g/t Au, 17m at 10.6g/t. The average reserve grade, including mining dilution, is expected to be in a range of 1.52g/t - 3.0g/t Au. However, quoted intersections suggest the presence of high-grade pay-shoots. These results provide the opportunity to mine high grade mineralisation first, improving the processing grade in the initial years of mining. Mineralisation is exposed to the surface and should be amenable for open-pit extraction although the relatively narrow nature of Uglichikanskoye mineralisation will require a high strip ratio. Cyanide tests conducted on samples taken from a depth of 180m demonstrate recoveries of 70.5% and 96% for the low-(0.88g/t) and high- grade (33.1g/t) mineralisation respectively.

The Group exploration of Uglichikanskoye remains at an early stage and mineralisation is open in all directions. Group geologists expect to have further positive results in due course. Group geologists and management believe Uglichikanskoye will become a significant additional source of ore for the Albyn RIP plant.

Further exploration has been completed at Elginskoye 25-30km south-west from the Albyn processing plant. Mineralisation has been further extended; increasing mineral resource of this property by 50-90% compared to the last report. Grades of the potentially economic mineralisation vary between 0.6g/t and 2.5g/t Au. The substantial scale of the Elginskoye mineralisation as well as expected low strip ratio of the potential open pit makes this a likely future source of non-refractory reserves for the Albyn process plant.

In H2 2013, work will concentrate on Uglichikanskoye with less exploration scheduled for the Elginskoye licence area.

Pokrovskiy

- Gold mineralisation identified within the Borovaya and Verkhne-Tygdinskiy areas
- High grade mineralisation explored at the Burinda deposit (Taldan licence area)

In the Pokrovskiy area, exploration was conducted at the Verkhne-Tygdinskiy and Borovaya licence areas as well as at the Burinda gold deposit (part of the Taldan licence area).

During the Period only a limited amount of work was completed at Verkhne-Tygdinskiy and Borovaya. Trenching and drilling identified the presence of low-grade gold mineralisation. The grade in individual samples varies between 0.52g/t and 1.6g/t Au. In H2 2013 the Group intends to complete outstanding assays.

Production drilling and trench sampling was completed at the Burinda gold deposit within Taldan licence area c.150km (by road) from the Pokrovskiy RIP plant. This work enables evaluation of the high-grade portion of the Burinda resources for direct shipping to Pokrovskiy for processing. Burinda is expected to provide at least 50kt of high-grade ore at a grade of 6g/t to 8g/t (10-13koz of contained metal). A further 1 to 3 Mt lower-grade resources could also potentially be suitable for shipping and processing at the Pokrovskiy or Pioneer plants. The Burinda Inferred mineral resource was estimated in 2011 as c.340koz of gold with an average grade of 1.5g/t.

Nimanskaya

- Several large gold-bearing zones drilled and trenched, presence of gold mineralisation confirmed
- Grades up to 31.1 g/t Au intersected by drilling, suggested potential presence of high grade pay shoots.

Exploration field work was conducted at Nimanskaya area during H1 2013. Some trenching and surface sampling were completed. Sample assays and interpretations of the data collected during 2012 were undertaken. Five gold-bearing zones, namely Davidova Zone, Yakutskaya Zone, Dmitrievskaya Zone, Burovaya Zone and Yuzhnaya Zone, were identified and assessed.

The Davidova Zone was traced along a strike length of c.3,500m and intersected by several trenches and by 25 drill holes. At a cut-off grade of 0.5 g/t, intersections grading 0.54g/t -2.04 g/t Au with a thickness between 0.8m to 33.7m were identified. Preliminary estimated unclassified resources are at 1.3Moz at an average grade of 1.2 g/t (32Mt of mineralised material).

The Yakutskaya Zone has been mapped 100m - 300m to the east from Davidova Zone at a strike length of 1,200m and intersected in 2 exploration profiles. The apparent width at the surface is 20m with the average grade of 1.34g/t Au. Individual samples show grades up to 6.7g/t Au.

The Dmitrievskaya Zone has been traced along a 7,700m strike length. It has been explored by a trench, two pre-strips and four drill holes. The grades of intersections (at a 0.5 g/t cut-off grade) vary from 0.7g/t to 24.4g/t with thickness of 0.7m to 12.7m. Yakutskaya and Dmitrievskaya unclassified resources is estimated as c. 400koz (10Mt of mineralised material at 1.3g/t Au).

The Burovaya Zone has been explored along strike length of c.900m by trenches and 6 drill holes. Samples yet to be analysed. Assay results received to date show gold mineralisation at the surface with a visible width of 46m at an average grade 1.17g/t (one intersection) and 5.3m at 3.79g/t at the depth.

The Yuzhnaya Zone was explored over a strike length of 160m in three trenches and four drill holes. The best intersections identified to date include 6.0m at 7.0g/t Au, 10.7m at 1.16g/t Au, 8.2m at 31.1g/t Au, 39.1m at 18.68g/t Au.

No field exploration is budgeted for H2 2013. Work will include completion of the pending assays and interpretation. Currently Nimanskaya is treated as a second priority target. Further work will be planned on the basis of the final findings of the 2012-2013 exploration programme.

IRC Limited ("IRC")

IRC is a producer and developer of industrial commodities and was the Group's former Non-Precious Metals Division, prior to its listing on the Stock Exchange of Hong Kong Limited (stock code 1029).

On 21 August 2013, IRC announced its Interim Results for 2013, reporting the following key highlights:

- Production at the Kuranakh Mine steadily increased, generating a 168% increase in segmental profit to US$8.1 million
- Cash costs per unit down 3.7% and corporate costs down 14.3%
- Annual production targets at half year on track
- Construction of the K&S Mine progressing to plan for commissioning within 12 months
- Loss attributable to shareholders reduced to US$10.7 million (30 June 2012: US$20.4 million)
- Cash balance increased to US$112.6 million (31 December 2012: US$24.0 million), following the first stage share subscription by General Nice
- Stage 1 of General Nice and Minmetals subscription for US$103.1 million completed; Stage 2 subscription for US$134.7 million is expected by end of September 2013.

Further information may be obtained from the IRC website, www.ircgroup.com.hk

NOTES

IMPORTANT INFORMATION

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

Forward-looking statements

This release may include statements that are, or may be deemed to be, "forward-looking statements". Generally, 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 Russian 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.

The content of websites referred to in this announcement does not form part of this announcement.

Principal Risks and Uncertainties

The Group is exposed to a variety of risks and uncertainties which could significantly affect its business and financial results. A detailed review of the key risks facing the Group is set out on in the Report of the Risk Committee on pages 66 to 77 of the 2012 Annual Report, which is available on the Group's website, www.petropavlovsk.net. This also includes a description of the potential impact of the risk on the Group together with measures in place to manage or mitigate against each specific risk in order that the Group can successfully deliver on its strategy.

The Group's view of the principal risks that could impact it for the remainder of the current financial year remain largely unchanged from those set out in the 2012 Annual Report with the exception of the factors detailed below relating to the commissioning of the POX Hub.

Changes in principal risks since the publication of the 2012 Annual Report

In response to the decline in the gold price, in May 2013 the Board decided to slow down the development of the POX project in order to defer some of the required capital expenditure until 2014. However, due to the identification of new, non-refractory resources next to the Group's existing production facilities, the deferral of the POX project does not adversely affect the Group's near-term production outlook. These factors should therefore be taken into account when reviewing the risk of any delay in completion of the POX project detailed on page 68 of the 2012 Annual Report.

A summary of the Group's key risks is set out below:

Operational risks:

- Delay in supply of, or failure of equipment/services
- Factors which impact output such as weather, equipment failures or lack of supplies

Financial risks:

- The Group's results of operations may be affected by changes in gold and/or iron ore prices. Please see page 70 of the 2012 Annual Report which provides more information on this specific risk including the potential impact. Actions to mitigate the recent volatility in the gold price undertaken by the Group have included hedging and the cost-reduction programme as explained in this Half-Year Interim Report.
- Currency fluctuations may affect the Group

- Lack of funding and liquidity to finance could affect the Group's ability to support its existing operations; invest in and develop its exploration projects; extend the life and capacity of its existing mining operations; and continue development of the POX Hub.
- If the operational performance of the business declines significantly, there is a risk that the Company could breach one or more of the restrictive covenants in various loan agreements
- Funding may be demanded from Petropavlovsk under a guarantee in respect of a facility to K&S
- Exploration for reserves can be costly and uncertain

Health, safety and environmental risks:

- There could be failures in the Group's health and safety processes and/or breach of Occupational, Health and Safety legislation
- The Group's operations require the use of hazardous substances including cyanide and other reagents

Legal and regulatory risks:

- The Group requires various licences and permits in order to operate
- The Group's Mineral Reserves and Ore Resources are estimates based on a range of assumptions
- The Group is subject to risks associated with operating in Russia

Human Resources

- The Group depends on attracting and retaining key personnel
- Lack of skilled labour

Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the condensed set of financial statements includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By Order of the Board

Peter Hambro	Andrey Maruta
Director	Director

Independent Review Report to Petropavlovsk PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cashflow statement and related notes 1 to 25. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
28 August 2013

PETROPAVLOVSK PLC
Condensed Consolidated Income Statement
Six months ended 30 June 2013

	Notes	**Six months to 30 June 2013 (Unaudited)**			Six months to 30 June 2012 (Unaudited)			Year ended 31 December 2012		
		Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
		US$' 000	**US$' 000**	**US$' 000**	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
Group revenue		**597,305**	**-**	**597,305**	546,827	-	546,827	1,375,174	-	1,375,174
Operating expenses	5	**(665,247)**	**(660,037)**	**(1,325,284)**	(452,739)	1,620	(451,119)	(1,145,727)	(345,246)	(1,490,973)
		(67,942)	**(660,037)**	**(727,979)**	94,088	1,620	95,708	229,447	(345,246)	(115,799)
Share of results of joint ventures		**(1,394)**	**-**	**(1,394)**	(1,878)	-	(1,878)	(2,338)	-	(2,338)
Share of results of associates		**(225)**	**-**	**(225)**	-	-	-	(81)	-	(81)
Operating (loss)/profit		**(69,561)**	**(660,037)**	**(729,598)**	92,210	1,620	93,830	227,028	(345,246)	(118,218)
Investment income	6	**692**	**-**	**692**	1,466	-	1,466	2,121	-	2,121
Interest expense	6	**(39,224)**	**-**	**(39,224)**	(36,147)	-	(36,147)	(74,991)	-	(74,991)
Other finance losses	6	**-**	**-**	**-**	(10,393)	-	(10,393)	(13,581)	-	(13,581)
(Loss)/profit before taxation		**(108,093)**	**(660,037)**	**(768,130)**	47,136	1,620	48,756	140,577	(345,246)	(204,669)
Taxation	7	**(35,230)**	**61,118**	**25,888**	(37,787)	-	(37,787)	(48,124)	8,845	(39,279)
(Loss)/profit for the period		**(143,323)**	**(598,919)**	**(742,242)**	9,349	1,620	10,969	92,453	(336,401)	(243,948)
Attributable to:										
Equity shareholders of Petropavlovsk PLC		**(136,846)**	**(529,236)**	**(666,082)**	13,521	1,620	15,141	98,771	(258,429)	(159,658)
Non-controlling interests		**(6,477)**	**(69,683)**	**(76,160)**	(4,172)	-	(4,172)	(6,318)	(77,972)	(84,290)
		(143,323)	**(598,919)**	**(742,242)**	9,349	1,620	10,969	92,453	(336,401)	(243,948)
(Loss)/earnings per share										
Basic	8	**(US$0.73)**	**(US$2.84)**	**(US$3.57)**	US$0.07	US$0.01	US$0.08	US$0.54	(US$1.39)	(US$0.85)
Diluted	8	**(US$0.73)**	**(US$2.84)**	**(US$3.57)**	US$0.07	US$0.01	US$0.08	US$0.54	(US$1.39)	(US$0.85)

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2013

	Six months to 30 June 2013 (Unaudited) US$'000	Six months to 30 June 2012 (Unaudited) US$'000	Year ended 31 December 2012 US$'000
(Loss)/profit for the period	**(742,242)**	10,969	(243,948)
Items that may be reclassified subsequently to profit or loss:			
Revaluation of available-for-sale investments	**(13)**	(303)	(298)
Exchange differences on translating foreign operations	**(4,594)**	(1,114)	3,516
Changes in fair value of cash flow hedges	**134,994**	-	-
Deferred taxation thereon	**(26,999)**	-	-
Other comprehensive income/(expense) for the period	**103,388**	(1,417)	3,218
Total comprehensive (expense)/income for the period	**(638,854)**	9,552	(240,730)
Attributable to:			
Equity shareholders of Petropavlovsk PLC	**(562,309)**	13,819	(156,729)
Non-controlling interests	**(76,545)**	(4,267)	(84,001)

PETROPAVLOVSK PLC
Condensed Consolidated Balance Sheet
At 30 June 2013

	Notes	**At 30 June 2013 (Unaudited) U$'000**	At 30 June 2012 (Unaudited) US$'000	At 31 December 2012 US$'000
Assets				
Non-current assets				
Goodwill		**-**	21,675	21,675
Exploration and evaluation assets	10	**107,637**	351,636	189,555
Property, plant and equipment	11	**1,225,680**	2,068,439	1,606,466
Prepayments for property, plant and equipment		**30,604**	270,806	20,588
Investments in associates		**8,427**	-	8,246
Interests in joint ventures		**-**	5,220	-
Available-for-sale investments		**243**	250	255
Inventories	12	**49,997**	36,083	66,204
Other non-current assets		**-**	31,743	904
Deferred tax assets		**488**	609	1,373
		1,423,076	2,786,461	1,915,266
Current assets				
Inventories	12	**323,919**	446,860	345,992
Trade and other receivables	13	**153,491**	200,283	189,261
Derivative financial instruments	15	**134,994**	2,341	-
Cash and cash equivalents	14	**58,551**	190,214	159,226
		670,955	839,698	694,479
Assets classified as held for sale	21	**652,460**	-	717,955
		1,323,415	839,698	1,412,434
Total assets		**2,746,491**	3,626,159	3,327,700
Liabilities				
Current liabilities				
Trade and other payables	16	**(138,057)**	(168,595)	(145,798)
Current income tax payable		**(4,249)**	(2,314)	(12,365)
Borrowings	17	**(158,194)**	(197,222)	(83,789)
Derivative financial instruments	15	**-**	(6,825)	-
		(300,500)	(374,956)	(241,952)
Liabilities associated with assets classified as held for sale	21	**(179,840)**	-	(179,639)
		(480,340)	(374,956)	(421,591)
Net current assets		**843,075**	464,742	990,843
Non-current liabilities				
Borrowings	17	**(1,054,435)**	(1,122,751)	(1,138,732)
Deferred tax liabilities		**(64,560)**	(186,849)	(77,286)
Provision for close down and restoration costs		**(34,163)**	(38,731)	(33,978)
		(1,153,158)	(1,348,331)	(1,249,996)
Total liabilities		**(1,633,498)**	(1,723,287)	(1,671,587)
Net assets		**1,112,993**	1,902,872	1,656,113
Equity				
Share capital	19	**2,891**	2,891	2,891
Share premium		**377,140**	377,140	377,140
Merger reserve		**130,011**	331,704	130,011
Own shares		**(8,924)**	(10,444)	(10,196)
Hedging reserve		**107,995**	-	-
Convertible bond reserve		**59,032**	59,032	59,032
Share based payments reserve		**26,258**	19,303	24,015
Other reserves		**119**	90	4,341
Retained earnings		**166,955**	852,308	853,619
Equity attributable to the shareholders of Petropavlovsk PLC		**861,477**	1,632,024	1,440,853
Non-controlling interests		**251,516**	270,848	215,260
Total equity		**1,112,993**	1,902,872	1,656,113

This condensed consolidated interim financial information was approved by the Directors on 28 August 2013.

Peter Hambro
Director

Andrey Maruta
Director

PETROPAVLOVSK PLC
Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2013

	Total attributable to equity holders of Petropavlovsk PLC											
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Own shares US$'000	Convertible bonds US$'000	Share based payments reserve US$' 000	Hedging reserve US$' 000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2012	2,891	377,140	331,704	(10,444)	59,032	13,703	-	1,412	857,378	1,632,816	275,115	1,907,931
Total comprehensive income/(expense)	-	-	-	-	-	-	-	(1,322)	15,141	13,819	(4,267)	9,552
Profit/ (loss) for the period	-	-	-	-	-	-	-	-	15,141	15,141	(4,172)	10,969
Other comprehensive expense	-	-	-	-	-	-	-	(1,322)	-	(1,322)	(95)	(1,417)
Dividends	-	-	-	-	-	-	-	-	(20,390)	(20,390)	-	(20,390)
Share based payments	-	-	-	-	-	5,600	-	-	179	5,779	-	5,779
Balance at 30 June 2012 (Unaudited)	2,891	377,140	331,704	(10,444)	59,032	19,303	-	90	852,308	1,632,024	270,848	1,902,872
Total comprehensive income/(expense)	-	-	-	-	-	-	-	4,251	(174,799)	(170,548)	(79,734)	(250,282)
Loss for the period	-	-	-	-	-	-	-	-	(174,799)	(174,799)	(80,118)	(254,917)
Other comprehensive income	-	-	-	-	-	-	-	4,251	-	4,251	384	4,635
Dividends	-	-	-	-	-	-	-	-	(14,632)	(14,632)	-	(14,632)
Share based payments	-	-	-	-	-	5,025	-	-	317	5,342		5,342
Vesting of awards within Petropavlovsk PLC LTIP	-	-	-	248	-	(313)	-	-	65	-	-	-
Issue of ordinary shares by subsidiary	-	-	-	-	-	-	-	-	(11,333)	(11,333)	24,388	13,055
Disposal of shares of subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,750)	(6,750)
Acquisition of shares of subsidiaries	-	-	-	-	-	-	-	-	-	-	6,508	6,508
Transfer to retained earnings [(a)]	-	-	(201,693)	-	-	-	-	-	201,693	-	-	-
Balance at 31 December 2012	**2,891**	**377,140**	**130,011**	**(10,196)**	**59,032**	**24,015**	**-**	**4,341**	**853,619**	**1,440,853**	**215,260**	**1,656,113**
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**-**	**-**	**107,995**	**(4,222)**	**(666,082)**	**(562,309)**	**(76,545)**	**(638,854)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(666,082)**	**(666,082)**	**(76,160)**	**(742,242)**
Other comprehensive income/ (expense)	**-**	**-**	**-**	**-**	**-**	**-**	**107,995**	**(4,222)**	**-**	**103,773**	**(385)**	**103,388**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,855)**	**(5,855)**	**-**	**(5,855)**
Share based payments	**-**	**-**	**-**	**-**	**-**	**3,851**	**-**	**-**	**1,407**	**5,258**	**-**	**5,258**
Vesting of awards within Petropavlovsk PLC LTIP	**-**	**-**	**-**	**1,272**	**-**	**(1,608)**	**-**	**-**	**336**	**-**	**-**	**-**
Issue of ordinary shares by subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,470)**	**(16,470)**	**112,801**	**96,331**
Balance at 30 June 2013 (Unaudited)	**2,891**	**377,140**	**130,011**	**(8,924)**	**59,032**	**26,258**	**107,995**	**119**	**166,955**	**861,477**	**251,516**	**1,112,993**

(a) Arises from an adjustment to the book value of the investment in the Company financial statements to reflect changes in the value of the Group's investment in IRC Limited (note 21).

PETROPAVLOVSK PLC
Condensed Consolidated Cash Flow Statement
Six months ended 30 June 2013

	Notes	**Six months to 30 June 2013 (Unaudited) US'$000**	Six months to 30 June 2012 (Unaudited) US'$000	Year to 31 December 2012 US'$000
Cash flows from operating activities				
Cash generated from operations	18	**140,846**	113,727	410,236
Interest paid		**(40,048)**	(31,293)	(71,329)
Income tax paid		**(18,115)**	(36,106)	(67,003)
Net cash from operating activities		**82,683**	46,328	271,904
Cash flows from investing activities				
Acquisitions of subsidiaries, net of cash acquired		**-**	-	920
Proceeds from disposal of subsidiaries, net of liabilities settled		**13,428**	5,905	7,725
Proceeds from disposal of Group's interests in joint ventures and available-for-sale investments		**-**	516	508
Purchase of property, plant and equipment and exploration expenditure		**(195,047)**	(383,495)	(620,875)
Proceeds from disposal of property, plant and equipment		**629**	910	1,968
Loans granted		**(19)**	(286)	(304)
Repayment of amounts loaned to other parties		**26**	-	87
Interest received		**467**	1,622	2,701
Net cash used in investing activities		**(180,516)**	(374,828)	(607,270)
Cash flows from financing activities				
Proceeds from issue of ordinary shares by IRC, net of transaction costs		**100,460**	-	-
Proceeds from borrowings		**52,721**	438,901	639,853
Repayments of borrowings		**(61,699)**	(130,629)	(308,681)
Debt transaction costs paid in connection with ICBC facility		**(551)**	(844)	(1,500)
Dividends paid to shareholders of Petropavlovsk PLC		**-**	-	(35,213)
Dividends paid to non-controlling interests		**(2)**	(12)	(13)
Net cash from financing activities		**90,929**	307,416	294,446
Net decrease in cash and cash equivalents in the period		**(6,904)**	(21,084)	(40,920)
Effect of exchange rates on cash and cash equivalents		**(5,171)**	(2,258)	4,626
Cash and cash equivalents at beginning of period	14	**159,226**	213,556	213,556
Cash and cash equivalents re-classified as assets held for sale at beginning of the period	21	**18,036**	-	-
Cash and cash equivalents re-classified as assets held for sale at end of the period	21	**(106,636)**	-	(18,036)
Cash and cash equivalents at end of period	14	**58,551**	190,214	159,226

PETROPAVLOVSK PLC
Notes to the condensed consolidated interim financial statements
Six months ended 30 June 2013

1. General information

Petropavlovsk PLC (the "Company") is a company incorporated and registered in England and Wales. The address of the registered office is 11 Grosvenor Place, London SW1X 7HH.

These condensed consolidated interim financial statements are for the six months ended 30 June 2013. The interim financial statements are unaudited.

The information for the year ended 31 December 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. This information was derived from the statutory accounts for the year ended 31 December 2012, a copy of which has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified and did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

2. Basis of preparation

The annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 were prepared in accordance with IFRSs as adopted by the European Union.

The condensed set of financial statements included in this half-yearly financial report has been prepared using accounting policies consistent with those set out in the annual financial statements for the year ended 31 December 2012 and in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

Going concern

The Group monitors and manages its liquidity risk on an ongoing basis. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and the timing of expenditure on development projects. The Group meets its capital requirements through a combination of sources including cash generated from operations and external debt.

In a declining gold price environment, the Group may be exposed to breaches of certain financial covenants. As part of a number of alternatives to proactively address this risk, the Group has entered into financing contracts to secure the average realised gold price for a total of 460,000 ounces of gold over the period ending in June 2014 at an average level of US$1,537/oz, reduced capital expenditure, commenced a significant cost cutting programme and negotiated the investment in IRC Limited (note 21) which will have the impact of deconsolidating IRC Limited and its subsidiaries ('IRC') and its debt.

Taking into account the aforementioned and further mitigating actions that the Group could take in the event of adverse changes, the Group expects to be able to operate within the level of its secured facilities for the subsequent 12 months from the date of approval of these condensed consolidated interim financial statements.

Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these condensed consolidated interim financial statements.

Exceptional items

Exceptional items are those significant items of income and expense, which due to their nature or the expected infrequency of the events that give rise to these items should, in the opinion of the Directors, be disclosed separately to enable better understanding of the financial performance of the Group.

Standards and interpretations issued during the six months ended 30 June 2013

The following new or amended IFRS standards have been issued by the IASB and endorsed by the EU during the six months ended 30 June 2013:

	Effective for annual periods beginning on or after
IFRS 1 “First-time Adoption of International Financial Reporting Standards”	1 January 2013
IFRS 7 “Financial Instruments: Disclosures” – amendment	1 January 2013
IFRS 10 “Consolidated financial statements”	1 January 2014
IFRS 11 “Joint arrangements”	1 January 2014
IFRS 12 “Disclosure of interests in other entities”	1 January 2014
IFRS 13 “Fair value measurement”	1 January 2013
IAS 19 “Employee benefits” – amendment	1 January 2013
IAS 27 “Separate financial statements” – amendment	1 January 2014
IAS 28 “Investments in associates and joint ventures” - amendment	1 January 2014
IAS 34 “Interim Financial Reporting” – amendment	1 January 2013
IFRIC 20 “Deferred stripping”	1 January 2013
IAS 32 “Financial instruments: Presentation” - amendment	1 January 2014
IFRIC 21 “Levies”	1 January 2014

These standards and interpretations which were applicable from 1 January 2013 and were adopted in these condensed consolidated interim financial statements did not have any material effect on the Group’s financial position or results of its operations.

3. Foreign currency translation

The following exchange rates to the US dollar have been applied to translate balances and transactions in foreign currencies:

	As at 30 June 2013	**Average six months ended 30 June 2013**	As at 30 June 2012	Average six months ended 30 June 2012	As at 31 December 2012	Average year ended 31 December 2012
GB Pounds Sterling (GBP: US$)	**0.66**	**0.65**	0.64	0.63	0.62	0.63
Russian Rouble (RUR: US$)	**32.71**	**31.03**	32.82	30.60	30.37	31.07

4. Segmental information

Business segments

The Group has three reportable segments under IFRS 8 which reflect the way the Group's businesses are managed and reported:

- Precious metals segment, comprising gold operations at different stages, from field exploration through to mine development and gold production. The precious metals segment includes the Group's principal mines (Pokrovskiy, Pioneer, Malomir and Albyn) and the Group's alluvial operations as well as various gold projects at the exploration and development stages.

- IRC segment, comprising IRC Limited and its subsidiaries. IRC segment includes iron ore projects (Kuranakh, K&S, Garinskoye, Bolshoy Seim, Kostenginskoye and Garinskoye Flanks projects), engineering and scientific operations represented by Giproduda, project for design and development of a titanium sponge production plant in China, project for production of vanadium pentoxides and related products in China, as well as various other projects.

- The Other segment, comprising the in-house geological exploration expertise performed by the Group's exploration companies Regis and Dalgeologiya, the in-house construction and engineering expertise performed by the Group's specialist construction company Kapstroi, the engineering and scientific operations represented by PHM Engineering and Irgiredmet and other supporting in-house functions as well as procurement of materials such as reagents and consumables and equipment for third parties undertaken by Irgiredmet.

4. Segment information (continued)

Six months to 30 June 2013	**Precious metals US$'000**	**IRC US$'000**	**Other US$'000**	**Consolidated US$' 000**
Revenue				
Gold[(a, (b)]	**469,105**	**-**	**-**	**469,105**
Iron ore concentrate and ilmenite	**-**	**87,041**	**-**	**87,041**
Other external revenue	**358**	**5,192**	**35,609**	**41,159**
Inter-segment revenue	**510**	**-**	**155,167**	**155,677**
Intra-group eliminations	**(510)**	**-**	**(155,167)**	**(155,677)**
Total Group revenue from external customers	**469,463**	**92,233**	**35,609**	**597,305**
Net operating expenses	**(912,672)**	**(228,868)**	**(135,981)**	**(1,277,521)**
including				
Depreciation and amortisation	**(120,255)**	**(9,979)**	**(1,278)**	**(131,512)**
Impairment	**(448,521)**	**(143,118)**	**(99,559)**	**(691,198)**
Share of results of associates	**(225)**	**-**	**-**	**(225)**
Share of results of joint ventures	**-**	**(1,394)**	**-**	**(1,394)**
Segment result	**(443,434)**	**(138,029)**	**(100,372)**	**(681,835)**
Before exceptional items	**(26,074)**	**5,089**	**(813)**	**(21,798)**
Exceptional items	**(417,360)**	**(143,118)**	**(99,559)**	**(660,037)**
Central administration[(c)]				**(38,775)**
Foreign exchange losses				**(8,988)**
Operating loss				**(729,598)**
Investment income				**692**
Interest expense				**(39,224)**
Other finance losses				**-**
Taxation				**25,888**
Loss for the period				**(742,242)**
Segment Assets	**1,946,426**	**652,460**	**134,586**	**2,733,472**
Goodwill				**-**
Deferred tax assets				**488**
Unallocated cash				**11,649**
Loans given				**882**
Consolidated total assets				**2,746,491**

(a) Including US$25.0 million effect of the cash flow hedge.
(b) Alluvial and heap leach operations are seasonal with production skewed towards the second half of the year.
(c) Including US$11.7 million central administration expenses of IRC.

4. Segment information (continued)

Six months to 30 June 2012	Precious metals	IRC	Other	Consolidated
	US$'000	US$'000	US$'000	US$' 000
Revenue				
Gold[b]	468,746	-	-	468,746
Iron ore concentrate and ilmenite	-	51,657	-	51,657
Other external revenue	922	5,291	20,211	26,424
Inter-segment revenue	806	-	208,924	209,730
Intra-group eliminations	(806)	-	(208,924)	(209,730)
Total Group revenue from external customers	469,668	56,948	20,211	546,827
Net operating expenses	(326,535)	(55,404)	(19,029)	(400,968)
including				
Depreciation and amortisation	(98,797)	(7,113)	(1,000)	(106,910)
Impairment	-	-	-	-
Share of results of joint ventures	-	(1,878)	-	(1,878)
Segment result	143,133	(334)	1,182	143,981
Before exceptional items	143,133	(334)	(438)	142,361
Exceptional items	-	-	1,620	1,620
Central administration [d]				(46,749)
Foreign exchange losses				(3,402)
Operating profit				93,830
Investment income				1,466
Interest expense				(36,147)
Other finance losses				(10,393)
Taxation				(37,787)
Profit for the period				10,969

Segment Assets	2,355,939	912,331	231,586	3,499,856
Goodwill				21,675
Deferred tax assets				609
Derivative financial instruments				2,341
Unallocated cash				101,160
Loans given				518
Consolidated total assets				3,626,159

(d) Including US$13.6 million central administration expenses of IRC.

4. Segment information (continued)

Year ended 31 December 2012	Precious metals	IRC	Other	Consolidated
	US$'000	US$'000	US$'000	US$' 000
Revenue				
Gold[b]	1,173,985	-	-	1,173,985
Silver	7,770	-	-	7,770
Iron ore concentrate and ilmenite	-	128,466	-	128,466
Other external revenue	1,174	11,221	52,558	64,953
Inter-segment revenue	1,393	-	431,606	432,999
Intra-group eliminations	(1,393)	-	(431,606)	(432,999)
Total Group revenue from external customers	1,182,929	139,687	52,558	1,375,174
Net operating expenses	(1,003,992)	(356,630)	(51,696)	(1,412,318)
including				
Depreciation and amortisation	(213,584)	(15,064)	(1,792)	(230,440)
Impairment	(139,206)	(218,844)	-	(358,050)
Share of results of associates	(81)	-	-	(81)
Share of results of joint ventures	-	(2,338)	-	(2,338)
Segment result	178,856	(219,281)	862	(39,563)
Before exceptional items	306,578	(437)	(458)	305,683
Exceptional items	(127,722)	(218,844)	1,320	(345,246)
Central administration[e]				(86,688)
Foreign exchange gains				8,033
Operating loss				(118,218)
Investment income				2,121
Interest expense				(74,991)
Other finance losses				(13,581)
Taxation				(39,279)
Loss for the period				(243,948)

Segment Assets	2,328,057	717,955	243,205	3,289,217
Goodwill				21,675
Deferred tax assets				1,373
Derivative financial instruments				-
Unallocated cash				13,574
Loans given				1,861
Consolidated total assets				3,327,700

(e) Including US$26 million central administration expenses of IRC.

5. Operating expenses and income

	Six months to 30 June 2013			Six months to 30 June 2012			Year ended 31 December 2012		
	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000
Net operating expenses[(a)]	586,261	-	586,261	403,093	-	403,093	1,027,829	-	1,027,829
Central administration expenses[(a)]	38,775	-	38,775	46,749	-	46,749	86,688	-	86,688
Foreign exchange losses/(gains)	8,988	-	8,988	3,402	-	3,402	(8,033)	-	(8,033)
Impairment of mining assets[(a)]	-	409,049	409,049	-	-	-	-	72,413	72,413
Impairment of exploration and evaluation assets[(a)]	31,161	63,556	94,717	-	-	-	10,049	48,042	58,091
Impairment of ore stockpiles[(a)]	-	44,314	44,314	-	-	-	29,692	-	29,692
Write-down to adjust the carrying value of IRC's net assets to fair value less costs to sell[(b)]	-	143,118	143,118	-	-	-	-	197,854	197,854
Loss/(gain) on disposal of subsidiaries	62	-	62	-	(1,620)	(1,620)	-	26,937	26,937
Gain on disposal of Group's interest in joint ventures and available-for-sale investments	-	-	-	(505)	-	(505)	(498)	-	(498)
	665,247	660,037	1,325,284	452,739	(1,620)	451,119	1,145,727	345,246	1,490,973

(a) As set out below
(b) Note 21.

Net operating expenses

	Six months to 30 June 2013 US$'000	Six months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Depreciation	131,512	106,910	230,440
Staff costs	103,856	105,041	217,987
Materials	118,226	88,517	201,069
Fuel	65,727	54,749	114,214
Electricity	26,112	19,692	45,800
Royalties	29,581	29,065	72,044
Smelting and transportation costs	2,368	2,248	5,838
Shipping costs	28,284	19,171	48,147
Professional fees	1,227	822	2,229
Other external services	43,272	48,419	122,746
Movement in ore stockpiles, deferred stripping, work in progress and bullion in process attributable to gold production	(20,150)	(98,111)	(111,768)
Insurance	4,984	3,300	6,153
Operating lease rentals	1,208	1,073	2,295
Provision for impairment of trade and other receivables	521	838	2,391
Bank charges	983	1,765	2,794
Office costs	1,291	2,294	3,338
Taxes other than income	7,447	8,496	18,672
Goods for resale	19,698	9,212	23,723
Business travel expenses	1,698	2,123	4,259
Other operating expenses	19,547	11,400	28,716
Other income	(1,131)	(13,931)	(13,258)
	586,261	403,093	1,027,829

Central administration expenses

	Six months to 30 June 2013			Six months to 30 June 2012			Year ended 31 December 2012		
	Before exceptional items US$'000	**Exceptional items US$'000**	**Total US$'000**	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000
Staff costs	**26,204**	**-**	**26,204**	31,212	-	31,212	54,385	-	54,385
Professional fees	**1,582**	**-**	**1,582**	3,089	-	3,089	6,529	-	6,529
Insurance	**1,002**	**-**	**1,002**	672	-	672	1,361	-	1,361
Operating lease rentals	**2,002**	**-**	**2,002**	1,928	-	1,928	3,868	-	3,868
Business travel expenses	**1,646**	**-**	**1,646**	2,448	-	2,448	4,269	-	4,269
Office costs	**695**	**-**	**695**	829	-	829	2,012	-	2,012
Other	**5,644**	**-**	**5,644**	6,571	-	6,571	14,264	-	14,264
	38,775	**-**	**38,775**	46,749	-	46,749	86,688	-	86,688

Impairment charges

Impairment of mining assets

Property, plant and equipment and finite life intangible assets are reviewed by management for impairment if there is any indication that the carrying amount may not be recoverable.

During the six months ended 30 June 2013, the gold price declined significantly and remained at those lower levels which also resulted in the revised long-term gold price outlook. In response to the declining gold price environment, the Group performed an impairment review of the tangible assets and goodwill attributable to the gold mining projects and the supporting in-house service companies (representing the business segments 'Precious metals' and 'Other').

The Group recorded impairment charges to the extent where recoverable amounts did not support the relevant carrying values of assets on the balance sheet as at 30 June 2013 as set out below:

	Impairment of goodwill US$'000	Impairment of property, plant and equipment US$'000	Pre-tax impairment charge US$'000	Taxation US$'000	Post-tax impairment charge US$'000
Pokrovskiy	**-**	**22,705**	**22,705**	**(4,541)**	**18,164**
Pioneer	**-**	**88,926**	**88,926**	**(17,785)**	**71,141**
Malomir	**-**	**155,946**	**155,946**	**(17,876)**	**138,070**
Albyn	**-**	**17,595**	**17,595**	**(3,519)**	**14,076**
In-house service companies	**21,675**	**102,202**	**123,877**	**(7,215)**	**116,662**
	21,675	**387,374**	**409,049**	**(50,936)**	**358,113**

The forecast future cash flows are based on the Group's current mining plan and reflect certain in-process cost cutting measures implemented in response to the declining gold price environment. The other key assumptions which formed the basis of forecasting future cash flows and the value in use calculation are set out below:

	Six months to 30 June 2013	Year ended 31 December 2012
Long-term gold price	**US$1,300/oz**	US$1,680/oz
Discount rate [(a)]	**9.5%**	8.6%
RUS/ US$ exchange rate	**RUR32/US$**	RUR31.5/US$

(a) Being the post-tax real weighted average cost of capital, equivalent to a nominal pre-tax discount rate of 12.5% (2012: 11.5%)

The impairment assessments are most sensitive to changes in gold price. Changes to this assumption would result in changes to impairment conclusions, which could have a significant effect on the consolidated financial statements. In particular, with all other assumptions being constant, a US$50/oz reduction in the applicable long-term gold price would result in additional impairment of approximately US$120 million. Should the long-term gold price expectation decline further than this, the Group's mining plan would be re-assessed in order to include further measures to mitigate the effect of the declining gold price and optimise cash flows.

Impairment of exploration and evaluation assets

The Group performed a review of its exploration and evaluation assets and recorded the following impairment charges:

- An exceptional US$62.2 million post-tax impairment charge (being US$63.6 million gross impairment charge net of reversal of associated deferred tax liabilities) was recorded against the Tokur assets which are awaiting development of a full-scale mining operation and which has been put on hold to minimize Group's CAPEX in the current gold price environment; and

- A further non-exceptional US$31.2 million impairment charges were recorded against associated exploration and evaluation costs previously capitalized within intangible assets following the decision to suspend exploration at various licence areas, primarily located in the Amur region.

Impairment of ore stockpiles

The Group assessed the recoverability of the carrying value of ore stockpiles and recorded an exceptional impairment charges as set out below:

	Pre-tax impairment charge	Taxation	Post-tax impairment charge
	US$'000	US$'000	US$'000
Pokrovskiy	3,338	(668)	2,670
Pioneer	30,031	(6,006)	24,025
Malomir	9,894	(1,979)	7,915
Albyn	1,051	(210)	841
	44,314	**(8,863)**	**35,451**

During the current period the impairment of stockpiles is considered by the Directors to be exceptional as it resulted from the significant decline in the gold price and relates to ore stockpiles which were substantially mined in prior periods.

6. Financial income and expenses

	Six months to 30 June 2013			Six months to 30 June 2012			Year ended 31 December 2012		
	Before exceptional items US$'000	**Exceptional items US$'000**	**Total US$'000**	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000
Investment income									
Interest income	**692**	**-**	**692**	1,466	-	1,466	2,121	-	2,121
	692	**-**	**692**	1,466	-	1,466	2,121	-	2,121
Interest expense		**-**							
Interest on bank and other loans	**(36,580)**	**-**	**(36,580)**	(25,493)	-	(25,493)	(58,766)	-	(58,766)
Interest on convertible bonds	**(14,781)**	**-**	**(14,781)**	(14,278)	-	(14,278)	(28,863)	-	(28,863)
	(51,361)		**(51,361)**	(39,771)	-	(39,771)	(87,629)	-	(87,629)
Interest capitalised	**12,844**	**-**	**12,844**[(a)]	3,945	-	3,945	13,392	-	13,392
Unwinding of discount on environmental obligation	**(707)**	**-**	**(707)**	(321)	-	(321)	(754)	-	(754)
	(39,224)	**-**	**(39,224)**	(36,147)	-	(36,147)	(74,991)	-	(74,991)
Other finance losses									
Fair value losses on derivative financial instruments	**-**	**-**	**-**	(10,393)	-	(10,393)	(13,581)	-	(13,581)
	-	**-**	**-**	(10,393)	-	(10,393)	(13,581)	-	(13,581)

(a) Including US$3.1 million related to IRC (note 21)

7. Taxation

	Six months to 30 June 2013			Six months to 30 June 2012			Year ended 31 December 2012		
	Before exceptional items US$'000	Exceptional items[a] US$'000	Total US$'000	Before exceptional items US$'000	Exceptional items[b] US$'000	Total US$'000	Before exceptional items US$'000	Exceptional items[a] US$'000	Total US$'000
Current tax									
UK current tax	-	-	-	-	-	-	223	-	223
Russian current tax	12,475	-	12,475	23,919	-	23,919	61,418	-	61,418
	12,475	-	12,475	23,919	-	23,919	61,641	-	61,641
Deferred tax									
Origination/(reversal) of timing differences	22,755	(61,118)	(38,363)	13,868	-	13,868	(13,517)	(8,845)	(22,362)
Total tax charge	35,230	(61,118)	(25,888)	37,787	-	37,787	48,124	(8,845)	39,279

(a) Being reversal of associated deferred tax liabilities in connection with impairment charges (note 5).
(b) Exceptional items were tax neutral.

8. Earnings per share

	Six months to 30 June 2013 US$'000	Six months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
(Loss)/profit for the period attributable to equity holders of Petropavlovsk PLC	(666,082)	15,141	(159,658)
Before exceptional items	(136,846)	13,521	98,771
Exceptional items	(529,236)	1,620	(258,429)
Interest expense on convertible bonds, net of tax	-[a]	-[a]	-[a]
(Loss)/profit used to determine diluted earnings per share	(666,082)	15,141	(159,658)
Before exceptional items	(136,846)	13,521	98,771
Exceptional items	(529,236)	1,620	(258,429)

	No of shares	No of shares	No of shares
Weighted average number of Ordinary Shares	186,621,787	186,508,287	186,518,041
Adjustments for dilutive potential Ordinary Shares:			
- assumed conversion of convertible bonds	-[a]	-[a]	-[a]
- share options in issue	-	-[b]	-[b]
Weighted average number of Ordinary shares for diluted earnings per share	186,621,787	186,508,287	186,518,041

	US$	US$	US$
Basic (loss)/earnings per share	(3.57)	0.08	(0.85)
Before exceptional items	(0.73)	0.07	0.54
Exceptional items	(2.84)	0.01	(1.39)
Diluted (loss)/earnings per share	(3.57)	0.08	(0.85)
Before exceptional items	(0.73)	0.07	0.54
Exceptional items	(2.84)	0.01	(1.39)

(a) Convertible bonds which could potentially dilute basic earnings per ordinary share in the future were not included in the calculation of diluted earnings per share because they were anti-dilutive.
(b) Share options which could potentially dilute basic earnings per ordinary share until these lapsed unexercised on 19 July 2012 were not included in the calculation of diluted earnings per share because they were anti-dilutive.

As at 30 June 2013, 30 June 2012 and 31 December 2012, the Group had a potentially dilutive option issued to International Finance Corporation («IFC») to subscribe for 1,067,273 Ordinary Shares (note 19) which was anti-dilutive (six months ended 30 June 2012 and year ended 31 December 2012: anti-dilutive) and therefore was not included in the calculation of diluted earnings per share.

9. Dividends

	Six months to 30 June 2013	Six months to 30 June 2012	Year ended 31 December 2012
	US$'000	US$'000	US$'000
Final dividend for the year ended 31 December 2012[a] of £0.02 per share payable on 26 July 2013	**5,855**	-	-
Interim dividend for the year ended 31 December 2012 of £0.05 per share paid on 5 November 2012	**-**	-	14,632
Final dividend for the year ended 31 December 2011 of £0.07 per share paid on 23 July 2012	**-**	20,390	20,390
	5,855	20,390	35,022

(a) Comprising a cash payment of £0.02 per Ordinary Share together with an entitlement to new shares with an attributable value of £0.05 per Ordinary Share (note 24).

10. Exploration and evaluation assets

	Visokoe	Tokur	Flanks of Pokrovskiy	Flanks of Albyn	Other[a]	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2013	**45,876**	**63,556**	**6,516**	**24,411**	**49,196**	**189,555**
Additions	**635**	**-**	**1,799**	**7,824**	**4,921**	**15,179**
Impairment[b]	**-**	**(63,556)**	**-**	**-**	**(31,161)**	**(94,717)**
Reallocation and other transfers	**-**	**-**	**-**	**-**	**100**	**100**
Transfer to mining assets	**-**	**-**	**-**	**-**	**(2,480)**	**(2,480)**
At 30 June 2013	**46,511**	**-**	**8,315**	**32,235**	**20,576**	**107,637**

(a) Represent amounts capitalised in respect of a number of projects in Guyana, the Amur and other regions.
(b) Note 5.

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11. Property, plant and equipment

	Mine development costs	Mining assets	Non-mining assets	Capital construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2013	**6,358**	**1,697,966**	**219,549**	**264,285**	**2,188,158**
Additions	**107**	**37,358**	**3,031**	**86,788**	**127,284**
Interest capitalised[c]	**-**	**-**	**-**	**9,707**	**9,707**
Transfers from capital construction in progress[a]		**54,117**	**3,260**	**(57,377)**	**-**
Transfer from intangible assets	**-**	**2,480**	**-**	**-**	**2,480**
Disposals	**-**	**(2,212)**	**(2,967)**	**(18)**	**(5,197)**
Disposal of subsidiaries	**-**	**-**	**(47)**	**-**	**(47)**
Reallocation and other transfers	**(10)**	**2,089**	**(2,171)**	**(44)**	**(136)**
Foreign exchange difference	**-**	**-**	**(3,176)**	**-**	**(3,176)**
At 30 June 2013	**6,455**	**1,791,798**	**217,479**	**303,341**	**2,319,073**
Accumulated depreciation and impairment					
At 1 January 2013	**5,678**	**497,299**	**76,147**	**2,568**	**581,692**
Charge for the period	**16**	**115,932**	**12,481**	**-**	**128,429**
Impairment[d]	**-**	**287,815**	**86,497**	**13,062**	**387,374**
Disposals	**-**	**(1,136)**	**(2,346)**	**-**	**(3,482)**
Disposal of subsidiaries	**-**	**-**	**(32)**	**-**	**(32)**
Reallocation and other transfers	**(7)**	**715**	**(744)**	**-**	**(36)**
Foreign exchange difference	**-**	**-**	**(552)**	**-**	**(552)**
At 30 June 2013	**5,687**	**900,625**	**171,451**	**15,630**	**1,093,393**
Net book value					
At 1 January 2013[b]	**680**	**1,200,667**	**143,402**	**261,717**	**1,606,466**
At 30 June 2013[b]	**768**	**891,173**	**46,028**	**287,711**	**1,225,680**

(a) Being costs primarily associated with completion of Malomir, Pioneer and Albyn projects.
(b) Property, plant and equipment with a net book value of US$162.5 million (30 June 2012: US$210.7 million and 31 December 2012: US$173.0 million) have been pledged to secure borrowings of the Group.
(c) Note 6.
(d) Note 5.

12. Inventories

	30 June 2013 US$'000	30 June 2012 US$'000	31 December 2012 US$'000
Current			
Construction materials	**17,272**	26,363	20,931
Stores and spares	**113,110**	150,672	124,515
Ore in stockpiles[a], [b]	**69,312**	137,564	101,669
Work in progress	**66,202**	49,516	39,712
Deferred stripping costs	**33,234**	55,500	51,555
Bullion in process	**17,547**	12,226	2,534
Finished goods	**-**	12,311	-
Other	**7,242**	2,708	5,076
	323,919	446,860	345,992
Non-current			
Ore in stockpiles[a], [b]	**44,328**	25,362	66,204
Deferred stripping costs[c]	**5,669**	10,721	-
	49,997	36,083	66,204

(a) Note 5.
(b) Ore stockpiles that are not planned to be processed within twelve months after the reporting period.
(c) Production stripping related to the ore extraction which is to be undertaken within more than twelve months after the reporting period.

13. Trade and other receivables

	30 June 2013 US$'000	30 June 2012 US$'000	31 December 2012 US$'000
Current			
VAT recoverable	**78,146**	97,998	101,441
Advances to suppliers	**22,916**	52,105	20,178
Trade receivables	**16,407**	17,705	11,376
Consideration receivable for disposal of subsidiaries	**10,825**	-	24,284
Advances paid on resale and commission contracts	**-**	226	-
Other debtors	**25,197**	32,249	31,982
	153,491	200,283	189,261

14. Cash and cash equivalents

	30 June 2013 US$'000	30 June 2012 US$'000	31 December 2012 US$'000
Cash at bank and in hand	**56,258**	113,182	23,300
Short-term bank deposits	**2,293**	77,032	135,926
	58,551	190,214	159,226

15. Derivative financial instruments

	30 June 2013		30 June 2012		31 December 2012	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000	US$'000	US$'000
Forward gold contracts – cash flow hedge[(a), (b)]	**134,994**	**-**	-	-	-	-
Gold option contracts – held-for-trading	**-**	**-**	2,341	6,825	-	-
	134,994	**-**	2,341	6,825	-	-

(a) In February 2013, the Group entered into financing contracts to sell a total of 399,000 ounces of gold over a period of 14 months ending in March 2014 at an average price of US$1,663 per ounce. In May 2013, the Group entered into financing contracts to sell a further total 96,000 ounces of gold over a period of 3 months ending in June 2014 at an average price of US$1,408 per ounce.

The hedged forecast transactions are expected to occur at various dates during the next 12 months. Gain and losses recognised in the hedging reserve in equity on forward gold contracts as at 30 June 2013 will be recognised in the income statement in the periods during which the hedged gold sale transactions affect the income statement.

There was no ineffectiveness to be recorded from the cash flow hedge during the six months ended 30 June 2013.

(b) Recurring fair value measurement treated as Level 2 of the fair value hierarchy which valuation incorporates the following inputs:
- gold forward curves observable at quoted intervals; and
- observable credit spreads

16. Trade and other payables

	30 June 2013 US$'000	30 June 2012 US$'000	31 December 2012 US$'000
Trade payables	**43,634**	44,027	55,429
Advances from customers	**16,620**	10,366	10,002
Advances received on resale and commission contracts	**2,270**	2,753	3,740
Dividends payable	**5,855**	20,390	-
Accruals and other payables	**69,678**	91,059	76,627
	138,057	168,595	145,798

17. Borrowings

	30 June 2013 US$'000	30 June 2012 US$'000	31 December 2012 US$'000
Borrowings at amortised cost			
Convertible bonds	**359,657**	345,489	352,475
Bank loans	**850,347**	897,262	867,265
ICBC facility[(a)]	**-**	74,986	-
Other loans	**2,625**	2,236	2,781
	1,212,629	1,319,973	1,222,521
Amount due for settlement within 12 months	**158,194**	197,222	83,789
Amount due for settlement after 12 months	**1,054,435**	1,122,751	1,138,732
	1,212,629	1,319,973	1,222,521

(a) Note 21.

18. Notes to the cash flow statement

Reconciliation of (loss)/profit before tax to operating cash flow

	Six months to 30 June 2013 US$'000	Six months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
(Loss)/profit before tax	**(768,130)**	48,756	(204,669)
Adjustments for:			
Share of results of joint ventures	**1,394**	1,878	2,338
Share of results of associate	**225**	-	81
Investment income	**(692)**	(1,466)	(2,121)
Interest expense	**39,224**	36,147	74,991
Other finance losses	**-**	10,393	-
Share based payments	**5,258**	5,917	11,121
Depreciation	**131,512**	106,910	230,440
Impairment of mining assets	**409,049**	-	72,413
Impairment of exploration and evaluation assets	**94,717**	-	58,091
Impairment of ore stockpiles	**44,314**	-	29,692
Provision for impairment of trade and other receivables	**521**	838	2,391
Write-down to adjust the carrying value of IRC's net assets to fair value less costs to sell	**143,118**	-	197,854
Loss on disposals of property, plant and equipment	**1,115**	1,883	3,665
Loss/(gain) on disposal of subsidiaries	**62**	(1,620)	26,937
Gain on disposal of the Group's interests in joint ventures and available-for-sale investments	**-**	(505)	(498)
Exchange losses/(gains) in respect of investment activity	**737**	29	(85)
Exchange losses/(gains) in respect of cash and cash equivalents	**5,171**	2,258	(4,626)
Other non-cash items	**15**	149	1,639
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**26,425**	(5,531)	12,084
Increase in inventories	**(7,323)**	(108,229)	(119,901)
Decrease in trade and other payables	**14,134**	15,920	18,399
Net cash generated from operations	**140,846**	113,727	410,236

Non-cash transactions

There have been no significant non-cash transactions during the six months ended 30 June 2013 and 30 June 2012 and the year ended 31 December 2012.

19. Share capital

	30 June 2013		30 June 2012		31 December 2012	
	No of shares	**US$'000**	No of shares	US$'000	No of shares	US$'000
Allotted, called up and fully paid						
At the beginning of the period	**187,860,093**	**2,891**	187,860,093	2,891	187,860,093	2,891
Issued during the period	**-**	**-**	-	-	-	-
At the end of the period	**187,860,093**	**2,891**	187,860,093	2,891	187,860,093	2,891

The Company has one class of Ordinary Shares which carry no right to fixed income.

The Company has an option issued to the IFC on 22 April 2009 on acquisition of Aricom plc to subscribe for 1,067,273 ordinary shares at an exercise price of £11.84 per share, subject to adjustments. The option expires on 25 May 2015.

20. Related parties

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

OJSC Asian-Pacific Bank (‘Asian-Pacific Bank’) is considered to be a related party as Mr Peter Hambro has interest in and exercises significant influence over Asian-Pacific Bank.

LLC Insurance Company Helios Reserve (‘Helios’) is considered to be a related party as Mr Peter Hambro has interest in and exercises significant influence over Helios.

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 presence on its board of guardians.

OJSC Krasnoyarskaya GGK (‘Krasnoyarskaya GGK’) is considered to be a related party due to this entity’s minority interest and significant influence in the Group’s subsidiary Verhnetisskaya GRK.

LLC Uralmining was an associate of the Group and hence is a related party until it was acquired and became a subsidiary to the Group in April 2012.

CJSC ZRK Omchak and its wholly owned subsidiary LLC Kaurchak (‘Omchak’) became an associate to the Group on 4 December 2012 and hence are related parties since then.

Transactions with related parties the Group entered into during the six months ended 30 June 2013 and 30 June 2012 and the year ended 31 December 2012 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		
	Six months to 30 June 2013 US$’ 000	Six months to 30 June 2012 US$’ 000	Year ended 31 December 2012 US$’ 000	**Six months to 30 June 2013 US$’ 000**	Six months to 30 June 2012 US$’ 000	Year ended 31 December 2012 US$’ 000
Asian-Pacific Bank						
Sales of gold and silver	**-**	479	1,484	**-**	-	-
Other	**277**	295	383	**340**	698	1,124
	277	774	1,867	**340**	698	1,124
Trading transactions with other related parties						
Insurance arrangements with Helios, rent and other transactions with other entities in which Mr Peter Hambro has interest and exercises a significant influence	**12**	56	121	**7,177**	4,408	9,993
Entities controlled by key management	**-**	-	-	**-**	56	92
Joint ventures and associates	**39**	-	4	**-**	-	-
	51	56	125	**7,177**	4,464	10,085

During the six months ended 30 June 2013, the Group made US$0.2 million charitable donations to the Petropavlovsk Foundation (30 June 2012: US$ 1.2 million and 31 December 2012: US$2.6 million).

The outstanding balances with related parties at 30 June 2013, 30 June 2012 and 31 December 2012 are set out below.

	Amounts owed by related parties			Amounts owed to related parties		
	30 June 2013 US$’ 000	30 June 2012 US$’ 000	31 December 2012 US$’ 000	**30 June 2013 US$’ 000**	30 June 2012 US$’ 000	31 December 2012 US$’ 000
Helios and other entities in which Mr Peter Hambro has interest and exercises a significant influence	**3,297**	48	1,386	**743**	2,628	584
Joint ventures and associates	**447**	-	485	**449**	-	824
Entities controlled by key management	**-**	-	-	**-**	20	-
Asian-Pacific Bank	**10**	9	2	-	-	-
	3,754	57	1,873	**1,192**	2,648	1,408

20. Related parties (continued)

Banking arrangements

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

The bank balances at 30 June 2013, 30 June 2012 and 31 December 2012 are set out below:

	30 June 2013[(a)] US$' 000	30 June 2012 US$' 000	31 December 2012[(a)] US$' 000
Asian-Pacific Bank	**23,966**	40,260	14,054

[(a)] Including US$17.1 million presented within assets classified as held for sale as at 30 June 2013 (31 December 2012: US$8.3 million) (note 21).

Financing Transactions

During the six months ended 30 June 2013, the Group received a further US$0.04 million under interest-free unsecured loan arrangements from Krasnoyarskaya GGK. As at 30 June 2013, the loan principal outstanding amounted to an equivalent of US$2.6 million (30 June 2012: US$ 2.3 million; 31 December 2012: US$2.8 million).

As at 30 June 2013 and 31 December 2012, the Group had an interest-free unsecured loan issued to LLC Kaurchak. Loan principal outstanding amounted to US$1.0 million (31 December 2012: US$1.0 million).

Key management compensation

Key management personnel, comprising a group of 21 (30 June 2012: 22 and 31 December 2012: 22) individuals, including Executive and Non-Executive Directors of the Company and members of senior management, are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	Six months ended 30 June 2013 US$'000	Six months ended 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Wages and salaries	**5,801**	9,309	14,763
Pension costs	**263**	289	549
Share based compensation	**3,090**	3,265	6,519
	9,154	12,863	21,831

21. Assets classified as held for sale

Following negotiations with several interested parties the Directors of the Company resolved to approve the potential investment in IRC Limited by the investors and to accept the resulting dilution of the Group's holding in IRC to a non-controlling interest. This dilution is expected to be completed within 12 months after the reporting date and accordingly IRC has been classified as "held for sale" and presented separately in the balance sheet as at 30 June 2013 and 31 December 2012.

The main categories of assets and liabilities classified as held for sale are set out below.

	30 June 2013		31 December 2012	
	Carrying amount	**Fair value less costs to sell[(a), (b)]**	Carrying amount	Fair value less costs to sell[(a),(b)]
	US$' 000	**US$'000**	US$' 000	US$'000
Intangible assets	**65,892**	**31,907**	64,286	43,070
Property, plant and equipment[(c)]	**606,288**	**240,985**	593,249	378,243
Prepayments for property, plant and equipment	**161,286**	**161,286**	162,012	162,012
Interests in joint ventures	**3,531**	**3,531**	4,887	4,887
Other non-current assets	**25,899**	**25,899**	27,199	27,199
Inventories	**43,233**	**43,233**	43,376	43,376
Trade and other receivables	**38,983**	**38,983**	41,132	41,132
Cash and cash equivalents	**106,636**	**106,636**	18,036	18,036
Total assets classified as held for sale	**1,051,748**	**652,460**	**954,177**	**717,955**
Trade and other payables	**28,633**	**28,633**	18,959	18,959
Current income tax payable	**267**	**267**	353	353
Borrowings	**135,614**	**135,614**	124,475	124,475
Deferred tax liabilities	**59,567**	**1,251**	59,594	21,226
Provision for close down and restoration costs	**14,075**	**14,075**	14,626	14,626
Total liabilities associated with assets classified as held for sale	**238,156**	**179,840**	218,007	179,639
Net assets of IRC	**813,592**	**472,620**	736,170	538,316
Write-down to adjust the carrying value of IRC's net assets to fair value less costs to sell as at 31 December 2012	**(197,854)**		(197,854)	
Write-down to adjust the carrying value of IRC's net assets to fair value less costs to sell as at 30 June 2013	**(143,118)**			
Fair value less costs to sell [(a), (b)]	**472,620**		538,316	
Attributable to:				
Equity shareholders of Petropavlovsk PLC	**243,355**		349,176	
Non-controlling interests	**229,265**		189,140	

(a) Based on market share price of HK$0.85 per IRC share as at 30 June 2013 (31 December 2012: HK$1.17) less transaction costs. A decrease/ increase of 10% in IRC's share price would result in US$47.3 million (31 December 2012: US$52.7 million) additional write-down/ reversal of write-down adjustment.

(b) Non-recurring fair value measurement treated as Level 1 of the fair value hierarchy.

(c) At 30 June 2013, IRC had entered into contractual commitments for the acquisition of property, plant and equipment and mine development costs amounting to US$ 237million (31 December 2012: US$ 247 million).

22. Analysis of net debt

	At 1 January 2013 US$'000	**Net cash movement US$'000**	**Exchange movement US$'000**	**Non-cash changes US$'000**	**At 30 June 2013 US$'000**
Cash and cash equivalents	**159,226**	**(96,671)**	**(4,004)**	**-**	**58,551**
Debt due within one year	**(83,789)**	**29,458**	**-**	**(103,863)**	**(158,194)**
Debt due after one year	**(1,138,732)**	**27,513**	**202**	**56,582**	**(1,054,435)**
Net debt	**(1,063,295)**	**(39,700)**	**(3,802)**	**(47,281)[(a)]**	**(1,154,078)**

(a) Being amortisation of borrowings.

23. Capital commitments

At 30 June 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment and mine development costs amounting to US$38.0 million (30 June 2012: US$353.4 million and 31 December 2012: US$72.1 million), including US$24.5 million in relation to the POX Hub (30 June 2012: US$32.0 million and 31 December 2012: US$52.3 million).

24. Subsequent events

Hedge arrangements
Subsequent to 30 June 2013, the Group entered into financing contracts to sell a further total 95,000 ounces of gold over a period September to December 2013 at an average price of US$1,313/oz and a further total 62,000 ounces of gold over a period July to September 2014 at an average price of US$1,412/oz.

Share capital
On 26 July 2013, the Company issued 9,778,332 ordinary shares to eligible shareholders in respect of their entitlement to receive 1 new Ordinary Share for every 19.21 Ordinary Shares held on the Register at the close of business on 28 June 2013.

25. Reconciliation of non-GAAP measures

	Six months to 30 June 2013			Six months to 30 June 2012			Year ended 31 December 2012		
	Before exceptional items US$'000	**Exceptional items US$'000**	**Total US$'000**	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000	Before exceptional items US$'000	Exceptional items US$'000	Total US$'000
(Loss)/profit for the period	**(143,323)**	**(598,919)**	**(742,242)**	9,349	1,620	10,969	92,453	(336,401)	(243,948)
Add/(less):									
Interest expense	**39,224**	**-**	**39,224**	36,147	-	36,147	74,991	-	74,991
Investment income	**(692)**	**-**	**(692)**	(1,466)	-	(1,466)	(2,121)	-	(2,121)
Other finance losses	**-**	**-**	**-**	10,393	-	10,393	13,581	-	13,581
Foreign exchange losses/(gains)	**8,988**	**-**	**8,988**	3,402	-	3,402	(8,033)	-	(8,033)
Taxation	**35,230**	**(61,118)**	**(25,888)**	37,787	-	37,787	48,124	(8,845)	39,279
Depreciation	**131,512**	**-**	**131,512**	106,910	-	106,910	230,440	-	230,440
Impairment of mining assets	**-**	**409,049**	**409,049**	-	-	-	-	72,413	72,413
Impairment of exploration and evaluation assets	**31,161**	**63,556**	**94,717**	-	-	-	10,049	48,042	58,091
Impairment of ore stockpiles	**-**	**44,314**	**44,314**	-	-	-	29,692	-	29,692
Write-down to adjust the carrying value of IRC's net assets less cost to sell	**-**	**143,118**	**143,118**	-	-	-	-	197,854	197,854
Reversal of gain attributed to re-measuring equity interest in Omchak	**-**	**-**	**-**	-	-	-	-	25,480	25,480
EBITDA	**102,100**	**-**	**102,100**	202,522	1,620	204,142	489,176	(1,457)	487,719