
HISTORY AND RESTRUCTURING

HISTORY OF THE COMPANY AND THE GROUP

Introduction

The Company was incorporated on 4 June 2010 in Hong Kong under the name Thor Limited as a wholly owned subsidiary of Cayiron Limited, which in turn is a wholly owned subsidiary of Petropavlovsk.

On 14 June 2010, the Company acquired Thorholdco Limited from Cayiron Limited in exchange for, *inter alia*, the issue of shares to Cayiron Limited. Following the receipt of FAS consent on 23 July 2010, on 5 August 2010, Thorholdco Limited acquired the entire issued share capital of Aricom, which is the indirect holding company of the Group's Industrial Commodities Business, from Petropavlovsk. For further information, refer to the sub-section below headed "Restructuring" in this section.

As the final step in the establishment of the Group, the Company changed its name to IRC Limited 鐵路現貨有限公司 on 13 August 2010, and to IRC Limited 鐵江現貨有限公司 with effect from 13 September 2010.

No approval or consent is required from the UK, Russian or PRC governments or any other regulatory authority in relation to the proposed Listing.

Key milestones of the Group

Key milestones in the history and formation of the Group are set out below:

<u>Year</u>	<u>Milestone</u>
1994	Petropavlovsk Group (then called Peter Hambro Mining Group) was founded principally focusing on the acquisition, exploration, development and production of precious metal deposits.
2001	The Kuranakh Project licence was issued.
2002	The shares in the holding company of the Petropavlovsk Group, then called Peter Hambro Mining plc ("Peter Hambro Mining"), were admitted to trading on AIM in April.
2003	The Group acquired a 74 per cent. interest in the Kuranakh Project from Peter Hambro Mining and the shares in Aricom (the holding company of the Group at that time) were admitted to trading on AIM.
2005	Two offtake agreements were entered into with a Chinese counterparty for the sale of up to 100 per cent. of the titanomagnetite and ilmenite concentrate to be produced at the Kuranakh Project during the first seven years of the project's operations. These offtake agreements have now expired, and a new offtake agreement has been entered into with Jianlong in respect of titanomagnetite concentrate.
2006	The Group acquired a 49 per cent. interest in the Bolshoi Seym iron ore deposit in the Amur Region in the Russian Far East.
2006	The Group acquired a 50 per cent. interest in, and an option in relation to the remaining 50 per cent. interest in, the K&S project.

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<u>Year</u>	<u>Milestone</u>
2007	The Group exercised the option in relation to the remaining 50 per cent. interest in the K&S deposits increasing its interest to 100 per cent..
2007	The Group acquired the remaining 26 per cent. interest in the Kuranakh Project.
2007	The shares and warrants to subscribe for shares in Aricom were listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange.
2007	The Group acquired approximately 68 per cent. interest in Giproruda (subsequently increased to approximately 70 per cent.).
2007	The Group acquired an interest of approximately 70.22 per cent. in the Garinskoye deposit.
2008	The Group acquired a further 29.36 per cent. interest in the Garinskoye deposit, giving the Group an aggregate of 99.58 per cent. interest in the deposit.
2008	The Group acquired the Garinskoye Flanks and the Kostenginskoye licences.
2008	The Group completed the K&S and Garinskoye feasibility study, which supported the viability of both projects.
2009	The Group entered into a joint venture agreement with Jianlong and Kuranakii in connection with the Vanadium JV.
2009	Petropavlovsk (then known as Peter Hambro Mining) acquired Aricom plc. The shares and warrants to subscribe for shares in Peter Hambro Mining were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. Peter Hambro Mining was renamed Petropavlovsk PLC in September 2009.
2010	The Company was incorporated on 4 June 2010.
2010	The Group successfully commissioned the processing plant at the Kuranakh Project in May 2010 and commenced production in June 2010.
2010	On 17 June 2010 the Pre-IPO Investors conditionally agreed to invest US\$60 million in aggregate in return for an equity stake of approximately 6.98 per cent. in the share capital of the Company (in new Shares) pursuant to the Pre-IPO Investment Agreement. The investment was completed on 26 August 2010.
2010	On 22 September 2010, the Selling Shareholder and the Pre-IPO Investors entered into the Pre-IPO Investment Supplemental Agreement pursuant to which the Selling Shareholder agreed, conditional upon Listing, to purchase from the Pre-IPO Investors the Shares subscribed for under the Pre-IPO Investment Agreement, in favour of the Pre-IPO Investors investing in the Global Offering as Cornerstone Investors, further details of which are set out in the section headed "Pre-IPO Investment" in this prospectus.

Changes in shareholding structure

The authorised share capital of the Company consists of 10,000,000,000 shares of HK\$0.01 each. As at the Latest Practicable Date, there were 5,160 Shares issued and outstanding.

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Share issues

From 4 June 2010 to the present, the following Share issues took place:

- subscriber share of HK\$1.00 was issued on 4 June 2010, which was subsequently sub-divided into 100 ordinary shares of HK\$0.01 each on 14 June 2010;
- 700 Shares were issued on 14 June 2010 to Cayiron Limited as consideration for the acquisition of Thorholdco Limited;
- 800 Shares were issued on 25 June 2010 to Cayiron Limited as consideration for the acquisition of Thorrouble Limited (“Thor Rouble”) and Thordollar Limited (“Thor Dollar”);
- 1,600 Shares were issued on 11 August 2010 to Cayiron Limited pursuant to, and in connection with, intra-group equity financing of the Group’s mining operations;
- on 19 August 2010 the Company resolved to allot and issue an additional 1,600 Shares to Cayiron Limited, pursuant to the arrangements under the employee benefit trust, as described in the sub-section headed “Employee benefit trust” in Appendix VIII — “Statutory and General Information” to this prospectus; and
- 360 new Shares were issued on 26 August 2010 to the Pre-IPO Investors pursuant to the Pre-IPO Investment Agreement for cash in return for their combined equity investment of US\$60 million in the share capital of the Company, as further described below in the sub-section headed “Pre-IPO Investment” in this section.

Capitalisation Issue

Prior to the Listing Date, an aggregate of 2,321,994,840 Shares will be issued to the Shareholders for no consideration pursuant to the Capitalisation Issue, with each Shareholder receiving 449,999 new Shares for every Share then held. The Capitalisation Issue is expected to take place on 12 October 2010. Further information on the Capitalisation Issue is set out in the paragraph headed “Written Resolutions of the Shareholders” in Appendix VIII — “Statutory and General Information” to this prospectus.

BACKGROUND

The Petropavlovsk Group (then called the Peter Hambro Mining Group) was founded in 1994, and initially operated, as its principal business, the acquisition, exploration, development and production of precious metal deposits focusing on gold. Gold production commenced in 1999. The shares in the holding company of the Petropavlovsk Group, Petropavlovsk (then called Peter Hambro Mining plc and for the purposes of this sub-section headed “Background” in this prospectus only, referred to as “Peter Hambro Mining”), were admitted to trading on AIM in April 2002.

Aricom is a limited liability company, which was incorporated in England on 12 September 2003.

In December 2003, the Petropavlovsk Group divested its 74 per cent. interest in the Kuranakh Project to Aricom, and Aricom shares were admitted to trading on AIM. Aricom’s admission to trading on AIM was structured as a demerger from Peter Hambro Mining, with shares in Aricom being offered to the then existing shareholders of Peter Hambro Mining. Following its

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admission to trading on AIM, Aricom developed, as its principal business, an Industrial Commodities Business focusing on iron ore assets in the Russian Far East and the iron ore market of the PRC. In October 2007, the shares and warrants to subscribe for shares of Aricom were listed on the Official List of the UK Listing Authority and trading in its shares moved from AIM to the Main Market of the London Stock Exchange.

In April 2009, Peter Hambro Mining acquired the entire issued share capital of Aricom by way of a court sanctioned scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006 (“UK Companies Act”) involving a capital reduction of Aricom plc under section 135 of the UK Companies Act (“the Merger”). The purpose of the Merger was to enable Peter Hambro Mining to acquire the entire issued and to be issued ordinary share capital of Aricom plc. Under the terms of the Merger, Aricom plc shareholders received one Peter Hambro Mining share in exchange for 16 Aricom shares. Following completion of the Merger on 21 April 2009, the shares and warrants to subscribe for shares in Peter Hambro Mining were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 22 April 2009. In September 2009, the combined entity was renamed Petropavlovsk PLC. On 19 May 2009, Aricom plc, which was formerly registered as a public company, re-registered under the UK Companies Act and became a private limited company under the name of Aricom Limited.

RESTRUCTURING OF THE GROUP

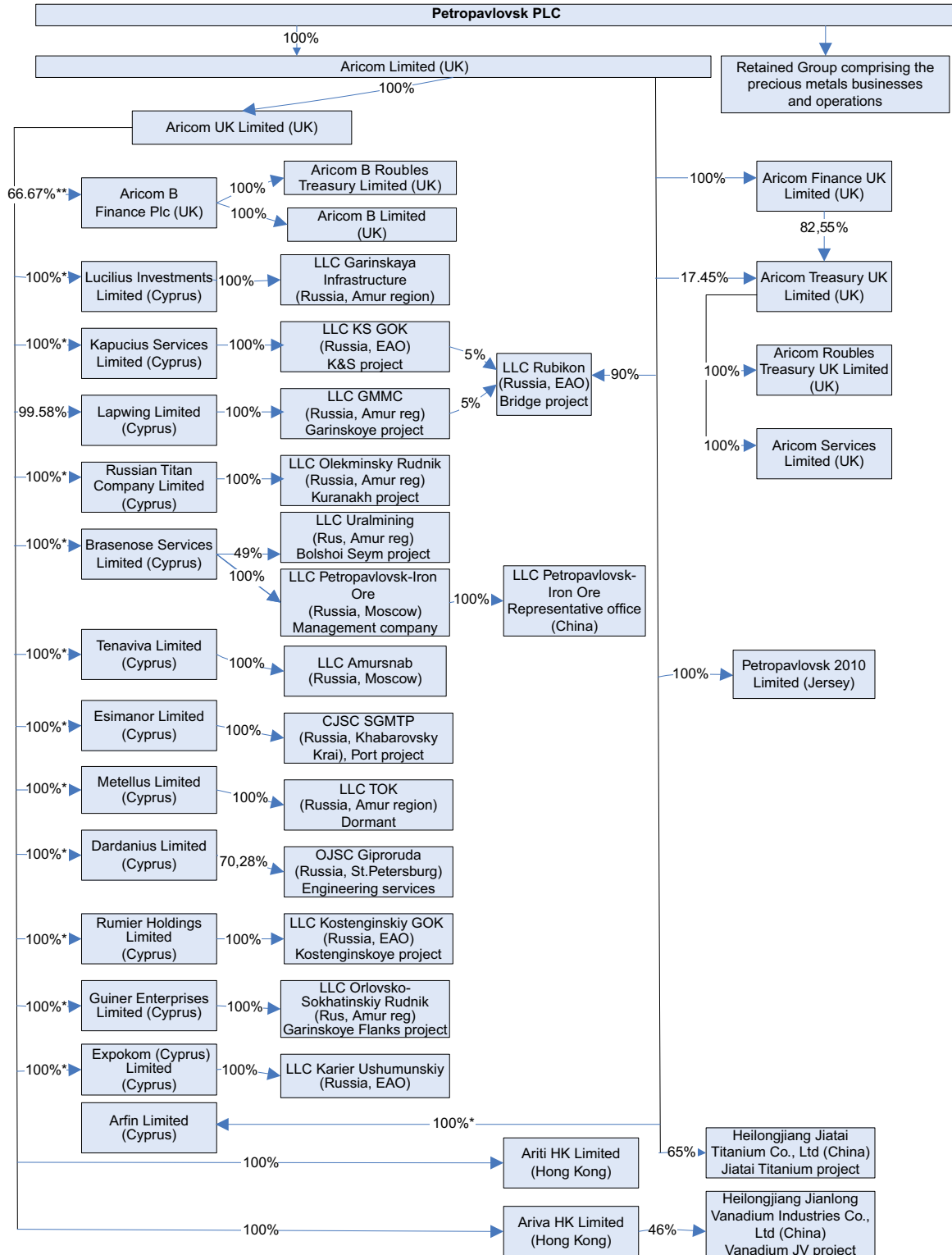
After the Merger and prior to the Restructuring, Petropavlovsk operated a precious metals business and an Industrial Commodities Business. The Industrial Commodities Business comprised iron ore assets located in the Russian Far East, iron ore mining subsidiaries, the Rubicon Bridge Project, Jiatai Titanium and Vanadium JV and was operated under the following entities within the Petropavlovsk Group: Aricom, Aricom UK Limited, the Aricom Cypriot Companies and the Aricom Russian Companies.

In preparation for the Listing, the Restructuring was carried out to:

- concentrate the companies within Petropavlovsk’s Industrial Commodities Business into a unified sub-group, thus delineating the Retained Group and the Group; and
- transfer the receivables in respect of the inter-company iron ore mining liabilities within the finance companies in the Retained Group, namely, Aricom Treasury UK Limited (“Aricom Treasury”), Aricom Roubles Treasury UK Limited (“Aricom Roubles”) and Peter Hambro Mining Rouble Treasury Limited (“PHM Rouble Treasury”), to the newly formed finance companies in the Group.

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The Group structure immediately prior to the Restructuring was as follows:



* An individual, Sotiris Theodorou, holds one share on trust for Aricom UK Limited, as nominee shareholder pursuant to Russian regulatory requirements, and for Aricom Limited in respect of Arifin Limited.

** The remainder of the share capital of Aricom B Finance plc was, prior to the transfer of the entire share capital of this company to Petropavlovsk (as part of the Restructuring), held by Aricom Treasury UK.

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The Group structure immediately after the Restructuring is shown at the end of this section.

The Restructuring was effected, broadly, by the following steps:

Step 1: the transfer to Petropavlovsk of assets, held by Aricom or its subsidiaries, which were unrelated to its Industrial Commodities Business;

Step 2: the incorporation of new holding companies including the Company, and the transfer of Thorholdco Limited to the Company;

Steps 3 and 4: the incorporation of new finance companies, and the transfer of the receivables in respect of the inter-company iron ore mining liabilities to such new finance companies; and

Step 5: the sale by Petropavlovsk of the entire issued share capital of Aricom to Thorholdco Limited.

Step 1: The transfer to Petropavlovsk of assets, held by Aricom or its subsidiaries, which were unrelated to its Industrial Commodities Business

On 26 May 2010, pursuant to a warrant instrument dated 4 June 2007, constituting (as amended) 1,330,000,000 warrants, each to subscribe for 1 ordinary share of £0.0001 each, in Aricom for a subscription price of £0.08 per warrant, Petropavlovsk subscribed in full for 1,330,000,000 shares of £0.0001 each in Aricom. In consideration, Petropavlovsk issued an on-demand promissory note to Aricom in the amount of £106,400,000, which amounted to US\$153.2 million, in respect of the subscription price for such new shares ("Promissory Note 1"). No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

On 27 May 2010, Aricom resolved to reduce its share premium account to nil ("Capital Reduction"). The Capital Reduction was registered at UK Companies House on 28 May 2010.

Certain assets held by Aricom and Aricom UK Limited, which were unrelated to Petropavlovsk's Industrial Commodities Business and which included shares in Aricom Treasury and Aricom Roubles, the finance companies in the Retained Group, (the "Unrelated Assets"), were sold to Petropavlovsk on 10 June 2010. The purchase price in respect of the sale of the Unrelated Assets by Aricom and Aricom UK Limited (the "Purchase Price") was determined using the share in the book value of the underlying net assets of (i) Aricom Finance (being US\$405,599,000); (ii) Aricom Treasury (being US\$63,133,000); (iii) Petropavlovsk 2010 Limited (being US\$12,400); and (iv) an aggregate of amounts invested in Aricom B Finance plc (being US\$20,000). The purchase price in respect of the sale of the Unrelated Assets by Aricom, being the sum of US\$468,744,400 (the "Purchase Price") remained outstanding against an undertaking to pay from Petropavlovsk. The purchase price in respect of the sale of the Unrelated Assets by Aricom UK Limited, being the sum of US\$20,000 remained outstanding on inter-company account, until it was settled in cash on 2 September 2010. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

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Certain receivables within Aricom, outstanding from certain companies in the Retained Group, were repaid to Aricom on 15 June 2010. Such receivables comprised (i) receivables from Aricom Finance in the aggregate sum of US\$5,975,000; and (ii) receivables from PHM Treasury UK in the aggregate sum of US\$17,685,209.12. The amount repaid represented the book value of related amounts outstanding. The repayment of the receivables in the aggregate amount of US\$23,660,209.12 was fully settled in cash. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

Following the Capital Reduction, the sale of the Unrelated Assets to Petropavlovsk and the repayment of the receivables to Aricom, Aricom declared an interim dividend to Petropavlovsk on 22 June 2010 of US\$644,436,569.36. The amount of the interim dividend was determined by the Board of Aricom by reference, *inter alia*, to the management accounts as at 21 June 2010, showing the distributable reserves in support of the interim dividend and comprised (i) approximately US\$468,744,400 being the outstanding Purchase Price owing to Aricom by Petropavlovsk; (ii) approximately US\$153,231,960 being consideration payable in respect of issue of the warrant shares, and outstanding under the Promissory Note 1; and (iii) approximately US\$22,460,209.12, being the amount of the repaid receivables of US\$23,660,209.12 less US\$1.2 million being the sum left in Aricom as part of the intra-group funding of the Industrial Commodities Business operations. The dividend was paid in cash, comprising two parts (i) amounts owed by Petropavlovsk to Aricom (the Purchase Price plus Promissory Note 1) were set off against the amount owed in respect of the dividend by Aricom to Petropavlovsk, resulting in a netting off of these two balances; and (ii) the balance of the dividend in the amount of US\$22,460,209.12 was paid to Petropavlovsk in cash. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

Following completion of Step 1, the holding of Aricom no longer included the Unrelated Assets, and the outstanding inter-company liabilities owed to Aricom from the companies in the Retained Group had been repaid.

Step 2: The incorporation of new holding companies, and the transfer of Thorholdco Limited to the Company

Petropavlovsk incorporated Cayiron Limited on 18 May 2010 with one subscriber share of US\$1, and further subscribed for 15 shares of US\$1 each at a premium of US\$999 per share, in cash, on 27 May 2010, representing an aggregate nominal value of US\$16 and aggregate premium of US\$14,985. The consideration in respect of such subscription monies remained outstanding until it was settled in full in cash on 22 September 2010. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

Petropavlovsk incorporated Thorholdco Limited on 18 May 2010 with one subscriber share of US\$1, and further subscribed for 15 shares of US\$1 each at a premium of US\$999 per share, in cash, on 10 June 2010, representing an aggregate nominal value of US\$16 and aggregate premium of US\$14,985. The consideration in respect of such subscription monies remained outstanding until it was settled in full in cash on 22 September 2010. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

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On 14 June 2010, Petropavlovsk subscribed for 15 further shares in Thorholdco Limited. The consideration paid represented an aggregate nominal value of US\$15 and aggregate premium of US\$ 259,999,985 paid for the shares. The consideration was fully settled by Petropavlovsk issuing to Thorholdco Limited a promissory note (“Promissory Note 3A”) in the amount of US\$260,000,000. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

The rationale for the issue of the Promissory Note 3A was that such promissory note formed the basis for the setting off of the consideration for the subsequent transfer to Thorholdco Limited from Petropavlovsk of the entire issued share capital of Aricom in Step 5, as described below.

The entire issued share capital of Thorholdco Limited was then transferred to Cayiron Limited in exchange for the issue and allotment by Cayiron Limited of further shares to Petropavlovsk. The consideration paid for such transfer was determined by the book value of the underlying net assets of Thorholdco Limited. The consideration was fully settled by the issue and allotment by Cayiron Limited to Petropavlovsk of 15 shares of US\$1 each, at an aggregate premium of US\$260,014,986, credited as fully paid. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

Cayiron Limited then transferred the entire issued share capital of Thorholdco Limited to the Company on 14 June 2010, as described in paragraph 2 of section (A) of Appendix VIII — “Loss Forecast” to this prospectus. The consideration paid for such transfer was determined by the book value of the underlying net assets of Thorholdco Limited. The consideration was fully settled by the issue and allotment by the Company to Cayiron Limited of 700 shares of HK\$0.01, at an aggregate premium of HK\$2,026,159,087.84, credited as fully paid. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

Following completion of Step 2, Petropavlovsk held the entire issued share capital of Cayiron Limited, which in turn held the entire issued share capital of the Company, which in turn held the entire issued share capital of Thorholdco Limited.

Steps 3 and 4: The incorporation of new finance companies, and the transfer of the receivables in respect of the inter-company iron ore mining liabilities to such new finance companies

Prior to the Restructuring, there were a number of inter-company iron ore mining liabilities outstanding from certain Group companies to certain Retained Group companies. Such inter-company mining liabilities comprised: (i) the iron ore mining liabilities denominated in U.S. dollars (“Dollar Liabilities”), owed by certain Aricom Cypriot Companies to Aricom Treasury and Aricom Roubles; and (ii) the iron ore mining liabilities denominated in Roubles (“Rouble Liabilities”), owed by certain Aricom Russian Companies to PHM Rouble Treasury.

Petropavlovsk incorporated Thor Rouble on 18 May 2010 with one subscriber share of RUR1, and further subscribed, on 10 June 2010, for 99,999 shares of RUR1 each at a premium of RUR2 per share, in cash, representing an aggregate nominal value of RUR100,000 and aggregate premium of RUR199,998. The consideration in respect of such subscription

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monies remains outstanding and will be settled in full in cash by the end of September 2010. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

Petropavlovsk incorporated Thor Dollar on 18 May 2010 with one subscriber share of US\$1, and further, on 10 June 2010, subscribed for 2,999 shares of US\$1 each at a premium of US\$3 per share, in cash, representing an aggregate nominal value of US\$3,000 and aggregate premium of US\$8,997. The consideration in respect of such subscription monies remained outstanding until it was settled in full in cash on 22 September 2010. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

On 25 June 2010, Petropavlovsk subscribed for 100,000 additional shares in the capital of Thor Rouble. The subscription price paid represented an aggregate nominal value of RUR100,000 and aggregate premium of RUR6,607,348,778.04. The consideration was fully settled by Petropavlovsk issuing to Thor Rouble promissory notes (the "Promissory Notes 3B") in the amount of RUR6,607,448,778.04. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

On the same day, Petropavlovsk subscribed for 3,000 additional shares in the capital of Thor Dollar. The subscription price paid represents an aggregate nominal value of US\$3,000 and aggregate premium of US\$224,556,090. The consideration was fully settled by Petropavlovsk issuing to Thor Dollar of promissory notes (the "Promissory Notes 3C") in the amount of US\$224,559,090. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

The rationale for the issue of the Promissory Notes 3B and 3C was that such promissory notes formed the consideration for the subsequent assignment to Thor Rouble and Thor Dollar, respectively, of the receivables in respect of the Rouble Liabilities and receivables in respect of the Dollar Liabilities, as described below.

On the same day, the following transfers on a share for share exchange basis took place:

- (a) Petropavlovsk transferred the entire issued share capital of Thor Rouble and Thor Dollar to Cayiron Limited in exchange for the issue and allotment by Cayiron Limited to Petropavlovsk of 15 additional shares, in the amount of US\$437,621,871.70, equal to the value of, in aggregate: the capital of Thor Rouble and the Promissory Notes 3B, and the capital of Thor Dollar and the Promissory Notes 3C (the "Finance Companies Value");
- (b) Cayiron Limited transferred the entire issued share capital of Thor Rouble and Thor Dollar to the Company in exchange for the issue and allotment by the Company to Cayiron Limited of 800 additional shares, in the aggregate amount of HK\$3,404,116,124.73, which was equal to, in aggregate, the Finance Companies Value; and
- (c) the Company transferred the entire issued share capital of Thor Rouble and Thor Dollar to Thorholdco Limited in exchange for the issue and allotment by Thorholdco Limited to the Company of 15 additional shares, in the aggregate

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amount of U.S.\$437,621,871.70, which was equal to, in aggregate, the Finance Companies Value.

No regulatory approval in any relevant jurisdiction was required in respect of the above transfers of shares.

Following the transfers described in (a) to (c) above, the entire issued share capital of Thor Rouble and Thor Dollar, respectively, was held by Thorholdco Limited.

Thor Rouble then entered into a deed of assignment with PHM Rouble Treasury under which Thor Rouble assigned its rights, title and interest under the Promissory Notes 3B to PHM Rouble Treasury in consideration for the assignment to Thor Rouble of the receivables in respect of the Rouble Liabilities. The aggregate value of the Promissory Notes 3B represented the book value of related principal amounts outstanding plus accrued interest, in relation to the Rouble Liabilities. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

Thor Dollar then entered into deeds of assignment with Aricom Treasury and Aricom Roubles, respectively, under which Thor Dollar assigned its rights, title and interest under the Promissory Notes 3C to Aricom Treasury in consideration for the assignment to Thor Dollar of the receivables in respect of the Dollar Liabilities. The aggregate value of the Promissory Notes 3C represented the book value of related principal amounts outstanding plus accrued interest, in relation to the Dollar Liabilities. No regulatory approval in any relevant jurisdiction was required in respect of this transaction.

Following completion of Steps 3 and 4 of the Restructuring, the receivables in respect of the Rouble Liabilities and the Dollar Liabilities, previously owed by certain Aricom Russian Companies and Aricom Cypriot Companies to PHM Rouble Treasury, and Aricom Treasury and Aricom Roubles, respectively, were transferred to Thor Rouble and Thor Dollar, which are now the finance companies of the Group.

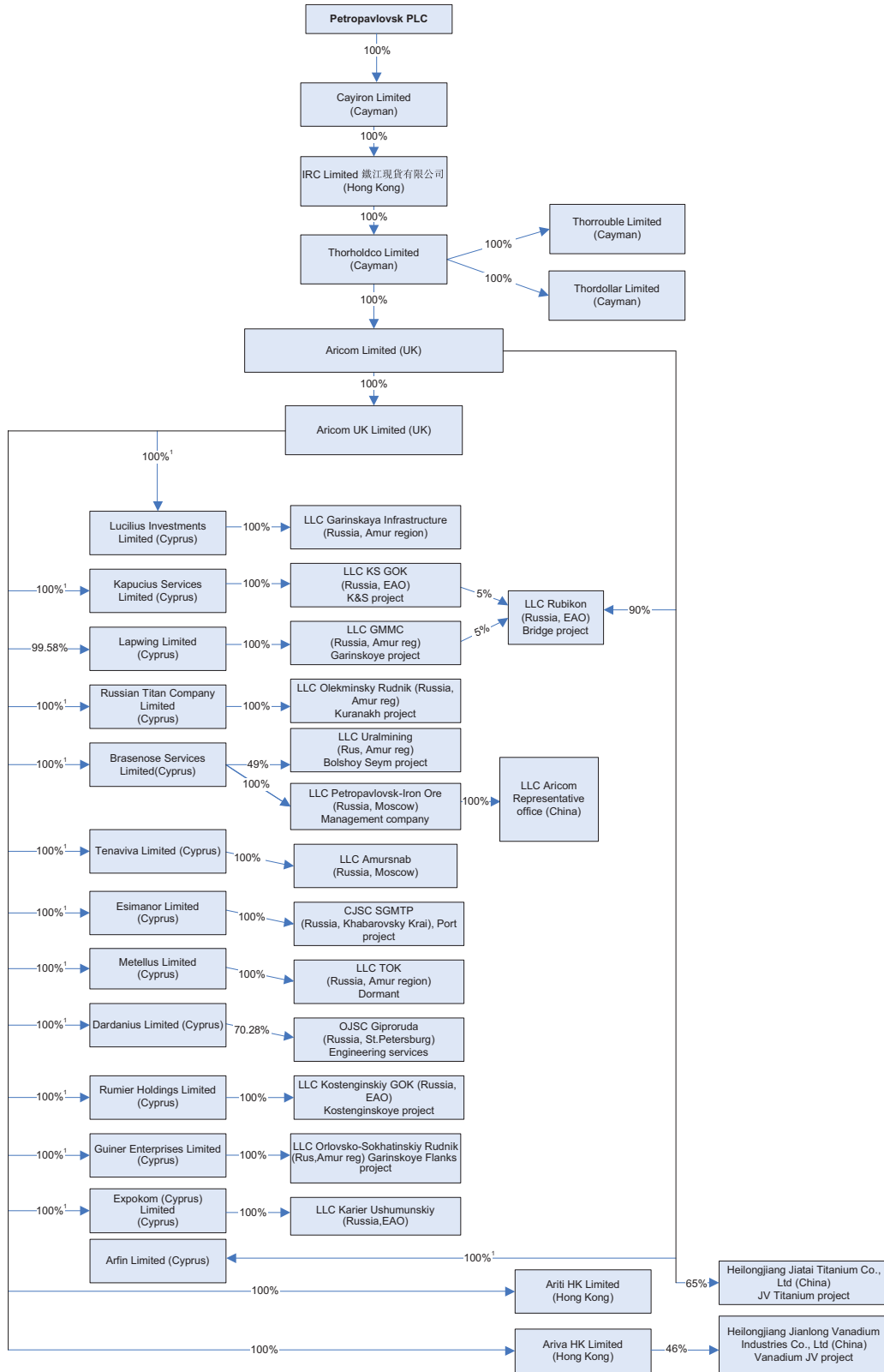
Step 5: Petropavlovsk sold Aricom shares to Thorholdco Limited

On 25 June 2010, Thorholdco Limited and Petropavlovsk entered into a sale and purchase agreement for the sale and purchase of the entire issued share capital of Aricom, which was conditional upon the receipt of FAS consent. The consideration was determined using the enterprise value, which, after the deduction of intra-group debt, resulted in an approximate equity value of US\$260,000,000. The outstanding purchase price of US\$260,000,000 owed by Thorholdco Limited was satisfied by being set off against the amount owed by Petropavlovsk to Thorholdco Limited under the Promissory Note 3A in the corresponding amount of US\$260,000,000. FAS consent was granted on 23 July 2010, following which the outstanding consideration was netted off against the Promissory Note 3A held by Thorholdco Limited on 26 July 2010, and the transfer of the legal title to the entire issued share capital of Aricom was completed on 5 August 2010.

Following completion of Step 5, the Group's Industrial Commodities Business was held by the Company through its respective holding of the entire issued share capital of Thorholdco Limited.

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The diagram below illustrates the structure of the Group immediately after Step 5:



1 An individual, Sotiris Theodorou, holds one share on trust for Aricom UK Limited, as nominee shareholder pursuant to Russian regulatory requirements, and for Aricom Limited in respect of Arin Limited.

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PRE-IPO INVESTMENT

Entry into the Pre-IPO Investment

The Pre-IPO Investment Agreement was entered into on 17 June 2010 between MHL, CEF (together with MHL, the “Pre-IPO Investors”), Petropavlovsk, the Company and Cayiron Limited. The subscription by the Pre-IPO Investors was subject to the satisfaction of certain conditions precedent, mainly regarding the implementation of the Restructuring; all approvals, consents and authorisations required being obtained; and Petropavlovsk entering into a tax indemnity in favour of the Company in relation to any tax liabilities arising as a result of the Restructuring. On 26 August 2010 (the “Completion Date”), following satisfaction of the conditions precedent, MHL and CEF invested US\$50 million and US\$10 million, respectively, into the Company by way of a subscription for new shares of the Company in proportion to their investment, giving MHL and CEF 300 Shares and 60 Shares, respectively, or 5.81 per cent. and 1.16 per cent., respectively, of the enlarged issued share capital of the Company (the “Pre-IPO Investment”). The subscription price for such Shares represented a negotiated price that was determined on an arm’s length basis and based on the agreed assessment of the value of the Group at the time of signing the Pre-IPO Investment Agreement.

The proceeds of the Pre-IPO Investment have been and are being used for the ongoing expenses of the Group and to provide funding for the Group’s Industrial Commodities Business. In addition, it should be noted that the proceeds of the Pre-IPO Investment will, as a result of the entry into the Cornerstone Agreements, remain in the Group and that the costs associated with the unwinding of the Pre-IPO Investment (as detailed further below) are to be borne by the Selling Shareholder.

Unwind of the Pre-IPO Investment

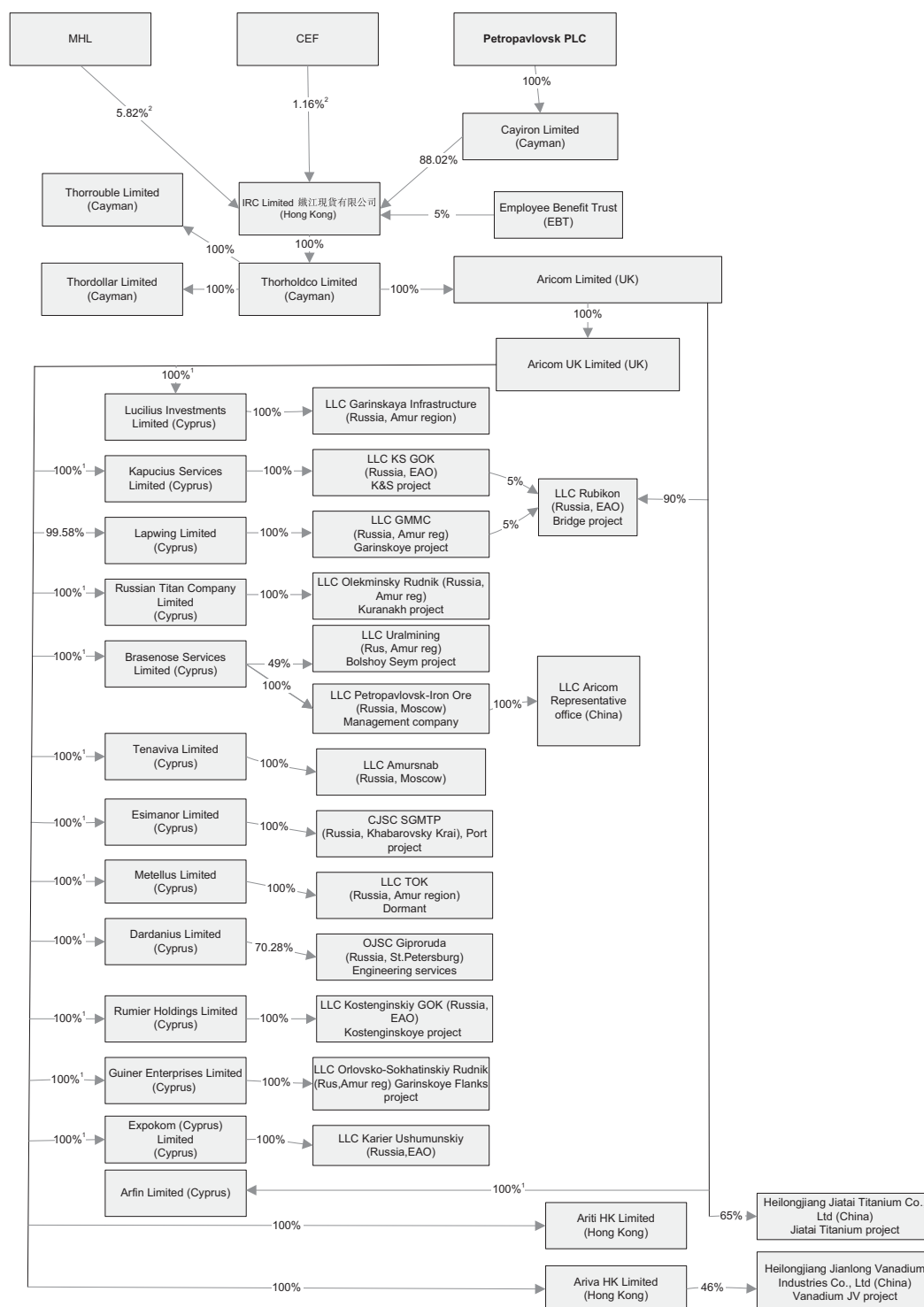
Following discussions between the Company and the Pre-IPO Investors, it was determined that the Pre-IPO Investment Agreement would be unwound in favour of the Pre-IPO Investors participating in the Global Offering as cornerstone investors. In light of this, the Pre-IPO Investment Supplemental Agreement was entered into on 22 September 2010 between the Pre-IPO Investors, Petropavlovsk, the Company and Cayiron Limited. The terms of the Pre-IPO Investment Supplemental Agreement provide for a transfer, conditional upon Listing proceeding, of the Shares held by the Pre-IPO Investors to Cayiron Limited in return for the payment by Cayiron Limited of an amount of approximately US\$70.2 million, representing the initial US\$60 million subscription price plus US\$10.2 million being the agreed exit cost and the re-imbursalment of certain additional expenses of the Pre-IPO Investors. The US\$10.2 million amount represents the figure which the Pre-IPO Investors negotiated into the Pre-IPO Investment Agreement as a downside protection mechanism should the Listing not take place by the end of a specified period, and is calculated as approximately 117 per cent. of the subscription amount. Cayiron Limited has agreed to pay this amount to the Pre-IPO Investors in order to facilitate the unwinding of the Pre-IPO Investment Agreement and to achieve the more advantageous structure through which the Pre-IPO Investors invest in the Company as cornerstone investors. Simon Murray, a founder of GEMS, was appointed as a director of the Company with effect from 3 September 2010 and resigned with effect from 14 September 2010 in accordance with the Pre-IPO Investment Supplemental Agreement. For further information about the Cornerstone Investor entities, please refer to the section headed “Cornerstone Investors” in this prospectus.

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Immediately prior to Listing, the Pre-IPO Investors will sell, and the Selling Shareholder will purchase all shares held in the Company by the Pre-IPO Investors. The Selling Shareholder will also sell 255,000,000 Sale Shares as part of the International Offering and use the proceeds from this sale to fund the purchase (and total consideration amount) described immediately above. The Pre-IPO Investors will use the part of the funds they receive from the Selling Shareholder to purchase approximately US\$60 million of Offer Shares pursuant to the Cornerstone Investment Agreements.

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The diagram below illustrates the structure of the Group immediately following subscription by the Pre-IPO Investors pursuant to the Pre-IPO Investment Agreement, but before Listing.

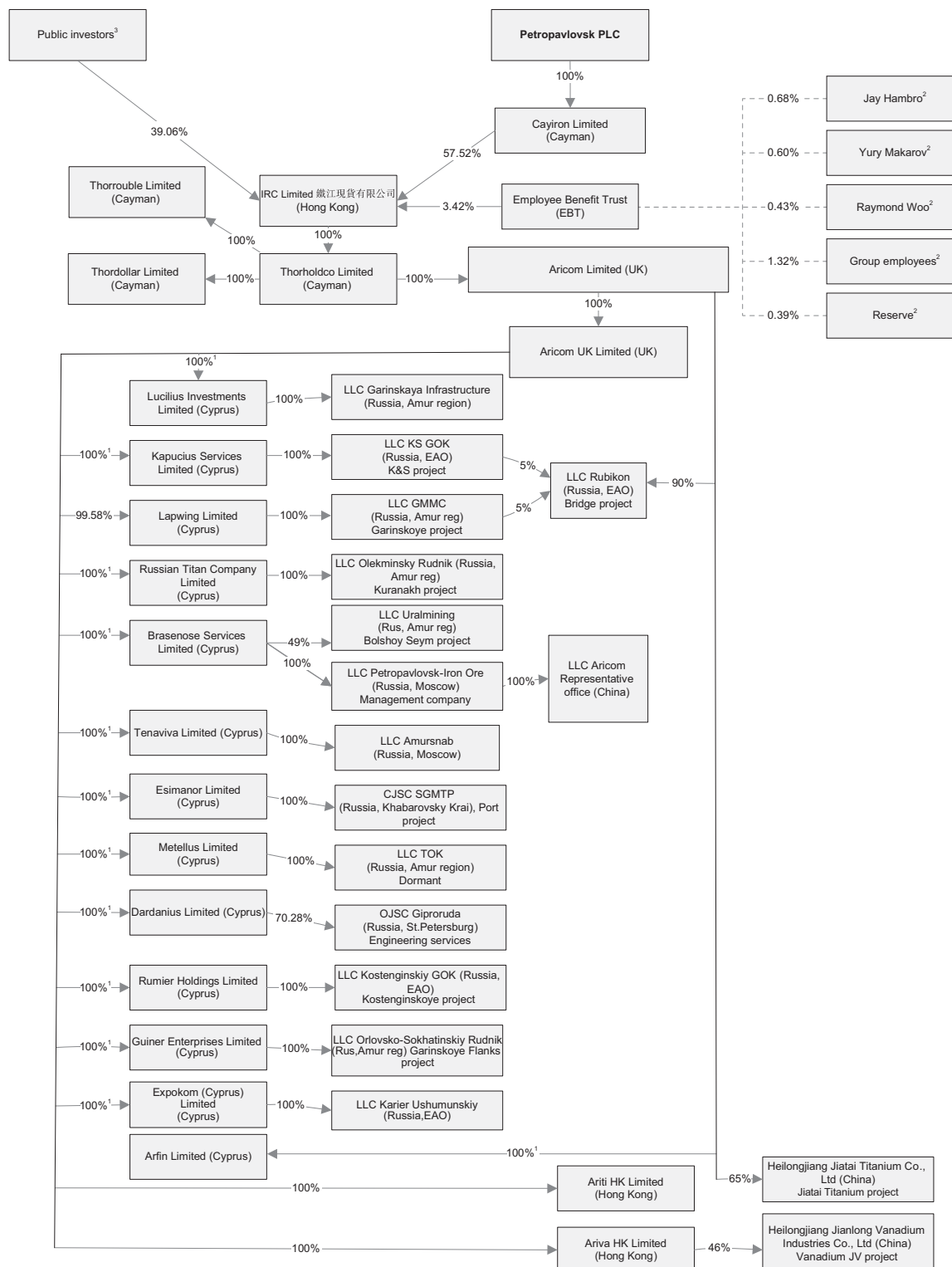


1 An individual, Sotiris Theodorou, holds one share on trust for Aricom UK Limited, as nominee shareholder pursuant to Russian regulatory requirements, and for Aricom Limited in respect of Arfin Limited.

2 Following discussions between the Company and the Pre-IPO Investors, it was determined that the Pre-IPO Investment Agreement would be unwound in favour of the Pre-IPO Investors participating in the Global Offering as cornerstone investors. For further information about the Pre-IPO Investment unwind and the Pre-IPO Investment Supplemental Agreement, please refer to the sub-section headed "Exit from the Pre-IPO Investment" in this section in this prospectus.

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The diagram below illustrates the structure of the Group immediately following completion of the Global Offering (based on an Offer Price of HK\$2.60, being the midpoint of the indicative Offer Price range), assuming that the Over-allotment Option is not exercised and the Pre-IPO Investment Supplemental Agreement and Cornerstone Investment Agreements are completed.



¹ An individual, Sotiris Theodorou, holds one share on trust for Aricom UK Limited, as nominee shareholder pursuant to Russian regulatory requirements, and for Aricom Limited in respect of Arfin Limited.

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- 2 These are conditional interests in Shares held in the Company's employee benefit trust (the EBT) and relate to Performance Share Awards which the Remuneration Committee of the Board intends to recommend to the trustee of the EBT to grant and make appointments under the Company's Long Term Incentive Plan (the LTIP) and in accordance with the terms of the EBT for the benefit of the families of the named Directors and Group employees, such grants and appointments to take effect at the time of Listing. The remaining Shares held in the EBT will be reserved for future awards and appointments under the LTIP and EBT. For a summary of the principal terms of the LTIP, please refer to section 4 "Summary of the principal terms of the Company's Long Term Incentive Plan" of Appendix VIII — "Statutory and General Information" to this prospectus.
- 3 The percentage shareholding held by public investors includes the interests in Shares held by the cornerstone investors, MHL and CEF, following completion of the Cornerstone Investment Agreements. For further information about the cornerstone investment, please refer to the section headed "Cornerstone Investors" in this prospectus.

HISTORY AND RESTRUCTURING

The following table provides certain information about each of the Company's principal subsidiaries, its associate and joint venture companies:

Name	Established	Principal business	Equity interests
Aricom Limited	United Kingdom 12 September 2003	Investment holding	100% of Aricom UK Limited and Arfin Limited 65% of Heilongjiang Jiatai Titanium Co., Ltd 90% of LLC Rubicon
Aricom UK Limited	United Kingdom 1 March 2007	Investment holding	100% of: Lucilius Investments Limited, Kapucius Services Limited, Russian Titan Company Limited, Brasenose Services Limited, Tenaviva Limited, Esimanor Limited, Metellus Limited, Dardanius Limited, Rumier Holdings Limited, Guiner Enterprises Limited, Expokom (Cyprus) Limited, Ariti HK Limited, Ariva HK Limited 99.58% of Lapwing Limited
Arfin Limited	Cyprus 22 August 2005	Provision of financing services for the Group	—
LLC Garinskaya Infrastructure	Russia 14 December 2007	Transportation services for Garinskoye project	—
LLC KS GOK	Russia 2 August 2004	Exploration and mining—K&S project	5% of LLC Rubicon
LLC GMMC (99.58%)	Russia 26 June 2006	Exploration and mining—Garinskoye project	5% of LLC Rubicon
LLC Olekminsky Rudnik	Russia 28 March 2001	Exploration and mining—Kuranakh project	—
LLC Uralmining (49%)	Russia 18 April 2005	Exploration and mining—Bolshoi Seym project	—
LLC Petropavlovsk—Iron Ore	Russia 25 August 2004	Business services	100% of LLC Aricom Representative Office
LLC Amursnab	Russia 28 December 2009	Procurement services	—
CJSC SGMTTP	Russia 30 August 2005	Development of seaport project	—
OJSC Giproruda (70.28%)	Russia 8 December 1992	Engineering services	—
LLC Kostenginskiy GOK	Russia 16 February 2007	Exploration and mining—Kostenginskoye project	—
LLC Orlovsko—Sokhatinskiy Rudnik	Russia 3 April 2007	Exploration and mining—Garinskoye Flanks project	—
LLC Karier Ushumunskiy	Russia 15 March 2007	Coal production	—
LLC Rubicon	Russia 9 January 2007	Development of Rubicon Bridge Project and other infrastructure projects	—
Heilongjiang Jiatai Titanium Co., Ltd (65%) ¹	PRC 3 September 2008	Processing—Jiatai Titanium project	—

HISTORY AND RESTRUCTURING

Name	Established	Principal business	Equity interests
Heilongjiang Jianlong Vanadium Industries Co., Ltd (46%)	PRC 4 November 2009	Processing—Vanadium JV project	—
Ariva HK Limited	Hong Kong 11 March 2008	Investment holding	46% of share capital of Heilongjiang Jianlong Vanadium Industries Co., Ltd

- 1 For further information on the Jiatai Titanium project, refer to the sub-section headed “Jiatai Titanium” of the section headed “Business” in this prospectus.