The exploration for and development of metals and mineral resources is a speculative activity that involves a high degree of risk. Investors should note that the Group's mineral resources may not ultimately be extracted at a profit. In addition to the other information contained in this prospectus, the Directors believe that, in particular, prospective investors should carefully consider the following risks and uncertainties which as at the date of this prospectus represent material risks known to the Directors relating to the Group and to an investment in the Shares. If any of these risks, which the Directors consider to be the material risks as at the date of this prospectus, actually occur, the Company's business could be materially and adversely affected. The trading price of the Shares could decline due to any of these risks, and investors may lose all or part of their investment. The Shares carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade.

RISKS RELATING TO THE GROUP'S OPERATIONS IN THE RUSSIAN FEDERATION AND THE PRC

The Group may not be able to finance its future planned capital expenditure

The mining business, particularly iron ore, is capital intensive due to the bulk nature of the commodity and the need, in the Group's case, for secondary processing techniques to upgrade Fe content. The development and exploitation of Ore Reserves and Mineral Resources also require substantial capital expenditure. The Group's strategy (set out in the sub-section headed "Strategy" of the section headed "Business" in this prospectus) requires the Group to increase production and processing through the successful implementation of its exploration and development programmes, which involve significant capital expenditure. Furthermore, the Group must continue to invest significant capital to maintain or increase its levels of Ore Reserves and Mineral Resources and amount of iron ore that it produces. Some of the Group's development projects and exploration prospects may require greater investment than currently planned. There can be no assurance that the Group will be able to achieve its target production levels and generate sufficient cash flow, or that the Group will have access to sufficient investments, loans or other financing alternatives on commercially satisfactory terms, or at all, to enable it to continue its exploration, exploitation, development and processing activities at or above present levels. If the Group is unable to raise financing when needed, the Group will have to reduce its planned capital expenditure. Any such reduction could adversely affect the Group's ability to carry out mineral exploration programmes, to appraise or develop any of its Mineral Resources or to commence or continue operations at one or more of its projects.

The Group has sufficient resources to bring the Kuranakh Project into full production but the remainder of the Group's development programme will require further financing. Stage 1 of the Group's development programme involves the construction of a 10Mtpa mining operation at K&S with a processing plant with a capacity to produce 3.22Mtpa of 65 per cent. iron ore concentrate. Without procuring additional external financing after Listing, the Group will not have sufficient funding in place to finance in full Stage 1 of its development programme or any later stages.

A non-binding indicative term sheet with ICBC in relation to the ICBC Facility which will fund 85 per cent. of the estimated cost of Stage 1 of the Group's development programme has been entered into. The Group has entered into a co-operation agreement with CNEEC and ICBC which provides a framework for a further agreement under which it is intended that CNEEC will act as EPC contractors and ICBC will provide financing for the development of Stages 2 and 3 of the Group's development programme. It is expected that the CNEEC EPC contract will need to be substantially agreed before the ICBC Facility for Stage 1 is made available. Negotiations are ongoing with ICBC in respect of the terms of legally-binding loan and guarantee documentation and with CNEEC in respect of the EPC contract. There is no assurance that definitive agreements for the ICBC Facility or the EPC contract will be capable of being agreed on commercially acceptable terms or at all, and there is no assurance that the ICBC loan will be made available on a timely basis. The negotiations in respect of the EPC contract may become protracted owing to the complexity of that agreement, which may in turn delay the availability of the ICBC Facility.

If the proposed ICBC Facility is not made available on a timely basis and the Group cannot procure alternative financing for the full amount required for Stage 1 of its development programme, it intends to use substantially all of the net proceeds of the Global Offering to part-finance the development of Stage 1. The Directors expect that the remainder of the capital expenditure requirement for Stage 1 would be financed from alternative sources of debt financing, but such debt financing may not be available on commercially acceptable terms or at all, or may involve substantially higher finance costs. If, and to the extent that, such alternative financing does not cover the full capital requirement of Stage 1, the implementation of Stage 1 may be reduced in scope or delayed. Were the ICBC Facility or alternative financing to be made available, the net proceeds of the Global Offering would be applied in part towards the development of Stage 1 and in part towards the development of later stages of the Group's development programme and other development and exploration projects (as set out in further detail in the section headed "Future Plans and Use of Proceeds" in this prospectus). Accordingly, if the ICBC Facility is not agreed and made available on a timely basis and alternative financing cannot be arranged, these later stages and other projects may be delayed, reduced in scope or not implemented and this may have a material adverse effect on the Company's financial condition and result of operations.

The Group's stated Ore Reserves, Mineral Resources and mineralised potential are only estimates based on a range of assumptions and there can be no assurance that the anticipated tonnages or grades will be achieved

The Group's Ore Reserves, Mineral Resources and mineralised potential described in this prospectus constitute estimates that comply with standard evaluation methods generally used in the international mining industry and are stated in accordance with the JORC Code. In respect of such JORC-Compliant data, no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that the Ore Reserves, Mineral Resources and mineralised potential can be mined or processed profitably or at all. Actual Ore Reserves, Mineral Resources or mineralised potential may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. In addition, there can be no assurance that further on-site drilling or other exploratory work will result in the affirmation of previous estimates or that mineral recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during production. The estimated Ore Reserves, Mineral Resources or mineralised potential described in this prospectus should not be interpreted as a statement of the commercial viability, potential or profitability of any future operations. Lower market prices, increased production costs, reduced recovery rates and other factors may render the Group's Ore Reserves, Mineral Resources or mineralised potential uneconomic to exploit and may result in revision of its Ore Reserves and Mineral Resources estimates from time to time. Ore Reserve and Mineral Resources data are not indicative of future results of operations. If the Group's actual Ore Reserves and Mineral Resources are less than current estimates or if the Group fails to develop its resource base through the realisation of identified or new mineralised potential, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Exploration and development are highly speculative activities and involve commercial risks and uncertainties

All of the Group's mining assets, except for the Kuranakh Project, are in the exploration or development stages. Exploration and development are inherently highly speculative and involve numerous risks, including risks relating to the location of economically viable ore bodies, the development of appropriate metallurgical processes, the receipt of all necessary governmental permits and the construction and maintenance of mining and processing facilities. No assurance can be given that the Group's minerals exploration and development programmes will result in any new commercial mining operation or in the discovery of new resources.

The Group is developing its mining assets, and conducting exploration programmes, in both the Amur Region and the EAO of Russia. In addition to the risks outlined above, environmental and weather conditions in these regions are particularly challenging, resulting in exploration, maintenance, construction and production costs which may be unpredictable or higher than originally budgeted for by the Group. These adverse conditions can affect the timeliness of the Group's operations, or generally reduce the Group's productivity. Any such delays could adversely affect the Group.

Although Group companies have been in existence and active in the Group's business since 2003, the Kuranakh Project (currently the Group's sole producing mining asset) operated only briefly in 2008. As a result, there is limited financial information available on which investors can base their evaluation of the Group's business and prospects. The limited operating history makes the prediction of future operating results, operating costs and prospects difficult. If the assumptions underlying any of these items are incorrect, this may have a material adverse effect on the Group's business, results of operations, financial conditions and prospects.

Additionally, the Group has previously recognised significant impairment charges against several of its assets, including as a result of experiencing delays in the completion of the Kuranakh Project which led to higher capital costs and higher railway tariffs for the transportation of ilmenite, and against certain other assets due to a potential delay in the development of the projects as a result of weaker forecast iron ore prices during the global financial crisis. A provision has also been made against the asset value of Jiatai Titanium following discussions with Chinalco regarding its intentions relating to that project, amounting to an aggregate impairment charge of US$33.1 million in the six month period ended on 30 June 2010 in respect of this asset. For further information on Jiatai Titanium, refer to the sub-section headed "Jiatai Titanium" of the section headed "Business" in this prospectus.

Changes to the assumptions underlying the assessment of the recoverable value of the Group's assets may result in additional impairment charges, which could have a significant impact on the Group's financial performance in future periods. Further delays, increases in the total forecast cost of planned projects or negative outcomes to exploration and evaluation activities could also lead to further impairment charges in the future, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

If, as a result of these risks, or for any other reason, the Group's exploration and development programmes fail to result in economically viable mineral deposits for production, this would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is currently dependent on revenue from Giproruda, its mining engineering services institute, and its sole operating, and smallest, mine at the Kuranakh Project, and the Group may not ever generate revenue from its other projects

The Group's revenues and cash flows are currently almost exclusively derived from sales of iron ore mined at the Saikta mine at the Kuranakh Project, which is currently the Group's sole operating mine, and the services provided by Giproruda to third parties. The Group's business, results of operations, financial condition, prospects and cash flows could be materially and adversely affected if the Group is unable to bring its other projects, such as K&S and Garinskoye, to full production or by the failure of the Kuranakh Project to produce the expected amounts of iron ore or if Giproruda fails to enter into any contracts for the provision of services to third party customers.

In addition, the Group currently only has one offtake agreement, in respect of the sale of all the titanomagnetite concentrate produced at the Kuranakh Project (the "Offtake Agreement"). If the Group does not enter into additional offtake agreements in relation to iron ore or ilmenite which it intends to produce or mine from K&S or in respect of Garinskoye, or if the Group is otherwise unsuccessful at expanding its customer base, or if the Offtake Agreement is terminated for whatever reason or is not renewed without being replaced after its initial term of 15 years, the Group may be unable to sell all or substantially all of the products mined at the Kuranakh Project, or products (if any) mined from K&S or Garinskoye if and when those projects reach full production. Any of these occurrences could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

If the Group is unable to attract, retain and train key personnel, the Group's business and results of operations could be materially and adversely affected

The Group's business depends in significant part upon its ability to attract and retain highly skilled and qualified personnel, in particular its senior management team, its team of engineers and geologists, and those responsible for governmental liaison and licence programmes. The Group's current senior management team members, including engineers and geologists, all of whom play important roles within the Group and a large proportion of whom have been employed by the Group throughout the Track Record Period, are identified in the sub-section headed "Senior Management" of the section headed "Directors, Senior Management and Employees" in this prospectus. Factors critical to both retaining the Group's present staff and attracting additional highly qualified personnel include the Group's ability to provide these individuals with competitive compensation arrangements. There can be no certainty that the services of the Group's key personnel will continue to be available to the Group, or that labour costs in the mining industry will not increase significantly. If the Group is not successful in retaining or attracting highly qualified individuals in key management positions and highly skilled engineers and geologists at satisfactory rates or at all, this could result in delays to or higher costs in respect of the Group's ongoing operations and the development of its current or future projects and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Potential local opposition to mining could lead to disruption of the Group's existing operations, mine development projects and exploration prospects

The Group works in conjunction with local governments and local residents in the areas in which it operates, and in particular with the Evenks people in the Amur Region. However, the Group cannot rule out the possibility of local opposition arising in the future in respect of its existing operations, development projects or prospects or in relation to obtaining concessions for its current or future projects. If the Group were to encounter any opposition in connection with its existing operations or current or future projects, it could interfere with the Group's ability to operate its mines and production facilities or to develop its existing or new projects or prospects and therefore could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's operations are exposed to risks in relation to the mishandling of dangerous articles

The Group's exploration and mining operations involve the handling and storage of explosive, toxic and other dangerous articles, particularly in the unlikely event of the discovery of radioactive materials or hazardous fibrous minerals. Accidents arising from the mishandling of dangerous articles may occur in the future. If the Group breaches any relevant laws, regulations or policies, the Group may be subject to monetary fines and/or administrative suspension of the Group's business activity for a period until such violations are cured (for example, by obtaining the relevant licence). If any accident occurs as a result of the mishandling of dangerous articles, and damage is caused to third parties, the Group may be subject to civil and criminal liability. Any such event could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, more stringent laws, regulations and policies may be implemented by the relevant Russian authorities, and the Group may not be able to comply with any future laws, regulations and policies in relation to the handling of dangerous articles in an economically viable manner, or at all. Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The operations of the Group are exposed to safety risks and the occurrence of industrial accidents

Certain of the Group's operations are carried out under potentially hazardous conditions, and in the past have led to accidents. Liabilities might arise in the future as a result of accidents, fatalities or other workforce-related misfortunes, some of which may be beyond the Group's control. Any such events could lead to significant expenditure by the Group in respect of compensation claims or payments, and insurance may be unavailable or prohibitively expensive. The occurrence of accidents could delay production, increase production costs and result in liability and adverse publicity for the Group. These factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The infrastructure on which the Group relies may prove to be inadequate or subject to constraints, or the Group may face difficulties with state-owned infrastructure

The Group will, upon commencement of full commercial production, rely upon access to the Russian national railway systems, for both in-land transportation of products and transportation of products to ports for subsequent seaborne transportation. No assurance can be given that the Group will have access to sufficient railway capacity to transport supplies or products in the future. In particular, some of the Group's non-producing assets are located in areas lacking the necessary infrastructure that is needed for these assets to be developed. The Group will need to invest in the construction of the required mining and auxiliary infrastructure (including roads, loading terminals and conveyor belts) as part of its development programme for these assets. In addition, in the event that no State funding is provided for the construction of the railway from Garinskoye to Shimanovskaya station, the Group may decide to invest in construction of a conveyor belt from the Garinskoye crushing and screening plant to the Shimanovskaya station, and no assurance can be given that market conditions will continue to make such investments financially viable. This could materially adversely affect the Group's development programme, in particular at Garinskoye, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's operations will, upon commencement of full commercial production and transportation, rely in large part on the rail freight network operated by Russian Railways for transport of raw materials to the Group's consignment agents and customers. State-owned infrastructure in Russia largely dates back to Soviet and pre-Soviet times and may not have been adequately funded and maintained over the last 15 to 20 years, with Russia's rail and road networks, building stocks and power generation and transmission facilities among the areas that are particularly affected. As a result, the Russian Railway system is subject to the risk of disruption due to the declining physical condition of the facilities, a shortage of rail cars, the limited capacity of border stations and load shedding, including those due to poorly maintained rail cars and train collisions. In particular, the rolling stock of Russian Railways is generally in a poor state of repair. The failure of Russian Railways to upgrade its rolling stock within the next three years could result in a shortage of available working rolling stock, a disruption in transportation of the Group's raw materials and products and increased costs if the Group is required to find alternative means of transportation. These factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. If the expansion of the seaport at Sovetskaya Gavan (on the Russian Far East coast) does not proceed or is not completed, greater reliance would be placed upon the Russian railway system in respect of the Group's operations as production at the projects increases.

The Group's operations will, upon commencement of full commercial production and transportation, be subject to rail tariffs set by the Russian government, which may increase these tariffs as it has done in the past, irrespective of whether such increases will be used to finance the necessary investments in the railway infrastructure outlined above. Both the privatisation of Russian Railways, the cost of upgrading its rolling stock and other facilities and other factors (including but not limited to an increase in the level of demand for transportation of the relevant product) could result in increased tariffs. In addition, there are two established border crossings at the Russia-PRC border, across which the Group regularly transports its products. The Group's products will, upon commencement of full commercial production and transportation, become subject to customs duties at these crossings, which may become proportionally greater in the future. Any such increase in railway tariffs and/or customs duties would result in significant increases in the Group's transportation costs which would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's current sole producing asset, the Kuranakh Project, is located in close proximity to the BAM Railway, operated by Russian Railways. However, the BAM Railway may become subject to capacity constraints. The Rubicon Bridge Project envisages the construction of a cross-border rail bridge from Russia to the PRC in close proximity to the Kuranakh Project, but there is no certainty that the necessary funding will be forthcoming for such a bridge to be constructed. Even if this cross-border rail bridge were to be successfully constructed, there can be no assurance that it would resolve all capacity constraints facing the Group at the Kuranakh Project, or that the Group would have access to sufficient capacity over the bridge to resolve any capacity constraints. If the Group is unable to avoid becoming subject to capacity constraints in respect of the Kuranakh Project, which is currently the Group's sole producing asset, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The availability and cost of the Group's production inputs, such as utilities, equipment, spare parts and labour, could materially and adversely affect its profitability

The strong commodity cycle over recent years and the large number of projects being developed in the resources industry has led to increased demand for, and worldwide shortages in, skilled personnel, contractors, materials, equipment, spare parts and supplies that are required as critical inputs to the Group's existing projects and planned developments. Such shortages may increase the costs of the Group's operations, as a result of equipment, spare parts or labour becoming more expensive due to increased demand. Such shortages may also cause delays to, and quality issues in respect of, the Group's operations. Any resulting increase in costs or production delays could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, the Group requires access to reliable power sources and water supplies to conduct its operations and the availability and cost of these utilities affects capital and operating costs and the Group's ability to maintain expected levels of production and sales. There can be no assurance that the Group's operations in its key projects in Russia will continue to have access to adequate power and water supplies in the future or that the prices of such utilities will remain affordable. Further, unusual weather or other natural phenomena, sabotage or government or other interference in the maintenance or provision of such utilities could negatively impact development of projects, reduce mining volumes or increase mining or exploration costs. Any such issues arising in respect of these utilities could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition to its reliance on the Petropavlovsk Group (details of which are set out in the sub-section headed "Risks relating to the separation of the Group from Petropavlovsk Group" of this section in this prospectus), the Group relies on other third-party suppliers and contractors for the supply of equipment and raw materials used in, and the provision of services necessary for, the development, construction and operation of its projects. Any performance delays or failures by such third-party suppliers or contractors or an inability to secure the necessary equipment, raw materials or services or strikes or lock-outs, could impair the Group's ability to produce its products which in turn could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Labour disputes and disruptions could affect the Group's business, results of operations, financial condition and prospects

Approximately one quarter of the individuals currently employed by Giproruda, in which the Group has a 70.3 per cent. interest, are members of a primary trade union organisation that is part of the St. Petersburg territorial organisation of the Mining & Metallurgical Trade Union of Russia. There is a risk that the Group's in-house engineering and scientific operations could be stopped for indefinite periods due to strikes and other labour disputes. Any labour disruptions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group faces competition for mineral interests from other mining companies

The Group will face competition from other mining companies in all areas of its operations, including the acquisition of mineral licences, exploratory prospects and producing properties. In conducting its exploration activities, the Group will compete with other mining companies in connection with the search for and acquisition of properties producing or possessing the potential to produce iron ore, ilmenite and other minerals. Due to recent iron ore price fluctuations, there is increased competition between mining companies for assets. Some of these companies may have significantly greater resources than those of the Group. Other companies may have a competitive advantage due to Russia's foreign investment legislation. Existing or future levels of competition in the mining industry could materially and adversely affect the Group's prospects for mineral exploration and success in the future.

The Group also faces competition from numerous other resource exploration and development companies, both domestic and foreign, in discovering, acquiring and producing resources, in attracting and retaining experts and labour, in securing appropriate equipment and supplies and in securing financing and joint venture partners for its operations. Some of the Group's competitors have substantially greater financial, technical, marketing, distribution and other resources. If the Group is not able to maintain or improve its competitiveness, it may lose or be unable to grow its market share, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group may undertake strategic acquisitions or investments, which may prove difficult to integrate and manage successfully

The Group may decide to expand its operations through new acquisitions in the future. In Russia, to the extent that the making of future acquisitions relates to the acquisition, directly or indirectly, of voting shares in entities which hold mineral licences in respect of "Strategic Areas" (as defined in the relevant legislation), such acquisition would be dependent upon obtaining the consent of the Russian anti-monopoly authority, the FAS. Similar consent requirements may apply in jurisdictions other than Russia in which the Group may seek to expand in the future. The process for obtaining such consents can be lengthy and uncertain, and could result in the Group's expansion being delayed or prohibited, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Additionally, the ability of the Group to participate in licence tenders or auctions in Russia could be restricted in the future if the Russian government decides to exercise certain of the powers it has been given under the foreign investment legislation to restrict the participation of companies under foreign control in such tenders or auctions (set out in the section headed "Laws and regulations relating to the industry" in this prospectus). Similar restrictions may apply in jurisdictions other than Russia in which the Group may seek to expand in the future. In addition, regardless of any such legal impediments, the integration of businesses and operations requires significant time and effort of senior management, which could divert their attention from the management of existing operations. All of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's joint venture arrangements may not be successful

The Group has a joint venture with Jianlong and Kuranakii to process vanadium slag for the production of vanadium pentoxides and other vanadium products derived from vanadium slag, in Shuangyashan city, Heilongjiang Province, the PRC. The Group also holds a 49 per cent. interest in LLC Uralmining, which holds the licence for the Bolshoi Seym project in the Amur Region in the Russian Far East, which is currently in the exploration stage. The remaining 51 per cent. interest in LLC Uralmining is held by LLC Management Company "Intergeo," a company belonging to the Onexim Group, a Russian private investment group. With regards to Jiatai Titanium, the Group's joint venture with Chinalco, which relates to the construction and operation of a titanium sponge production plant, Chinalco has stated its intention to withdraw from its non-core ventures and consequently wished to dispose of its interest in the joint venture. Following discussions with Chinalco, the Group has recently entered into an agreement with Chinalco pursuant to which, and subject to certain conditions, the Group would bid, in the public listing and bidding process to be implemented in accordance with PRC laws, for Chinalco's stake in Jiatai Titanium. Further details of this agreement are set out in the sub-section headed "Jiatai Titanium" of the section headed "Business" in this prospectus. The Group may enter into further joint ventures in the future.

Joint ventures necessarily involve special risks. Such risks include the possibilities that the Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with or opposed to those of the Group, (ii) exercise veto rights so as to block actions that the Group believes to be in its or the joint venture's best interests, (iii) as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under the joint venture or other agreements or (iv) require capital contributions to the joint venture beyond the scope of the Group.

These issues may have a material adverse effect on the results of operations, financial condition and prospects of the Group through disruption to the joint venture's business or the delay or non-completion of the relevant development projects. In addition, the termination of these joint ventures, if not replaced on similar terms, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

RISKS RELATING TO COMMODITY PRICES, DEMAND FOR THE GROUP'S PRODUCTS AND OTHER ECONOMIC RISKS

The Group's financial performance is dependent on, *inter alia*, the global prices of, and demand for, iron ore, ilmenite, titanium, steel making composites, steel and steel products, which have recently been, and may continue to be, volatile

The Group's business is highly dependent on the global price and pricing mechanism for its iron ore and ilmenite concentrates. There is no certainty that the current prices for iron ore and ilmenite concentrates will be maintained or will increase in future years. The Group's ability to achieve or maintain earnings, pay dividends in the future and undertake capital expenditure may be affected if the prices of, and demand for, iron ore and ilmenite concentrates fall significantly from current levels. The Group has not entered into any long-term fixed price contracts for its products, which increases its vulnerability to short to medium term variations in the spot price market.

Sale prices and volumes in the worldwide iron ore market depend predominantly on the prevailing and expected level of demand for iron ore, mainly from steel manufacturers. Historically, iron ore prices have been set based on an annual benchmark price, which was determined in part on the outcome of negotiations between the world's largest steel manufacturers and the world's largest iron ore mining companies, to which the Group is not party. In early 2010, this mechanism changed with a benchmark price being set on a quarterly basis, with reference to market conditions and the spot price. The Group is not involved in setting the quarterly benchmark price. Such negotiations depend on prevailing market conditions at the time of the negotiations. As a result, the price that the Group can achieve for its iron ore depends on a large number of factors outside of the Group's control, such as the cycle of world economic growth (particularly in the PRC) and the prevailing level of worldwide demand for, and supply of, steel products.

The substantial increase in demand for iron ore in recent years, particularly in the PRC, which has experienced a compound annual growth rate from 2005 to 2009 of 16.4 per cent. in its total iron ore consumption, and to a lesser extent in the rest of Asia, had resulted in historically high iron ore prices in the market. However, the recent global financial crisis has resulted in considerable volatility in the price of iron ore, with benchmark prices for Hamersley Fines (given by Rio Tinto for their Australian ore sales) increasing from 73.4 c/dmtu in 2006 to 80.4 c/dmtu in 2007 to 144.7 c/dmtu in 2008 before declining to 97.0 c/dmtu in 2009[1]. The fluctuations in price

1 Source: CRU
C/dmtu means cents per Dry Metric Tonne Unit. Effectively this is the same as US$ per tonne of iron, divided by 100.

were due to movements in demand for iron ore. In the past, the Group has had to suspend its operations as a result of volatility in the iron ore industry and steel sector. The onset of the financial crisis and the subsequent decrease in demand for, and the price of, iron ore forced the Group to cease operations at the pre-concentrate plant at the Kuranakh Project in 2008. The subsequent recovery of iron ore prices in the second half of 2009 and 2010 has allowed the Group to commission the main processing plant in May 2010 and to re-commence ore production at the Kuranakh Project in June 2010, with sales of titanomagnetite concentrate starting in September 2010. A substantial decrease in iron ore demand and price could not only have an impact upon revenue from the Kuranakh Project, but, as many of the Group's projects are in the early stages of development, could also negatively impact the economic viability of these projects, which may cause the Group to delay or terminate such projects. Future volatility in the spot, quarterly or long-term price of iron ore, or a sustained reduction in iron ore demand or consumption in developing nations and most significantly, the PRC (whether through shifts in economic sentiment or through product substitution or other reasons), or an increase in global supplies of iron ore (whether by way of supply from new entrants or by supply from expansion of existing producers) would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is vulnerable to adverse changes in the PRC economy

The Group's business and prospects depend on the PRC's economic growth (currently projected to be at a rate of 9.5 per cent. in 2010)[1], which affects the demand for iron ore and related products. Growth in demand for these products is fuelled largely by the growth of the PRC's iron and steel industries. In particular, the demand for the Group's iron concentrates is heavily dependent on the performance of major steel producers in the PRC. In 2008 and 2009, the economies of the United States, Europe and certain countries in Asia experienced a severe and prolonged recession and the PRC experienced a slowdown in growth, which led to a reduction in economic activity. Given that the growth of the PRC's overall economy has slowed compared with recent years (GDP growth was 9.0 per cent. in 2008 compared with 13.0 per cent. in 2007)[2], the growing demand for metals such as iron and steel may abate if there is a decline in economic activity or if an economic recovery, of which there have been recent signs, does not take hold and there is an additional global recessionary period. Any slowdown in economic growth rates in the PRC or globally may reduce the demand for the Group's products in the PRC and materially and adversely affect the Group's business, financial condition, results of operations and profitability. There can also be no assurance that recent initiatives by the PRC government in response to the slowdown in the PRC economy will stabilise economic conditions. Furthermore, in response to a rapid increase in liquidity in the market as a result of fiscal stimulus measures, the PRC government has recently implemented a number of measures to control liquidity, including by raising the deposit reserve ratio. These factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1 Projected GDP growth of 9.5 per cent. for 2010 as a whole.
Source: World Bank, China Quarterly Update — June 2010
2 National Bureau of Statistics

The Group currently operates at a loss and there can be no assurance that it will achieve profitability or generate positive cash flow from operations in the future

Except for the Kuranakh Project, which is in the production stage, the Group's other projects are in various stages of development and/or exploration, and the Group is currently investing in the development of its assets in preparation for the commencement of mining and production in accordance with its business plan. The Group recorded losses of US$426.6 million and US$139.1 million for the financial years ended 31 December 2008 and 2009, respectively, and a loss of US$51.7 million for the six months ended 30 June 2010. The Group has incurred and continues to incur significant costs associated with the acquisition of mineral rights, properties, plant and equipment, and to date has generated income only from limited production and sales from its sole operating mine at the Kuranakh Project and services provided to third parties by Giproruda, its mining engineering services institute. The Group expects to continue to incur significant costs associated with the development of its assets in the future and does not expect to begin to generate positive cash flow from operations until 2011 at the earliest. The Group has not had positive net operating cash flow in the past, and there can be no assurance that the Group will have positive cash flow in the future.

Titanomagnetite concentrate produced at the Kuranakh Project is not suitable for use by all steel producers

The titanomagnetite concentrate produced at the Kuranakh Project can only be processed by a limited number of steel producers due to the high titanium content of the ore mined at this project. As at 1 August 2010, all facilities at the mine site, pre-concentration site and at the Olekma processing plant were fully operational. During the Track Record Period, no sales of titanomagnetite concentrate took place. The first sale of titanomagnetite was made in September 2010 to a privately-owned medium-size Chinese steel-maker, Jianlong, to which the Group had previously shipped small amounts of pre-concentrate in 2008. Jianlong is the Group's exclusive customer for this product pursuant to the Offtake Agreement. Therefore, there is a risk that the Group may encounter difficulties in finding sufficient buyers for this product if the Offtake Agreement is not effective or is terminated for any reason. The lack of demand for the titanomagnetite concentrate and the substitutability of other iron ore products could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Adverse capital and credit market conditions and worldwide financial instability may adversely affect the Group's ability to raise new debt or equity financing and/or to refinance existing or future indebtedness

The international equity and debt markets have in the past two years experienced extreme volatility and disruption, leading to liquidity constraints, credit rationing and unavailability of, or restrictions on, lending. Such volatility and disruption reached unprecedented levels during Q4 2008. Recent concerns in relation to high levels of sovereign debt (particularly within member states of the European Union), together with fears of a further global recessionary period, have resulted in further volatility and disruption. Such volatility and disruption could result in further liquidity constraints and restrictions, credit rationing and the unavailability of, or restrictions in, lending in the short, medium or long term.

The availability of additional financing to the Group and/or the ability to refinance existing indebtedness will depend on a variety of factors such as market conditions, the general availability of credit, the Group's credit rating or whether lenders develop a negative perception of the Group's short-term or long-term financial prospects given prevailing market conditions, and in particular the outlook for commodity prices. Internal sources of liquidity may prove insufficient, and in such case, the Group may not be able to successfully obtain financing for its existing projects, obtain additional financing and/or refinance existing indebtedness on favourable terms, or at all, and the terms or cost of such financing or refinancing (for example, higher interest rates, higher arrangement fees, more onerous debt covenants or more stringent repayment terms) could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

An oversupply of minerals in the future could adversely affect the Group's profitability

An oversupply of minerals in the world markets could reduce world prices in the future, including the prices of iron ore and ilmenite, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group could be adversely affected by changes in the exchange rates between the currencies in which it operates and restrictions on conversion of those currencies

The Group reports in U.S. dollars, being the currency in which iron ore is principally priced and traded and therefore in which most of its revenue is expected to be generated. Most of the Group's operating expenses are denominated in Roubles and to a lesser extent Renminbi, and prior to 30 June 2010 most of the corporate overheads were denominated in GBP and Roubles. With the exception of the sales of pre-concentrate for US$501,000 in 2008, which were priced in USD and accounted for approximately 2 per cent. of the Group's revenue over the Track Record Period, sales of engineering services provided by Giproruda during that period were priced in Roubles. Historically, the Group's capital expenditure in relation to construction has been primarily denominated in Roubles. Expenditure for the mining fleet is generally priced in USD and Euro. There has recently been considerable volatility in the exchange rates between these currencies, which will directly impact the Group's results of operations. In addition, the PRC imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Any existing and future restrictions on currency exchange may limit the Group's ability to purchase goods and services in the PRC or to remit revenues earned in the PRC to other jurisdictions.

Changes in the exchange rates between the currencies in which the Group operates and limitations on conversion of those currencies could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Uncertainties in relation to the application of taxation laws and regulations to mining profits could materially affect the Group's profitability

On 2 May 2010, the Australian government announced plans to introduce a 40 per cent. resource super profits tax affecting mining companies that operate in Australia. This proposal was revised on 2 July 2010 by the new Australian Prime Minister, Julia Gillard and renamed the "mineral resources rent tax". This mineral resources rent tax was initially planned to be levied at 30 per cent. on the "profits" from iron ore and coal mining, however the scope and application of the tax is now undergoing a further consultation process. India's mines ministry indicated on 20 May 2010, that they were also seeking to levy a windfall tax on "super profits" made by minerals exporters. There is speculation that Chile, Brazil, Canada and Peru are considering a similar tax, and there is a possibility that other countries could follow suit, as a way of addressing budget deficits. If the countries in which the Group operates introduce a mining profits tax in the future, the Company's post-tax profits would be affected, which could have a material adverse effect on the value of the Shares and on the Company's ability to provide returns to Shareholders.

The Group is exposed to risks relating to deposits held in banks

For regional operational reasons, the Group holds, and will continue to hold, a small percentage of its cash and cash equivalents in U.S. dollar deposits with banks in Russia. One of these Russian banks, a related party, has been assigned the following Moody's Credit Ratings: Moody's Long Term Rating of B3; Moody's Short Term Rating of "Not Prime"; Moody's Bank Financial Strength Rating of "E+" and a Moody's National Scale Long-Term Rating of Baa2.ru. Please refer to the section headed "Connected Transactions" in this prospectus for further details on this bank and the nature of this relationship. If one of these banks encounters financial difficulties and becomes insolvent, the Group could lose some or all of its deposits with that bank, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

ENVIRONMENTAL RISKS AND HAZARDS AND RISKS RELATING TO COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

The Group's operations are subject to a number of risks and hazards associated with the exploration for, and development and production of, mineral projects (many of which are outside of the Group's control), not all of which are fully covered by insurance

The achievement of the Group's objectives is subject to the completion of planned operational goals on time and within budget, and is dependent on the effective operation of the Group's personnel, systems, procedures and controls. Any systemic failure of these supports may result in delays in the achievement of targets with a consequent material adverse impact on the Group's business, results of operations, financial condition and prospects. The exploration for, and development and production of, metals and minerals, including iron ore and ilmenite, can be hazardous. Natural disasters, operator errors or other occurrences can result in spills of hazardous chemicals, explosions, leakage, leaching, cratering, fires, pit collapse and equipment failure. The location of the Group's deposits also means that climatic conditions have a strong impact on operations and, in particular, severe weather conditions could disrupt the Group's operations, including the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration, development, extraction and production activity levels may decrease or cease as a result of meteorological factors. Moreover, where the Group's mines are located in close proximity to each other, they would be exposed to the same risks, at the same time. If, for example, a natural disaster (including earthquakes or flooding) occurs in that region, or infrastructure and transportation networks are disrupted, or the area experiences severe weather conditions, the Group's operations at all such mines could be affected, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. The Group's operations, like those of other mining companies, are also subject to governmental regulations as well as interruptions or termination by governmental authorities based on environmental and other considerations. Many of these risks are outside the Group's control and could result in material mine or plant shutdowns, periods of reduced production, increased mining, development or exploration costs or delays in the transportation of raw materials to the mines and the Group's products to its customers, material damage to, or the destruction of, mineral properties, pits, mines, equipment or production facilities, monetary losses, human exposure to pollution, personal injury or death, environmental and natural resource damage and possible legal liability. Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's insurance policies do not cover every potential risk associated with its operations (such as business continuity or defects in its title to its assets) or, in some cases, cover only some or part of the risk. In addition, adequate coverage at reasonable rates is not always obtainable for certain types of hazards. Moreover, the insurance industry in Russia and PRC is in a relatively early stage of development and, accordingly, available cover is relatively limited. Many forms of insurance designed to protect against hazards, common in other parts of the world, are not yet generally available in some of the areas where the Group operates. Until the Group is able, or decides, to obtain more comprehensive insurance coverage, the occurrence of a significant adverse event, the effects of which are not partially or fully covered by insurance, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Iron ore mining produces a significant amount of wastewater and tailings, which could expose the Group to material liabilities

One of the main environmental issues in the mining industry is wastewater and tailings management. Wastewater and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. The risk of spills can be increased in steep sloping areas, such as those in which the Group operates. The Group may be subject to claims for damages to persons or property resulting from the release into the environment of wastewater or tailings residue released or overflowing from its operations, particularly any discharge or overflow into rivers. Furthermore, the Russian government may impose higher environmental protection standards in the future, which could increase the Group's costs of compliance. In either event, the costs and liabilities associated with wastewater and tailings management could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to significant environmental risks and issues arising from compliance with environmental regulations and permitting requirements

The Group's current and future operations are subject to the extensive environmental risks inherent in the mining and processing industry, such as risks of accidental spills, leaks or overflows from tailing dams or other facilities, leakages or other unforeseen circumstances, that could subject the Group to considerable liability. A violation of health, safety or environmental laws relating to a mine or other operating facilities, or failure to comply with the instructions of the relevant health, safety or environmental authorities, could lead to, amongst other things, a temporary shut down of all or a portion of the mine or relevant facility; a loss of the right to mine or operate the relevant facility; the imposition of costly compliance procedures and fines; or serious reputational damage to the Group. All of these factors would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, the Group is subject to inspections, including spot checks, by various regulators including the Russian environmental regulator, Rosprirodnadzor. It is not uncommon for Rosprirodnadzor to make public announcements in respect of preliminary findings resulting from such inspections, even if they are in advance of any final inspection reports or conclusive findings of non-compliance. This practice could create adverse publicity and other consequences for the Group even when the Group is in material compliance with applicable environmental laws and regulations, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Environmental legislation and permitting requirements and the manner in which these are enforced are likely to evolve in a manner which will increase standards and enforcement criteria, as well as increase fines and penalties for non-compliance. The Directors are unable to predict the extent and effect of additional environmental laws and regulations which may be adopted in the future, and if environmental standards evolve in such manner, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to significant costs associated with environmental compliance and rehabilitation

The Group incurs environmental compliance costs and accrues estimated rehabilitation costs over the operating life of a mine. Environmental compliance costs in respect of the Kuranakh Project (US$0.02 million) and K&S (US$0.2 million) were incurred during the Track Record Period and the average annualised cost was approximately US$61,400. No rehabilitation costs were incurred during the Track Record Period. The Group has made provisions in respect of environmental compliance and rehabilitation costs for the Kuranakh Project (US$2.9 million and an estimated annual average life of mine cost of US$0.4 million), and has made estimates in respect of K&S (Stage 1 only, US$8.7 million and an annual average life of mine cost of US$0.6 million) and Garinskoye (US$10.7 million and an annual average life of mine cost of US$0.6 million). No provisions have been made for the Kostenginskoye, Garinskoye Flanks and Bolshoi Seym projects as they are currently only in the exploration stages. The provision for these costs is based upon estimates prepared by external consultants. Estimates of ultimate rehabilitation costs are subject to revision and can vary in response to many factors including future changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which would affect future financial results, and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. The attention of investors is further drawn to the sub-section headed "Environmental Matters" of the section headed "Business" in this prospectus.

The Group may be subject to adverse publicity from consumer and environmental groups which could have an adverse effect on the reputation and financial position of the Group

There is an increasing level of consumer awareness relating to the effect of mining production on its surroundings, communities and environment. Consumer and environmental groups encourage participants in the mining industry to employ practices which minimise any adverse impact that mining may have on communities, workers and the environment. Adverse publicity generated by such groups whether related to the iron ore mining industry as a whole or to the Group in particular, could have an adverse effect on the reputation and financial position of the Group.

RISKS RELATING TO LICENCES, CONCESSIONS, PERMITS AND OTHER REGULATORY RISKS

The Group is subject to a significant number of laws and government regulations, and the costs of compliance or changes to relevant laws may adversely affect the Group's business

The exploration, development, production and extraction activities of the Group are subject to various laws governing prospecting, mining, development, production taxes, labour standards, occupational health, site safety, toxic substances and other matters. The costs associated with compliance with these laws and regulations are substantial and no assurance can be given that new rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration for and extraction of mineral resources could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is required to obtain, retain and renew governmental concessions, permits, authorisations, licences, property rights and other approvals in connection with its operations

The Group is required under applicable laws and regulations to seek governmental concessions, permits, authorisations, licences and other approvals, including in connection with its operating, producing, exploration and development activities. The Directors cannot predict whether the Group will be able to obtain all required permits or other authorisations for its current and future operations. Obtaining, retaining or renewing the necessary governmental concessions, permits, authorisations, licences (including with respect to environment and water use) or approvals can be a complex and time-consuming process and may involve substantial costs or the imposition of unfavourable conditions. There can be considerable delay in obtaining the necessary permits and other authorisations and in certain cases the relevant government agency may be unable to issue a permit or other authorisation which is required in good time. The duration and success of licence applications are contingent on many factors that are outside the Group's control (including pressure from local communities, non-government organisations or pressure groups). Both ahead of the commencement of certain operations by Group companies, including at the Kuranakh Project and K&S where certain permits and licences remain to be obtained, and during the conduct of operations, a further range of permits is required to be obtained from different authorities including the Environmental Impact Assessment Study which must be approved by the

Russian environmental experts. Additionally, the Group has not paid-up the outstanding registered capital of Jiatai Titanium within the time period stated in Jiatai Titanium's approval documents or the extended deadline granted upon application. As a result, the relevant regulatory authority, the Jiamusi Administration of Industry and Commerce, has previously issued Jiatai Titanium with two capital contribution demand notices. As at the Latest Practicable Date, further to the discussions between the Group and Chinalco with regard to Chinalco's intention to dispose of its interest in Jiatai Titanium, Jiatai Titanium had on 25 August 2010 applied to the Heilongjiang Bureau of Commerce for a further extension of payment of the outstanding registered capital, which was granted on 1 September 2010. If the capital contribution remains outstanding at the expiry of the extension period granted (being 3 September 2011), the relevant regulatory authority in the PRC has the power to revoke Jiatai Titanium's business licence which would mean that it will be unable to lawfully operate or carry on its business in the PRC. Further information is contained in the sub-section headed "Jiatai Titanium" of the section headed "Business" in this prospectus. Failure to obtain or renew a necessary concession, permit, authorisation, licence or approval could result in the Group being unable to proceed with the development or continued operation of a mine, facility or project which, in turn, may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group operates its activities in the Russian Federation on State-owned land. Under Russian law, a party may use State-owned land on a short-term basis (for a period of less than one year) or on a long-term basis (for no longer than a period of forty-nine years), provided that it has been granted the land use rights by the competent governmental authority and entered into a land lease agreement with the relevant State authorities. The Group has been granted short-term and long-term land use rights by the local State authority in respect of the land plots used by the Group for its mining operations at the appropriate licensed areas for the duration of the relevant subsoil licences, and has entered into land lease agreements with the local State authority in respect of such land ("Land Lease Agreements"). Pursuant to the Land Code, the local State authority is entitled to terminate such agreements in certain events, which include: (i) material or repeated violations of the conditions of the Land Lease Agreement or of the designated use of the land plot; (ii) substantial worsening of the condition of the land plot; and (iii) failure to make rental payments within the time limits stipulated in a Land Lease Agreement on more than two consecutive occasions. If any of the Land Lease Agreements entered into by the Group are terminated by the local state authority, the Group may be required to expend substantial time, cost and effort to regain access to its mines, and any such interruptions in the Group's operations may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's title to properties and mineral licences may be challenged or terminated

Title to some of the properties (including rights to extract minerals) held by the Group may be challenged or impugned. The Group does not hold any title insurance for its properties and insurance for these rights may not be available or sufficient. In Russia, the State is the sole authority able to grant mineral property rights, and the Group's ability to maintain mineral rights on some of its properties will be partly dependent on government policy, rules for the use of subsoil and compliance with any special conditions. In addition, some of the properties that the Group has acquired may be subject to prior claims, and the Group's rights to the properties may be affected by, among other things, undetected title defects.

Certain of the concessions, permits, authorisations, licences or approvals held by the Group in respect of its operations, development projects and exploration prospects may be terminated under certain circumstances, which include the following: (i) failure by the Group to comply with any of the material general or special licence conditions or gain an extension to the time period required for compliance with such conditions; (ii) minimum expenditure levels or minimum work commitments are not achieved by the Group (or a corresponding penalty is not paid to the appropriate state authority); (iii) environmental and safety standards are not met; (iv) the Group operates in the licensed areas in a manner that violates Russian law; (v) the Group fails to provide information required or requested by authorities; (vi) liquidation of the immediate licence holder.

It is not always possible to comply with, or obtain waivers with respect to such requirements and it is not always clear whether the requirements have been properly complied with, or whether it is possible or practical to obtain evidence of compliance. In some cases, failure to comply with such requirements or to obtain relevant evidence may call into question the validity of the actions taken. Termination by any relevant governmental authority of any one or more of the Group's mining, development, exploration or other concessions, permits, authorisations, licences or approvals could have a material adverse effect on the Group's business, results of operations, financial condition and prospects and mean that it is unable to proceed with the development, exploration or continued operation of a mine or project.

The Group may be subject to risks associated with litigation

Legal proceedings arise from time to time in the ordinary course of the Group's business and the Directors cannot prevent litigation being brought against the Group in the future. There have been occasions in Russia where litigation has been used as a means of creating difficulties for companies operating in the natural resources sector including by environmental activists and persons with competing business interests. For details of litigation currently involving the Group see the sub-section headed "Legal Proceedings" of the section headed "Business" in this prospectus.

Litigation brought against the Group could prove costly and time consuming, requiring the attention of senior management, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may not own certain of the intellectual property it uses or is likely to use as part of its operations

The Group may not own certain of the intellectual property it uses or is likely to use as part of its operations. The Group uses, or may use in the future, certain technologies in its operations which are the intellectual property of third parties. Under the terms of the relevant licences, use of such technologies is restricted to the licence holders, their licensees or other authorised persons.

Difficulties with, or failure to, obtain or renew the necessary intellectual property licences will result in the Group being unable to utilise technologies it relies on, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be unable to utilise the ITmk3 technology in the processing of iron ore from K&S and Garinskoye

The Group may seek to utilise ITmk3 technology at Stage 3 of project implementation at the K&S and Garinskoye sites to produce higher value metallised nuggets, as set out in the feasibility report for the development of the iron ore deposits at Garinskoye, Kimkan and Sutara. The non-binding Memorandum of Understanding, entered into by the Group with Kobe Steel in December 2009 to utilise their ITmk3 proprietary technology for creating metallised nuggets, expired in June 2010. Although the parties have continued with discussions in relation to the implementation of the project, including project timing, and intend to restate and amend the Memorandum of Understanding accordingly, there can be no assurance that the Group will be able to obtain such a licence on good terms or at all. Moreover, the technological viability of the ITmk3 process is still being evaluated, as are the economics of utilising the DRI technology in the exploitation of the Group's iron ore deposits. Difficulties with, or failure to, obtain or renew the necessary intellectual property licence, or the inability of ITmk3 to be scaled to meet the production requirements, may impact upon the project implementation at the relevant sites.

RISKS RELATING TO THE INTERNATIONAL OPERATIONS OF THE GROUP

The Group is subject to risks relating to the general economic, regulatory, legal, social and political environment in the jurisdictions in which the Group operates

Other than its joint ventures located in the PRC and the Group's head office in Hong Kong, all of the Group's principal assets are located in Russia. As part of its growth programme, the Group may pursue opportunities in other jurisdictions in the future. Accordingly, the Group's business, financial condition and results of operations could be materially adversely affected by factors specific to investing in these jurisdictions, particularly in Russia. Some of these jurisdictions have experienced, and may continue to experience, significant political and social instability and may in some cases have less established judicial or legal systems, a more volatile political environment and/or more challenging trading conditions than in some other parts of the world. Moreover, the Group's business, financial condition and results of operations could be materially adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors or foreign policy in the areas in which the Group operates or will operate, sells or expects to sell its products, and holds or will hold its major assets, as well as other unforeseen matters. Unlawful, selective, discriminatory or arbitrary government action could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to risks relating to the economic system in Russia

The principal assets of the Group are located in Russia, a country which is still developing from a centrally-planned to a market-driven economy. There are still substantial differences between the Russian economy and the market-driven economies which are found in other countries with long histories and experience of such an economic model. These differences include the development in Russia of a model often described as "state capitalism", business sentiments referred to as "Russian nationalism", a lack of transparency and the alleged use of state power in relation to commercial businesses and relations between such businesses, for example, through tax, environmental or prosecutorial authorities. In the past, Russia has suffered from a volatile financial system and political and economic instability. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, Russia's economy has recently become increasingly dependent on global economic trends and is more vulnerable to market downturns and economic slowdowns elsewhere in the world, as well as to reductions and fluctuations in the prices of hydrocarbons and minerals. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy and the Group's business. Moreover, external perceptions of Russia with respect to the treatment of non-Russian businesses and media coverage of matters of foreign policy and of crime and corruption could affect the Group's ability to raise finance in the longer term and otherwise affect its business. All these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Government action against particular companies or persons, for example through tax, environmental or prosecutorial authorities, could adversely affect Russia's economic climate and, if directed against the Group's companies, its substantial shareholders or its beneficial owners, it could also affect the Group's business, financial condition and results of operations. Russian authorities have previously challenged some Russian companies and prosecuted their executive officers and shareholders on tax evasion and related charges. In some cases, such prosecutions and challenges have resulted in significant claims against companies for unpaid taxes and the imposition of prison sentences on individuals. Statements made by government officials in relation to the mining, metals or mineral sector, and the market reaction to such statements are also outside of the Group's control. In the metals sector, public statements by government officials in the summer of 2008 in relation to pricing techniques used by certain Russian companies caused a negative market reaction. The Directors cannot exclude the possibility that, for the reasons described above, members of the Group may be charged with violations of law, such as tax evasion, that such charges may be upheld by a Russian court and that, as a result, the Group's assets in Russia may be subject to forfeiture or effective nationalisation. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to risks relating to the political system in Russia

Political conditions in Russia were volatile in the 1990s, as the federal government sought to manage the difficult transition from a planned to a market economy and surrendered authority to the regions. The political situation has stabilised since 2000, and central authority has been restored.

The current government, which has been in power since May 2008, has publicly announced that it will continue the policies of its predecessor government, however there can be no assurance that such stability will continue or that significant changes in the economic and political environment will not occur. Shifts in governmental policy and regulation in Russia, which are less predictable than in many Western countries, could negatively affect the Russian economic and political environment in the near term and have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In the international sphere, Russia has adopted an assertive approach to the definition and pursuit of its own interests. Some observers have suggested that Russia has appeared, on several occasions, to have used economic leverage or control over oil and gas supplies to achieve political objectives. If Russia were to adopt restrictive economic measures against countries that are important to the Group's business, for example, the PRC, or if trade between Russia and such countries were otherwise to be interrupted for political reasons, the Group's business, financial condition and results of operations could be materially and adversely affected.

In the recent past, Russia has been involved in conflicts, both economic and military, with other countries, including members of the CIS. On several occasions, this has resulted in the deterioration of Russia's relations with other members of the international community, including the United States and various countries in Europe. The emergence of new or escalated tensions between Russia and other countries, including any initiation or escalation of military conflicts, or the imposition of economic or other sanctions in response to such tensions, could negatively affect economies in the region, including the Russian economy. This, and in particular, any political conflict with the PRC, which may lead to the closing of the borders between the two countries, could have a significant material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to risks relating to social instability in Russia

Ethnic, religious, historical, social and other divisions have, on occasion, given rise to tensions, armed conflict and terrorist activity in Russia. Any spread of violence or terrorism, or political measures taken to counter them, could hinder the operation and the expansion of the Group's business. Various recent developments in Russia, including the tightening of state control over the economy, have caused some concern in relation to the investment climate in the country (particularly as regards foreign investment) and no assurances can be given that various steps taken or being debated in the Russian government will not affect foreign investment into Russia or the public perception thereof. This could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to risks relating to the Russian tax system

The Group is subject to a broad range of taxes payable at federal, regional and local levels in Russia, including but not limited to corporate income tax, value added tax, land tax and property tax. The Tax Code of the Russian Federation, has been in force for a short period of time relative to tax laws in more developed market economies. The implementation of these tax laws by different tax authorities and courts is often unclear and/or inconsistent. If the tax authorities and/or courts adopt a different interpretation of various tax laws and regulations from that followed by the Group and its legal and tax advisers, the Group may have to pay significantly higher taxes or may suffer from the imposition of additional burdens and costs on the Group's operations, including on management resources, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to risks relating to the Russian legal system and Russian legislation

Weaknesses in the Russian legal system and Russian legislation could create an uncertain environment for investment and for business activity. Russia is still developing the legal framework typically required by a market economy. Several fundamental Russian laws have only recently become effective. The recent implementation of much Russian legislation and the rapid evolution of the Russian legal system place the enforceability and underlying constitutionality of some laws in doubt and result in ambiguities, inconsistencies and anomalies. In addition, Russian legislation often leaves substantial gaps in the regulatory infrastructure and delays may occur in the production of necessary ancillary or subordinate legislation.

The risks of the current Russian legal system include:

- legal norms, at times, overlapping and contradicting one another;
- lack of independence in the judicial system, judicial precedents not having binding effect on subsequent decisions and court decisions not being readily available to the public;
- limited judicial and administrative guidance on interpreting Russian legislation;
- conflicting views and judgments as regards the interpretation of and the effect of Russian law in a number of key areas which affect investment in Russia, including in relation to joint ventures and legal relationships between participants in joint ventures;
- difficulties in enforcing arbitral awards under the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (arbitral awards under this convention, while enforceable in Russia, can be subjected to procedural delays and re-examination of the subject matter);
- the relative inexperience of judges in interpreting new Russian business legislation, particularly relating to capital markets, companies, corporate governance and investor protection;
- a high degree of discretion on the part of governmental authorities; and
- bankruptcy procedures that are not well developed and are subject to misuse.

All of these weaknesses could affect the Group's ability to enforce its rights under contracts or statutes, or to defend itself against claims by others.

These uncertainties also extend to property rights. During Russia's transformation from a centrally planned economy to a market driven economy, legislation was enacted to protect private property and investments made by a foreign investor against expropriation and nationalisation. It is possible that due to the lack of experience in enforcing these provisions and due to political changes, these protections may not be enforced by a Russian court in the event of an attempted or actual expropriation or nationalisation.

Expropriation, or nationalisation, of the Group's assets or portions thereof, potentially with inadequate or no compensation, would have a material adverse effect on the Group. In such a scenario, the Group might have no remedy under protections afforded to a foreign investor by customary international law or relevant international treaties or, if it had a remedy, might not be able or willing to enforce its rights or might not be able to enforce any award that it obtained.

The Group is subject to risks relating to interested party transactions

The Russian companies in the Group are required by Russian law and their constitutional documents to obtain the approval of disinterested directors or shareholders for certain transactions with "interested parties". Under Russian law, the definition of an "interested party" is widely drawn and rules for transactions with interested parties can extend to intra-group transactions, with shareholders in a group potentially being disenfranchised from voting. This could on occasion result in minority shareholders being able to preclude Group companies from carrying on activities which they would otherwise wish to undertake. In addition, the concept of "interested parties" is defined by reference to the concepts of "affiliated persons" and "group of persons" under Russian law, which are subject to different interpretations. Moreover, the provisions of Russian law defining which transactions must be approved as "interested party" transactions are subject to differing interpretations. In view of this uncertainty, the Group cannot be certain that its application of these concepts will not be subject to challenge. Any such challenge could result in the invalidation of transactions that are important to the Group's business. High-profile cases against or involving major multinational companies (including major foreign companies or joint ventures involving such companies operating in the natural resources sectors) and their employees have caused concern in relation to the investment climate in Russia and no assurances can be given that these cases will not affect the public perception both of investment in Russia and foreign investment into Russia.

Russian foreign investment legislation may impact transactions by, and investments in, the Group

On 7 May 2008, a new regulatory regime was introduced in the Russian Federation related to foreign investments in strategic sectors of the Russian economy, which is currently set out in the Foreign Investments Restrictions Law and the Amendment Law (as described in the section headed "Laws and regulations applicable to the industry" in this prospectus). The new regime imposes certain restrictions on the acquisition by foreign investors of direct or indirect interests in Russian companies acting in any of the 42 sectors of the Russian economy which have been declared strategic.

Companies holding licences in respect of certain types of subsoil deposits can be deemed strategic if the respective deposits exceed certain thresholds set out in the law and are included in the list of subsoil blocks of federal significance maintained by Russia's government (the "Strategic Subsoil Blocks"). None of the Group's assets are currently included in the list of Strategic Subsoil Blocks and, on the basis of the Amendment Law now in effect, it is not expected that any of the Group's assets will be classified as Strategic Subsoil Blocks. However, if the legislative framework changes in the future, so that assets such as the Group's iron ore or other deposits become classified as Strategic Subsoil Blocks, the Group entities holding licences in respect of such deposits may, themselves, become strategic. In this case, such Group entities' rights in relation to such assets may be limited or even terminated (with the compensation of incurred expenses in the course of the exploration of such deposits) under the procedure set out by Russia's government. If the relevant Group entities are allowed to continue exploring such assets, direct or indirect acquisitions of interests in such entities may require clearance under the Foreign Investments Restrictions Law.

From time to time some of the Russian companies in the Group may have negative net assets (as defined under RAS)

Under Russian corporate law, if the net assets of a Russian limited liability company calculated on the basis of RAS as at the end of its second or any subsequent financial year are lower than its charter capital, the company must make a decision on the decrease of its charter capital to the amount of its net assets. If the net assets of a Russian joint stock company calculated on the basis of RAS as at the end of its second financial year are lower than its charter capital, the joint-stock company's board of directors is required to disclose this in the company's annual report. Furthermore, if the net assets of a Russian joint stock company calculated on the basis of RAS as at the end of its third financial year or any subsequent financial year remain lower than its charter capital, the company must make a decision on the decrease of its charter capital to the amount of its net assets or on its liquidation. In addition, if a Russian company's (both a limited liability company and a joint stock company) net assets calculated on the basis of RAS as at the end of its second or any subsequent financial year are lower than the minimum amount of the charter capital required by law, the company must make a decision on its liquidation.

Moreover, if a Russian company (both a limited liability company and a joint stock company) fails to comply with any of the requirements stated above within the required period of time (within a reasonable period of time for a limited liability company and within six months upon the end of the relevant financial year for a joint stock company), governmental or local authorities will be able to seek the involuntary liquidation of such company in court. In addition, or if a Russian company (both a limited liability company and a joint stock company) decreases its charter capital, the company's creditors will have the right to accelerate their claims or demand early performance of the company's obligations owed to them and demand compensation of damages.

In addition, if a Russian joint stock company's net assets calculated on the basis of RAS are lower than its charter capital by more than 25 per cent. as at the end of three, six, nine or twelve months of the financial year that follows its second or any subsequent financial year, at the end of which the net assets of such company are lower than its charter capital, a joint stock company is obliged to make a public disclosure of this fact and certain of the company's creditors will have the right to accelerate their claims or demand early performance of the company's obligations owed to them and demand compensation of damages.

However, if a Russian joint stock company is able to demonstrate that creditors' rights were not violated as a result of a decrease of its charter capital or a decrease of the amount of its net assets, as the case may be, and that the security provided for due performance of the company's obligations is sufficient, a court may dismiss the creditors' claims that are brought in the following cases: (i) in the event of a decrease of the charter capital of the company, including when the charter capital of the company must be decreased to the amount of its net assets in compliance with the requirements of Russian law; and (ii) in the event the company's net assets calculated on the basis of RAS are lower than its charter capital by more than 25 per cent. at the end of three, six, nine or twelve months of the financial year that followed its second or any subsequent financial year, at the end of which the net assets of such company became lower than its charter capital. Moreover, the existence of negative assets, generally, may not accurately reflect the actual ability to pay debts as they come due. Some Russian courts, in deciding whether or not to order the liquidation of a company for having negative net assets, have looked beyond the fact that the company failed to comply fully with all applicable legal requirements and have taken into account other factors, such as the financial standing of the company and its ability to meet its tax obligations, as well as the economic and social consequences of its liquidation. Nonetheless, creditors have the right to accelerate claims, including claims for damages, and governmental or local authorities may seek the liquidation of a company with negative net assets. Courts have, on rare occasions, ordered the involuntary liquidation of a company for having net assets less than the minimum charter capital required by law, even if the company had continued to fulfil its obligations and had net assets in excess of the minimum charter capital required by law at the time of liquidation.

As at the end of 2009, the amount of net assets held by two of the Group's subsidiaries, LLC TOK and CJSC SGMTP, and the Group's associate company, Uralmining, were below the minimum level required by Russian law. In addition, although the amount of net assets held by three of the Group's subsidiaries, LLC Olekminsky Rudnik, LLC KS GOK and LLC GMMC are above the minimum level required by Russian law, such amounts are below that of their respective charter capitals. This is a common position for certain mineral exploration companies in Russia, whose only cash flow is in relation to exploration expenditure. These Russian companies in the Group may therefore be subject to involuntary liquidation by the court upon an application by the registration authorities. Under Russian law, commencement of the liquidation procedure does not mean automatic liquidation and the courts in such circumstances would usually grant a grace period to the company in question to rectify the breach. There are currently no liquidation procedures commenced against any of the Group's Russian companies, but if such liquidation procedure is commenced, and on notification by the courts to rectify the breach within a given grace period, the Group intends to take the necessary measures to rectify the breach and the relevant company may, amongst other things, reduce its charter capital or increase the amount of its net assets so as to comply with Russian corporate law within the time frame granted. However, there can be no assurance that a Russian court would follow this approach should a claim be made against any of these Russian companies of the Group.

Risks relating to the Group's operations in the PRC

The Group's operations in the PRC, like those of other companies in the jurisdiction, are subject to laws and regulations imposed by the PRC government. Such laws and regulations may therefore affect numerous aspects of the Group's business, including the Group's expenses, construction of its plants, taxation to which the Group is subject, and environmental and safety standards. As a result, the Group may face significant constraints on its ability to implement its business strategies in the PRC, develop or expand its PRC operations or maximise profitability. Moreover, the Group's business may be adversely affected by policy reforms implemented by the PRC government. Any adverse or unforeseen changes in the PRC or government's policies, including as regards the general regulation of the production industry, taxation, environmental or safety standards, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Furthermore, the PRC economy is in the early stages of development of a market-driven economy and differs from the economies of most developed countries in many respects. The PRC economy has a high level of government involvement which seeks to control economic growth by the allocation of resources, tight control over foreign exchange policy, setting monetary policy and providing preferential treatment to certain industries. Whilst some of these measures by the PRC government may benefit the PRC economy in general, the measures may not benefit the Group and could have a negative impact on the Group's operations. As a result, the Group is particularly vulnerable to changes in the policy of the PRC government. For example, the Group's financial condition and results of operations may be adversely affected by the PRC government's control over capital investments, infrastructure, industry consolidation or changes in tax regulations that are applicable to the Group. These factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Moreover, the Group's operations in the PRC may be affected by inherent uncertainties associated with the PRC legal system, which is a civil law system based on written statutes. Unlike common law systems, prior court decisions have limited precedent value in the PRC legal system, which may give rise to uncertainty as to the application of any particular law. As a result, interpretation of PRC laws, regulations and legal requirements involves considerable uncertainty and may affect the Group's ability to enforce its rights under contracts or statutes or to defend itself against claims by third parties. This could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

RISKS RELATING TO THE SEPARATION OF THE GROUP FROM THE PETROPAVLOVSK GROUP

The Group is being spun off from the Petropavlovsk Group

The Group was a separately listed, standalone business from 31 December 2003 until April 2009. However, it relied on certain services from the Petropavlovsk Group during that period and from April 2009, following its merger with Petropavlovsk, has formed part of the Petropavlovsk Group, relying heavily on the Petropavlovsk Group for various services. There can be no guarantee that the management team will operate effectively in relation to the roles and responsibilities they have assumed with respect to the Group, as they will no longer be able to rely on the Petropavlovsk Group for all the services provided by it in the past.

The Group relies on the Petropavlovsk Group for a number of services and indemnification in respect of certain potential tax liabilities

Prior to Listing, the Group has relied heavily on the Petropavlovsk Group for various services, including communications, external relations and business services. Following Listing, the Petropavlovsk Group will have no obligation to provide services to the Group, except pursuant to those agreements described in the section entitled "Connected Transactions" in this prospectus. In particular, the Petropavlovsk Group will continue to provide construction, engineering and design, exploration, geological, information technology and management services. There can be no assurance that the services currently provided by the Petropavlovsk Group will continue to be provided to the standards required by the Group or be available to the Group on acceptable terms (including as to scope, service level and price). In addition, there can be no assurance that the services provided by the Petropavlovsk Group will not be subject to interruption or periods of non-availability. Any such non-availability or interruption could result in business interruptions for the Group, which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Furthermore, if the services provided by the Petropavlovsk Group are not of the quality required by the Group and/or cease to be available on acceptable terms and the Group fails to transition the service to itself or a third-party supplier successfully, there may be a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, while the Group has established the scope and estimated cost of the services it requires, including from the Petropavlovsk Group, if further services have to be obtained and/or additional corporate functions fulfilled, or if its cost estimates are incorrect, the Group may need to incur further, potentially significant, expense in order to implement its business objectives. Changes in the Group's cost base may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Petropavlovsk has provided the Group with a tax indemnity, summarised in the section headed "Connected transactions" in this prospectus. Should a loss, claim or liability arise requiring Petropavlovsk to make a payment under the terms of this indemnity and Petropavlovsk fails or is unable to discharge its obligations under this indemnity, the Group may have to absorb substantial losses, which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Petropavlovsk Group will remain the biggest shareholder of the Group. The interests of Petropavlovsk may differ from those of other Shareholders

Following the Global Offering, Petropavlovsk will, through Cayiron Limited, its wholly owned subsidiary, be the largest holder of Shares in the Company. As a result, Petropavlovsk, whose interests may differ from or be adverse to those of other Shareholders, will be able to exercise significant influence over most matters requiring shareholder approval, including the election of directors, significant corporate transactions, the issuance of Shares or other equity securities and the payment of any dividends on the Shares.

The interests of Petropavlovsk may conflict with the interests of other Shareholders and there is no assurance that Petropavlovsk will vote its Shares in a manner that benefits any minority Shareholders. Unless applicable laws or regulations require minority Shareholder approval, Petropavlovsk will be able to:

- control policies, management and affairs;
- adopt amendments to certain provisions of the Group's Articles; and
- otherwise determine the outcome of corporate actions e.g. changes of control, sale of assets, etc.

Additionally, the concentration of ownership may: (i) delay or deter a change in control of the Group; (ii) deprive Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Group; and (iii) affect the market price and liquidity of the Shares.

Petropavlovsk has agreed not to dispose of any of its Shares for six months following Listing, save in certain limited circumstances. This will restrict the size of the "free float" and potentially the liquidity of the Shares. Furthermore, after this period has expired, Petropavlovsk may subsequently sell all or part of its holdings of Shares in the market, which may negatively affect the price of Shares.

RISKS RELATING TO THE GLOBAL OFFERING

The Share price may be subject to volatility

The price at which the Shares are traded will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect the mining sector or quoted companies generally and which are outside the Group's control. These factors include, among other things, the performance of the Group, large purchases or sales of the Shares, legislative changes affecting the mining industry, general economic, political or regulatory conditions, or changes in market sentiment towards the Shares.

The results of the Group may also fluctuate significantly as a result of a variety of factors, many of which may be outside the Group's control. Period-to-period comparisons of the Group's results may not be meaningful and should not be relied upon as indications of the Group's future performance. The Group's results may fall below the expectations of securities analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Group's operating performance. Any of these events could result in a decline in the market price of the Shares.

Pre-emption rights may not be exercisable by United States and other non-Hong Kong holders of Shares

If the Company were to grant rights to participate in future equity offerings to its Shareholders, holders of Shares residing outside Hong Kong might not be able to exercise these rights unless the Company complies with all applicable local laws and regulations. United States holders of Shares would not be able to exercise their rights unless the rights and related securities are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act was available. The Group may decide not to register any such rights and related securities and there can be no assurance that an exemption from the registration requirements of the U.S. Securities Act would be available to enable such United States holders of Shares to exercise such rights or, if available, that the Company would utilise any such exemption. Under the Listing Rules, the Company is not required to extend rights to participate in future pro-rata equity offerings to Shareholders who are not resident in Hong Kong if the Directors consider that such exclusion is necessary or expedient on account of legal restrictions or regulatory requirements in the non-Hong Kong Shareholders' place of residence.

A lack of liquidity in the Shares may mean that a return on an investment in the Shares is difficult to realise

There can be no guarantee that there will be a liquid market in the Shares. A return on an investment in the Shares may, therefore, in certain circumstances be difficult to realise.

The Company can give no assurance that, notwithstanding Listing, an active trading market for the Shares will develop, or if developed, can be sustained. Prior to the Global Offering, there has been no public market for the Shares. A listing on the Stock Exchange does not guarantee that an active trading market for the Shares will develop following the Global Offering or, if a market does develop, the liquidity of that market for the Shares. There is no guarantee that the Shares will remain listed on the Stock Exchange. Failure to maintain the Group's listing on the Stock Exchange or other securities market could adversely affect the market value of the Shares.

Future issuances or sales, or perceived possible issuances or sales, of substantial amounts of Shares in the public market could materially and adversely affect the prevailing market price of the Shares and the Company's ability to raise capital in the future

The market price of the Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, including sales by the Group's substantial Shareholders, or the issuance of new Shares by the Company, or the perception that such sales or issuances may occur. Future sales, or perceived future sales, of substantial amounts of Shares could also materially and adversely affect the Group's ability to raise capital in the future at a time and price favourable to the Company, and the Shareholders may experience dilution in their holdings upon the issuance or sale of additional Shares or other securities in the future.

The Company is primarily a holding company and its ability to pay dividends depends principally upon receipt of dividends from its subsidiaries

Because the Company is primarily a holding company, its ability to pay dividends depends principally upon receipt of dividends, if any, from its subsidiaries. Other contractual and legal restrictions applicable to the Company's subsidiaries could also limit its ability to obtain cash from them particularly as the Group's subsidiaries are in a number of different jurisdictions, each of which could revise its laws regarding dividend payments. Its rights to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including any trade creditors and preferred shareholders.

The Company has not paid any dividends on its outstanding Shares since its incorporation and does not anticipate that it will do so in the near future. Future dividends, if any, will be at the discretion of the Board and will depend upon future results of the Company's operations and general financial condition, capital requirements, the Company's ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions and other factors that the Board may deem relevant.

Exchange rate fluctuations may adversely affect the foreign currency value of the Shares and any dividend distribution

The Shares will be quoted in Hong Kong dollars on the Stock Exchange and dividends, if any, in respect of the Shares will be paid in Hong Kong dollars. The Group's financial statements are, however, prepared in U.S. dollars. Fluctuations in the exchange rate between the Hong Kong dollar and the U.S. dollar or other currencies will affect, among other things, the foreign currency value of the proceeds that a Shareholder would receive upon the sale in Hong Kong of the Shares and the foreign currency value of any dividend distributions.

It may be difficult to serve process on and enforce legal judgments against the Company or its Directors

Some of the Directors reside outside Hong Kong, in Russia and the United Kingdom. In order to effect service of process on the Directors residing outside Hong Kong, Hong Kong investors will have to apply to the High Court in Hong Kong for leave to serve process outside Hong Kong. In the event that leave is granted, service may be effected in Russia and the United Kingdom in accordance with the Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters, to which the PRC, on behalf of Hong Kong, and the other states mentioned, are parties. Hong Kong has no bilateral reciprocal agreements or arrangements with Russia or the United Kingdom that provide for the recognition and enforcement of any judgement of the Hong Kong courts. As a result, it may be difficult for Hong Kong investors to enforce any judgment of the Hong Kong courts against the Company or those of its Directors resident outside Hong Kong.

An investment in the Shares is subject to risks relating to taxation

The attention of the investors is drawn to the sub-section headed "Hong Kong Taxation" of Appendix VII — "Taxation" to this prospectus. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and reliefs from, taxation may also change. The tax reliefs referred to in this prospectus are those currently available and their value depends on the individual circumstances of the investors. Any change in the Company's tax status or the tax applicable to holding Shares or in taxation legislation or its interpretation, could affect the value of investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this prospectus concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change.

Potential investors should not place any reliance on any information contained in press articles or other media regarding the Group and the Global Offering published prior to the date of this prospectus

Prior to the publication of this prospectus, there has been press and media coverage regarding the Group and the Global Offering, including in the Hong Kong Economic Journal on 21 September 2010, which included certain financial information, financial projections, valuations and other information about the Group ("Information") that does not appear in this prospectus. The Group has not authorised the disclosure of the Information in the press or media. The Group does not accept any responsibility for any such press or media coverage or the accuracy or completeness of the Information. The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of the Information. To the extent that the Information is inconsistent with or conflicts with, the information contained in this prospectus, the Group disclaims it. Accordingly, potential investors should not rely on any of the Information.