铁货 IRC

IRC Limited

HONG KONG STOCK CODE:1029

INTERIM REPORT 2011

Where we operate

IRC operates in north-eastern China and the Far East of Russia.

Who we are

IRC is an international producer of industrial commodities, with a current focus in iron ore. IRC is operating and developing five main projects:

Assets	Product	Location	Status
Kuranakh	Iron ore concentrate Ilmenite concentrate	Amur, Russia	In production
Giproruda	Mining research and design	Regional offices	Operating
K&S	Iron ore concentrate	EAO, Russia	In production 2013
Vanadium JV	Vanadium pentoxide	Heilongjiang, China	In production 2011
Garinskoye	Iron ore concentrate	Amur, Russia	In production 2015

Our experience

IRC builds on the tradition of a group that has been finding, developing, constructing and operating mining projects in this region for nearly seventeen years.

Most recently, IRC management has developed Kuranakh from a greenfield site to a producing mine.

Our goal

IRC exists to bring value to stakeholders through responsible and sustainable management, growth, cashflow and returns.

Contents

Developing a Sino-Russian industrial commodities champion from Hong Kong.

铁货 IRC

Letter from the Chairman, G. Jay Hambro

Dear Stakeholder,

Following our announcement in July, that we have made substantial progress both production and construction, I am delighted to present this set of interim results. Work continues apace, and we look forward to delivering on our growth potential.

In the first half of 2011, we sought to:

1. Deliver IRC's maiden profit.
2. Produce our half-millionth tonne of iron ore concentrate at Kuranakh;
3. Continue construction at K&S, integrating a construction team contracted from CNEEC;
4. Continue exploration work at all sites; and
5. Manage our cost expectations.

I am pleased to report that all of these have been achieved.

We also maintain an active business development programme, and are constantly looking to improve stakeholder value through efficient management, organic growth and regular consideration of merger and acquisition potential.

I am also pleased to announce the appointment of Mr Nicholas Bias, effective today, as a member of our executive team and responsible for group communications and investor activities in particular. Mr Bias joins us from Glencore International where he was responsible for investor relations during their flotation, in addition to his previous roles at other fast-growing mid-cap miners like ourselves, such as Aquarius Platinum and LionOre Mining.

Thank you for your confidence in our work.

Yours faithfully,
Jay Hambro,
Chairman

Letter from the Chief Executive Officer, Yury Makarov

Dear Stakeholder,

The production and financial results contained in this document reflect the sturdy progress that we have made at our operations. Furthermore, today's news of our K&S Optimisation Study, which should allow us to bring forward production, greatly enhances the position of K&S as a value-driver within IRC's portfolio.

I particularly want to highlight the strength of our in-house technical team, which in the year that Kuranakh has been in operation, has proven its dedication and value. Our customers, now in three different countries, have been satisfied with the product that we are producing. The approval of China's new five-year plan in March 2011 shows the strength of IRC's target markets: a regional demand estimated at more than 20 million tonnes of iron ore concentrate per annum.

In the first half of this year, IRC has confirmed its place as a regional powerhouse of trade, investment and development in the Amur, EAO and Heilongjiang regions. This demonstrates our strength as a local employer: bringing jobs and responsible, sustainable development to these regions.

Thank you for your interest in IRC, as we continue to build an industrial commodities champion.

Yours faithfully,
Yury Makarov,
Chief Executive Officer

Project Review

Kuranakh – 100% owned

Kuranakh is a facility that produces iron ore concentrate and ilmenite concentrate. It is located on the BAM Railway, which connects directly to China across the Trans-Siberian Railway.

Geology

Medium-sized titanomagnetite iron ore and ilmenite deposit.

Project stage

In continuous production since May 2010; sales ongoing.

Forecast Production

Annual average sales estimates of 900ktpa iron ore concentrate and 290ktpa ilmenite concentrate at full production.

2011 Production Targets

750,000 iron ore concentrate; 52,000 ilmenite concentrate.

1st Half 2011 Highlights

— More than a million cubic metres of overburden have been removed;

— A monthly average of approximately 1,000 railway wagons are now used for sales from Kuranakh;

— Ordinary recovery rates are usually above 90%;

— May 2011 marked a year of continuous production at Kuranakh, which was formally opened in a ceremony that was undertaken by the President of the Russian Federation, Dmitry Medvedev, demonstrating governmental support for the project;

— Production at Kuranakh in the first half of 2011 was 350,136 tonnes of iron ore concentrate and 22,171 tonnes of ilmenite concentrate; representing a half-on-half increase of 142% of total production, as compared to the second half of 2010;

— The consolidated average realised price achieved in the first half of 2011 was c.US$147/t. Pricing is attained at a formula related to spot, and is agreed on a monthly basis;

— Work to improve and upgrade the ilmenite circuit continues: greater yields have been achieved, and revenue-achieving trial shipments are ongoing to customers in Russia, Japan and China; and

— The project employs approximately 1,200 people.

With a full year of production now achieved, IRC has demonstrated its ability to mine and beneficiate despite a variety of adverse conditions. The open pit mine and processing plant are operating 24 hours a day.

As noted in the Trading Statement for the 6 months to 30 June 2011, following teething problems during the ramp-up at the Kuranakh Mine which have since been resolved and unseasonably high rainfall during the summer season, production was lower than expected at 350,136 tonnes of iron ore concentrate and 22,171 tonnes of ilmenite concentrate.

Looking to the second half of the year, as the ramp-up continues at Kuranakh and following normalised production for July and August so far, we are confident that we can achieve in full our Kuranakh production targets for the period of 400,000 tonnes of iron ore concentrate and 30,000 tonnes of ilmenite concentrate, equal to a full year target of approximately 750,000 tonnes of iron ore concentrate and 52,000 tonnes of ilmenite concentrate.

IRC is considering the implementation of a small expansion to the ilmenite circuit at Kuranakh for a small cost of approximately US$1m. If implemented, this work programme could result in a short term deferral of production of up to 6,000 tonnes of ilmenite concentrate, however, the Board believes the enhanced circuit will repay its initial capital quickly and create substantial longer term benefits by enhancing recoveries.

Project Review

Sales of iron ore concentrate from Kuranakh to a steel producer in a neighbouring region are ongoing, on a Delivered At Frontier (DAF) basis, under a long-term off-take agreement. Prices are adjusted on a monthly basis according to a formula linked to the Northeastern China iron ore spot price.

The average price achieved during the first half of 2011 was c.US$147/t, representing an increase of 12% compared to the previously announced price of US$131 for December 2010. Pricing continues to move closer to the relevant spot price, the result of increased production volume but it should be noted that Kuranakh production is expected to trade at a small discount to spot due to the titanium content. IRC's other mines are expected to produce a cleaner concentrate, which will not incur this discount.

Kuranakh is Russia's first vertically-integrated hard rock ilmenite processing and production plant. It produces iron ore concentrate, which is principally used for the production of steel, and ilmenite concentrate. Ilmenite is a titanium pre-concentrate that is ultimately used in a variety of products, including paper, paint, metals and plastics. Kuranakh was commissioned in May 2010, and formally opened by the President of Russia, Dmitry Medvedev, in July 2010. It undertook its first regular commercial sales in September 2010.

Kuranakh actual production: 1st Half 2011

	Kuranakh Actual Production		
	1st Half 2011 tonnes	2nd Half 2010 tonnes	Percentage increase %
Iron ore concentrate	**350,136**	150,533	133%
Ilmenite concentrate	**22,171**	3,006	638%
Total	**372,307**	153,539	142%

K&S – 100% owned

K&S is a facility that is expected to produce iron ore concentrate from 2013. It is located approximately 40 kilometres from the Chinese border, with a direct route to market via the Trans-Siberian Railway.

Geology

Large magnetite deposit.

Project stage

Advanced construction. In the first half of 2011, new accommodation, office and canteen facilities were commissioned.

Forecast Production

Annual average sales estimates of 3.2 mtpa at full production

1st Half 2011 Highlights

— Mining and stockpiling continues;

— Construction works are ongoing with the implementation of our construction contract with a major, state-owned contractor, the China National Electric Engineering Company; and

— The project now employs approximately 500 people.

In the first half of 2011, a team of construction engineers from the China National Electric Engineering Company (CNEEC) has continued work at K&S in conjunction with IRC's in-house engineering, design and construction divisions. In January 2011, CNEEC inaugurated an office in the regional capital, near K&S. The opening ceremony was attended by Russian provincial authorities and senior officials from CNEEC and IRC.

Works on internal infrastructure at site have continued. Major roads have been completed, and work to connect the site to local main electricity supply is ongoing. Work on the link between the Trans-Siberian Railway and K&S's loading facilities is advancing well. All material design work has now been completed, and the IRC engineering team continues to work with the CNEEC team to ensure efficient implementation of the approved plans.

Construction continues apace, and the project is on track for commissioning in 2013.

Project Review

Garinskoye – 99.58% owned

Garinskoye is a facility that is expected to produce iron ore concentrate from 2015. It is located between the Trans-Siberian Railway and the BAM Railway. It is expected to be vertically-integrated with K&S.

Geology

Large magnetite deposit.

Project stage

Advanced exploration. In the first half of 2011, confirmation drilling continued, with preliminary results showing the potential to increase in official resources.

Forecast Production

Annual average sales estimates of 4.6 mtpa at full production.

1st Half 2011 Highlights

— Exploration and confirmation drilling continues;

— Analysis of early-stage high-grade operation continues to yield good results; and

— Engineering and development studies ongoing.

Giproruda – 70% owned

IRC is the 70% shareholder in Giproruda. Giproruda is a mining design, research and engineering institute that specialises in mining projects in adverse climatic conditions. As well as providing revenue and experience from work with third-party customers, Giproruda complements IRC's in-house research and development work. Giproruda operates from international and regional offices, and the institute celebrated its 80th anniversary in May 2011. A new management organisational structure for Giproruda was implemented on 1 January 2011: resulting progress has been positive.

Software upgrades for mining design have continued, particularly with the integration of AutoCAD 2011, and ongoing training for and integration of modern integrated geological software packages such as Micromine, Datamine, NPV Scheduler and Whittle. In addition to regular ongoing provision of services to customers, internal review and re-certification of quality control procedures as well as monitoring of client satisfaction took place. During the first half of 2011, all obligations to clients were fulfilled on time and in full. Works began on behalf of a number of different customers, with particular focus in the diamond and apatite-nepheline ore industries, as well as a new pit design project for a major mine in the Arctic Circle. The Institute, which employs 177 specialists, has implemented a new recruitment procedure to attract and retain international talent in mining design, research and engineering.

Letter from the Chief Financial Officer, Raymond Woo

Dear Stakeholder,

I am delighted to report on two major financial developments for IRC in the first half of this year:

1. Positive cashflow from our first mine, Kuranakh, that has contributed to the Group's maiden profit; and

2. IRC has made excellent progress in fulfilling the relevant requirements to start the planned drawdown process from the US$340 million project finance that was announced in December.

The maiden profit is a matter of pride for us all: to see Kuranakh breakthrough to profitability and support the wider group is an important milestone for IRC, and significantly a firm foundation as development of our second project, K&S, picks up speed.

Having achieved a maiden profit, we are, however, not complacent. The group's priority continues to focus on enhancing cashflows, both through revenues and tight controls on capital expenditure and costs. With this in mind, particular attention is being directed towards efficiency in procurement and mine management.

As seen across the mining industry, rising costs and dollar depreciation are affecting our business. We have made every effort to ensure that our financial management and capital investment are conservative, with a view to the long-term potential of IRC's assets. Because cash conservation is a priority for IRC, we continue to review our budgets and capital expenditure and profit where possible to keep costs to a minimum.

It should be noted that our marketing programme continues to achieve positive results. For the period under review, a substantial component of our increase in revenue is the result of production gains, and importantly achieving an average price of US$147/t for our products. It is encouraging that prices achieved in July and August so far have continued to be strong, despite market uncertainties elsewhere.

The financial statements contained herein have been reviewed by Deloitte Touche Tohmatsu. I commend them to you as a reflection of the progress and potential of the assets and management at IRC.

Yours faithfully,
Raymond Woo,
Chief Financial Officer

Results of operations

The following table sets forth income statement data for IRC, for the six months ended 30 June 2011.

It is important to note that IRC's first mine moved into normal production in the second half of 2010, and therefore results for the first six months in 2011 are not directly comparable to those in the same period of 2010.

	2011 US$'000	2010 US$'000
Revenue	**60,432**	5,198
Net operating expenses		
Site operating expenses and service costs	**(52,661)**	(12,331)
Central administrative expenses	**(13,479)**	(9,743)
	(66,140)	(22,074)
Impairment charges	**—**	(34,511)
	(5,708)	(51,387)
Share of results of joint ventures and associate	**(697)**	—
Net operating loss	**(6,405)**	(51,387)
Other gains and losses and other expenses	**10,135**	1,539
Financial income	**525**	10,743
Financial expenses	**(325)**	(11,269)
Profit/(loss) before taxation	**3,930**	(50,374)
Taxation expense	**(190)**	(1,315)
Profit/(loss) for the period	**3,740**	(51,689)
Profit/(loss) for the period attributable to:		
Owners of the Company	**3,637**	(51,905)
Non-controlling interests	**103**	216
	3,740	(51,689)

Revenue

Compared to the first half of 2010, revenue increased by US$55.2 million to US$60.4 million in the first six months of 2011. This was primarily attributable to the commencement of normal operations and sales generated from Kuranakh, our first producing mine, in the second half of 2010. We have delivered approximately 367,000 tonnes of iron ore concentrate and approximately 11,000 tonnes of ilmenite in the first half of 2011, and recorded revenue of US$53.9 million. Engineering service revenues from our Giproruda business increased compared to first half of 2010 by 26.2% from US$5.2 million to US$6.5 million reflecting increased billing in our consulting services contributing also to revenue growth in the first six months of 2011.

Results of operations

Net operating expenses

Site operating expenses and service costs

Our site operating expenses and service costs increased by US$40.3 million from US$12.3 million in first half of 2010 to US$52.7 million for the same period in 2011. This increase was primarily attributable to the commencement of production at our Kuranakh Processing Plant and the continued ramp-up of production. Associated costs included staff costs at the plant, the cost of iron ore concentrate sold and railway tariffs incurred on sales of iron ore concentrate and ilmenite. Total operating expenses for Kuranakh in first half of 2011 amounted to approximately US$44.0 million (first half of 2010: Nil), of which approximately US$24.7 million was incurred in the production of iron ore concentrate as follows:

	Operating Expenses (US$ mn)	Operating Expenses per tonne (US$/t)
Mining	10.6	26.5
Processing	9.7	26.9
Transportation to plant	2.2	5.5
Site administration and others	5.4	15.5
Change in inventories	(1.5)	—
Ilmenite concentrate sales	(1.7)	(5.0)
Total	24.7	69.4

Further to the above production costs, we also incurred transportation cost of US$16.2 million to ship our products to the border or port, where applicable.

During the same period, we also incurred operating expenses of approximately US$1.6 million for projects under development, primarily relating to K&S, while in the first half of 2010 we incurred operating expenses for projects under development primarily relating to Kuranakh of US$8.6 million.

The increase in corresponding staff cost in our Giproruda business to generate additional engineering service revenue as mentioned above also contributed to the increase in our operating expenses.

Operating profit before central administrative expenses and Impairment charges

As a result of the above, the Group reported an operating profit before central administrative expenses and Impairment charges of US$7.8 million (30 June 2010: Loss of US$7.1 million). This encouraging operating performance is mainly attributable to the profits contributed from the mine in production segment (Kuranakh) and the engineering segment (Giproruda).

Central administrative expenses

IRC's administrative expenses increased by 38.3% to US$13.5 million (first half in 2010: US$9.7 million) and this was due to costs associated with the employee incentive plan and the company being listed on the Main Board of the Hong Kong Stock Exchange.

Impairment charges

There is no impairment charge in the first half of 2011, while we recognised impairment charges of US$34.5 million in the first six months of 2010 relating to the Jiatai Titanium joint venture.

Results of operations

In 2011, we successfully obtained full control of the project by acquiring the remaining 35% stake from our joint venture partner.

Net operating loss

As a result of the above, our net operating loss in 2011 decreased by US$45 million, or 87.5%, to US$6.4 million.

Other gains and losses and other expenses

The increase of US$8.6 million in the first half of 2011 (first half of 2010: US$1.5 million) arose primarily as a result of net foreign exchange gain from appreciation of certain cash and cash equivalents, trade and other receivables which are denominated in Russian roubles against US dollars.

Financial income

Financial income decreased by US$10.2 million, or 95.1% from US$10.7 million in first half of 2010 to US$0.5 million in first half of 2011, primarily due to the reduction of interest income received from loans to the Petropavlovsk Group. All related loans were fully settled in the second half of 2010.

Financial expenses

Financial expenses decreased by US$10.9 million, or 97.1%, from US$11.3 million for the first half in 2010 to US$0.3 million for the same period in 2011, primarily due to the settlement of amounts due to the Petropavlovsk Group in the second half of 2010.

Taxation

Our tax charge decreased by US$1.1 million to US$0.2 million for first half of 2011 as we had significantly lower taxable profits in the United Kingdom. Our Russian tax remained stable.

Profit/(Loss) for the period attributable to the owners of the Company

As a result of the above, we recorded a profit of US$3.6 million for the first half in 2011 (first half in 2010: Loss of US$51.9 million).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2011, the carrying amount of the Group's cash and bank balances was approximately US$122.1 million (31 December 2010: US$225.5 million), representing a decrease of US$103.4 million, of which majority was spent on the mine development for K&S project, as compared to that as at 31 December 2010.

Borrowings and Charges

The Group did not have any outstanding bank loan as at 30 June 2011 (31 December 2010: Nil).

Risk of Exchange Rate Fluctuation

The Group undertakes certain transactions denominated in foreign currencies, principally Russian Roubles and is therefore exposed to exchange rate risk associated with fluctuations in the relative values of US Dollars. Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, through holding the relevant currencies. At present, the Group does not undertake any foreign currency transaction hedging.

Employees and Emolument Policies

As at 30 June 2011, the Group employed a total of approximately 2,061 employees. The total staff costs incurred were approximately US$24.0 million during the six months ended 30 June 2011. The emolument policy of the employees of the Group is set up by the Executive Committee on the basis of their merit, qualifications and competence.

Report on review of interim financial information

TO THE BOARD OF DIRECTORS OF IRC LIMITED
鐵江現貨有限公司
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 12 to 41, which comprises the condensed consolidated statement of financial position of IRC Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2011

Interim Financial Report
Condensed consolidated income statement

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June 2011 US$'000 (unaudited)	 2010 US$'000 (audited)
Revenue	4	**60,432**	5,198
Net operating expenses	5	**(66,140)**	(22,074)
Impairment charges	6	**—**	(34,511)
		(5,708)	(51,387)
Share of results of joint ventures		**(80)**	—
Share of results of an associate		**(617)**	—
Net operating loss		**(6,405)**	(51,387)
Other gains and losses and other expenses	7	**10,135**	1,539
Financial income	8	**525**	10,743
Financial expenses	9	**(325)**	(11,269)
Profit (loss) before taxation		**3,930**	(50,374)
Taxation expense	10	**(190)**	(1,315)
Profit (loss) for the period		**3,740**	(51,689)
Profit (loss) for the period attributable to:			
Owners of the Company		**3,637**	(51,905)
Non-controlling interests		**103**	216
Profit (loss) for the period		**3,740**	(51,689)
Earnings (loss) per share (US cents)	12		
Basic		**0.11**	(2.77)
Diluted		**0.11**	(2.77)

Interim Financial Report
Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Profit (loss) for the period	**3,740**	(51,689)
Other comprehensive income (expenses) for the period (net of tax):		
Exchange differences on translation of foreign operations and translation to presentation currency	**1,710**	(320)
Reclassification adjustment on translation difference upon acquisition of additional interest in Jiatai Titanium project	**(882)**	—
Total comprehensive income (expenses) for the period	**4,568**	(52,009)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**4,084**	(52,088)
Non-controlling interests	**484**	79
	4,568	(52,009)

Interim Financial Report
Condensed consolidated statement of financial position

At 30 June 2011

	NOTES	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**540,326**	499,270
Intangible assets	13	**40,262**	31,533
Goodwill	18	**6,061**	—
Interest in an associate		**—**	—
Interests in joint ventures	18	**7,248**	10,346
Other non-current assets	14	**64,430**	44,550
		658,327	585,699
CURRENT ASSETS			
Inventories	15	**35,691**	27,121
Trade and other receivables	16	**56,382**	29,231
Cash and cash equivalents		**122,075**	225,468
		214,148	281,820
TOTAL ASSETS		**872,475**	867,519
CURRENT LIABILITIES			
Trade and other payables	17	**(52,711)**	(57,085)
Current income tax payable		**(108)**	(185)
		(52,819)	(57,270)
NET CURRENT ASSETS		**161,329**	224,550
TOTAL ASSETS LESS CURRENT LIABILITIES		**819,656**	810,249
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(2,213)**	(2,024)
Provision for close down and restoration costs		**(4,247)**	(3,607)
		(6,460)	(5,631)
TOTAL LIABILITIES		**(59,279)**	(62,901)
NET ASSETS		**813,196**	804,618

Interim Financial Report
Condensed consolidated statement of financial position (Continued)
At 30 June 2011

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
CAPITAL AND RESERVES		
Share capital	**4,330**	4,330
Share premium	**1,028,468**	1,028,468
Capital reserve	**17,609**	16,946
Treasury shares	**(43,000)**	(43,000)
Reserves	**33,478**	29,684
Accumulated losses	**(232,499)**	(236,136)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**808,386**	800,292
NON-CONTROLLING INTERESTS	**4,810**	4,326
TOTAL EQUITY	**813,196**	804,618

Interim Financial Report
Condensed consolidated statement of changes in equity[(a)]

For the six months ended 30 June 2011

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000
Balance at 1 January 2010	2,265	1,183,520	6,908
Loss for the period	—	—	—
Other comprehensive expenses for the period			
Exchange differences on translation of foreign operations and translation to presentational currency	—	—	—
Total comprehensive expenses for the period	—	—	—
Exercise of warrants issued	192	153,040	—
Capital reduction[(c)]	—	(1,336,560)	—
Interim dividend (note 11)	—	—	—
Share-based payments	—	—	—
Deemed contribution from an equity holder[(b)]	—	—	5,333
Transfer to an equity holder	—	—	—
Transfer from an equity holder	—	—	—
Issue of shares and combination of Aricom Limited ("Aricom") and Aricom's subsidiaries (collectively the "Aricom Group")	—	697,637	—
Balance at 30 June 2010 (audited)	2,457	697,637	12,241
Balance at 1 January 2011	**4,330**	**1,028,468**	**16,946**
Profit for the period	**—**	**—**	**—**
Other comprehensive (income) expenses for the period			
Exchange differences on translation of foreign operations and translation to presentational currency	**—**	**—**	**—**
Reclassification to profit or loss upon acquisition of additional interest in the Jiatai Titanium project (note 18)	**—**	**—**	**—**
Total comprehensive income for the period	**—**	**—**	**—**
Share-based payments	**—**	**—**	**—**
Reversal of over-accrued listing-related expenses	**—**	**663**	**—**
Balance at 30 June 2011 (unaudited)	**4,330**	**1,029,131**	**16,946**

(a) This condensed consolidated statement of changes in equity is presented on pages 16 and 17.

(b) The amount represents certain central administrative expenses and tax expenses of the Group paid by the ultimate holding company. This amount is recorded in capital reserve as a deemed contribution from the ultimate holding company.

(c) On 27 May 2010, a reduction of Aricom's share capital was undertaken. In accordance with the United Kingdom Companies Act 2006, this reduction is considered to be a realised profit, and accordingly the share premium of US$1,336,560,000 was transferred to accumulated losses.

(d) The amount arose from acquisition of non-controlling interests and deemed contribution arising from the group restructuring for the Company's listing on the Stock Exchange.

Interim Financial Report
Condensed consolidated statement of changes in equity[a] (Continued)
For the six months ended 30 June 2011

Total attributable to owners of the Company							
Treasury shares US$'000	Accumulated losses US$'000	Share-based payments reserve US$'000	Translation reserve US$'000	Other reserves[d] US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total[a] equity US$'000
—	(619,700)	11,108	(18,725)	29,600	594,976	4,364	599,340
—	(51,905)	—	—	—	(51,905)	216	(51,689)
—	—	—	(183)	—	(183)	(137)	(320)
—	(51,905)	—	(183)	—	(52,088)	79	(52,009)
—	—	—	—	—	153,232	—	153,232
—	1,336,560	—	—	—	—	—	—
—	(644,437)	—	—	—	(644,437)	—	(644,437)
—	212	—	—	—	212	—	212
—	—	—	—	—	5,333	—	5,333
—	(171,613)	—	3,104	—	(168,509)	—	(168,509)
—	205,412	—	—	—	205,412	—	205,412
—	(260,000)	—	—	—	437,637	—	437,637
—	(205,471)	11,108	(15,804)	29,600	531,768	4,443	536,211
(43,000)	**(236,136)**	**12,442**	**(14,815)**	**32,057**	**800,292**	**4,326**	**804,618**
—	**3,637**	**—**	**—**	**—**	**3,637**	**103**	**3,740**
—	**—**	**—**	**1,329**	**—**	**1,329**	**381**	**1,710**
—	**—**	**—**	**(882)**	**—**	**(882)**	**—**	**(882)**
—	**3,637**	**—**	**447**	**—**	**4,084**	**484**	**4,568**
—	**—**	**3,347**	**—**	**—**	**3,347**	**—**	**3,347**
—	**—**	**—**	**—**	**—**	**663**	**—**	**663**
(43,000)	**(232,499)**	**15,789**	**(14,368)**	**32,057**	**808,386**	**4,810**	**813,196**

Interim Financial Report
Condensed consolidated statement of cash flows

For the six months ended 30 June 2011

	NOTE	Six months ended 30 June 2011 US$'000 (unaudited)	2010 US$'000 (audited)
OPERATING ACTIVITIES			
Cash used in operations		**(33,565)**	(22,263)
Income tax paid		**(265)**	(259)
NET CASH USED IN OPERATING ACTIVITIES		**(33,830)**	(22,522)
INVESTING ACTIVITIES			
Interest received		**525**	1,318
Proceeds on disposal of property, plant and equipment		**—**	3,713
Purchases of property, plant and equipment and intangible assets		**(69,653)**	(60,843)
Contribution to share capital of associate		**(617)**	—
Acquisition of a subsidiary, net of cash acquired	18	**(2,185)**	—
Loan issued to related parties		**—**	(6,035)
Joint venture registered capital contribution		**—**	(2,021)
Repayment of loan advanced to related parties		**—**	22,075
NET CASH USED IN INVESTING ACTIVITIES		**(71,930)**	(41,793)
FINANCING ACTIVITIES			
Debt arrangement costs		**(2,066)**	—
Dividends paid to shareholders of Aricom		**—**	(22,460)
Loans advanced from a related party		**—**	94,370
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(2,066)**	71,910
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**(107,826)**	7,595
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		**225,468**	18,415
Effect of foreign exchange rate changes		**4,433**	(145)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		**122,075**	25,865

Interim Financial Report
Notes to the condensed consolidated financial statements
For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with HKAS 34.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied for the first time, a number of new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Statements[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011

2 Effective for annual periods beginning on or after 1 January 2013

3 Effective for annual periods beginning on or after 1 July 2012

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 9 *Financial Instruments (as issued in November 2009)* introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments (as revised in November 2010)* adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the year ending 31 December 2013 and that application of the standard may not have significant impacts on the amounts reported in respect of the Group's financial assets and financial liabilities.

The amendments to HKFRS 7 titled *Disclosures — Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures.* HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The directors of the Company anticipate that the application of these new standards will have no material impact on the results and the financial position of the Group.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2011

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	53,871	—	6,561	—	60,432
Total revenue	53,871	—	6,561	—	60,432
Site operating expenses and service costs	(44,030)	(1,646)	(5,861)	(1,124)	(52,661)
Site operating expenses and service costs include:					
Depreciation and amortisation	(3,140)	(1,187)	(270)	(42)	(4,639)
Share of results of joint ventures	—	—	—	(80)	(80)
Share of results of an associate	—	(617)	—	—	(617)
Segment results	9,841	(2,263)	700	(1,204)	7,074
Central administrative expenses					(13,273)
Central depreciation and amortisation					(206)
Other gains and losses and other expenses					10,135
Financial income					525
Financial expenses					(325)
Taxation expense					(190)
Profit for the period					3,740

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2010

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	—	—	5,198	—	5,198
Total revenue	—	—	5,198	—	5,198
Site operating expenses and service costs	—	(8,567)	(4,424)	(33,851)	(46,842)
Site operating expenses and service costs include:					
Depreciation and amortisation	—	(513)	(324)	(12)	(849)
Segment results	—	(8,567)	774	(33,851)	(41,644)
Central administrative expenses					(9,529)
Central depreciation and amortisation					(214)
Other gains and losses and other expenses					1,539
Financial income					10,743
Financial expenses					(11,269)
Taxation expense					(1,315)
Loss for the period					(51,689)

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

4. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Revenue		
Sales of goods	**53,871**	—
Rendering of services	**6,561**	5,198
	60,432	5,198

5. NET OPERATING EXPENSES

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Site operating expenses and service costs[(a)]	**52,661**	12,331
Central administrative expenses[(b)]	**13,479**	9,743
	66,140	22,074

Included in site operating expenses and service costs was the cost of goods sold and service costs of US$30,540,000 (for the six months ended 30 June 2010: US$3,173,000).

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

5. NET OPERATING EXPENSES (Continued)

(a) Site Operating Expenses and service costs

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Staff costs	**19,298**	7,176
Fuel	**5,555**	121
Materials	**4,675**	—
Depreciation and amortisation	**4,639**	849
Electricity	**1,393**	—
Royalties	**549**	—
Railway tariff	**15,080**	—
Movement in finished goods and work in progress	**(184)**	—
Inventory written off	**1,065**	—
Outside services	**4,648**	1,106
Professional fees	**432**	454
Bank charges	**152**	83
Insurance	**92**	26
Office rent	**450**	326
Business travel expenses	**551**	273
Office costs	**740**	415
Mine development costs capitalised in property, plant and equipment	**(8,570)**	—
Reversal of allowance for bad debts	**(133)**	(11)
Loss on disposal of property, plant and equipment	**6**	904
Other expenses	**2,223**	609
	52,661	12,331

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

5. NET OPERATING EXPENSES (Continued)

(b) Central Administrative Expenses

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Staff costs	**4,698**	5,493
Depreciation and amortisation	**206**	214
Professional fees	**1,831**	1,330
Bank charges	**37**	22
Insurance	**461**	187
Office rent	**910**	910
Business travel expenses	**884**	1,086
Share-based payments	**3,347**	403
Office costs	**344**	200
Allowance for bad debts	**1**	—
Loss on disposal of property, plant and equipment	**2**	—
Other expenses (income)	**758**	(102)
	13,479	9,743

6. IMPAIRMENT CHARGES

In 2010, the Company was advised that its joint venture partner had decided to withdraw from some of its non-core ventures and consequently no longer wished to proceed with the Jiatai Titanium project (as defined in note 18). As of 30 June 2010, the Company had invested approximately US$20.8 million in the joint venture, and a further US$15.3 million on the titanium sponge processing technology, which was expected to be recharged to the joint venture. As a consequence the building of the plant was deferred and there was uncertainty as to the eventual outcome of the joint venture activities and the recoverability of the amounts invested. As a result, the directors concluded that the most appropriate course of action was to provide for an impairment of US$33.1 million against the invested amounts of US$33.1 million. This impairment recognised in the consolidated income statement for the six months ended 30 June 2010, was allocated to intangible assets (US$0.7 million), property, plant and equipment (US$14.6 million) and interests in joint ventures (US$17.8 million). The impairment took into account the recoverable value of the Group's share of the joint venture of US$4.9 million which reflected the Group's 65% share of the cash within the joint venture, net of its liabilities.

In 2011, the Group has successfully acquired the 35% interest from the joint venture partner and plan to proceed with a different joint venture partner. Please see note 18 for details.

In the event that the Company ultimately does not proceed with the project, an impairment charge may be required.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

7. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Change in fair value of financial instruments at fair value through profit or loss	**—**	1,711
Net foreign exchange gain	**6,825**	2,197
Gain on acquisition of an additional interest in Jiatai Titanium project (note 18)		
— Gain on remeasurement of previously held equity interest	**428**	—
— Reclassification of foreign exchange translation gain of Jiatai Titanium project previously accumulated in translation reserve	**882**	—
Reversal of (provision for) listing expenses	**2,000**	(2,369)
	10,135	1,539

8. FINANCIAL INCOME

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Interest income on loans receivable from related parties	**—**	10,585
Interest income on cash and cash equivalents	**520**	96
Interest income on other loans and receivables	**5**	62
	525	10,743

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

9. FINANCIAL EXPENSES

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Interest expenses on loan wholly repayable to related parties within five years	**—**	11,247
Unwinding of discount on environmental obligation	**325**	22
	325	11,269

10. TAXATION EXPENSE

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
United Kingdom ("UK") current tax	**—**	(1,068)
Cyprus current tax	**(1)**	(25)
Russia current tax	**(176)**	(285)
Current tax expense	**(177)**	(1,378)
Deferred tax (expense) credit	**(13)**	63
	(190)	(1,315)

UK corporation tax is calculated at a rate of 27% (2010: 28%) of the estimated assessable profit.

Cyprus corporation tax is calculated at a rate of 10% of the estimated assessable profit for each of the six months ended 30 June 2010 and 2011.

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2010 and 2011.

For the six months ended 30 June 2011, the Group had no assessable profit subject to UK corporation tax. No Hong Kong profits tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

11. DIVIDENDS

An interim dividend of US$644,437,000 was proposed and approved by the directors of Aricom on 22 June 2010. Of this amount US$22,460,000 was paid in cash and the remainder was offset against amounts owing to Petropavlovsk PLC prior to the listing of the Company's shares on the Stock Exchange under the group re-organisation.

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend.

12. EARNINGS/LOSS PER SHARE

The calculation of the basic and diluted earnings/loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Earnings/loss for the purposes of basic and diluted earnings/loss per ordinary share being profit (loss) for the period attributable to owners of the Company	**3,637**	(51,905)

Number of shares

	Six months ended 30 June	
	2011	2010
	Number	Number
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings/loss per ordinary share	**3,246,000**	1,872,196
Effect of dilutive potential ordinary shares:		
Shares awarded under Long-term Incentive Plan	**26,919**	—
Weighted average number of ordinary shares for the purposes of diluted earnings/loss per ordinary share	**3,272,919**	1,872,196

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

12. EARNINGS/LOSS PER SHARE (Continued)

The number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 June 2010 has been retrospectively adjusted for the share sub-division in June 2010, the deemed bonus element relating to the shares of the Company issued to Cayiron Limited in August 2010 and the capitalisation issue of the shares of the Company in October 2010.

The computation of diluted loss per share for the six months ended 30 June 2010 does not assume the conversion of Aricom's then outstanding warrants and share options since their exercise would result in a decrease in loss per share.

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the period, the Group spent approximately US$69.7 million (for the period ended 30 June 2010: US$60.8 million) on the mine development and exploration, including prepayments for property, plant and equipment as disclosed in note 14.

At 30 June 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting US$14.6 million (2010: US$23 million).

14. OTHER NON-CURRENT ASSETS

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Deferred insurance premium for bank facilities	**22,518**	22,518
Prepayments for property, plant and equipment	**35,360**	15,837
Deferred loan arrangement fee	**6,146**	5,780
Cash advances to employees	**406**	415
	64,430	44,550

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

15. INVENTORIES

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Stores and spares	**26,839**	18,545
Work in progress	**6,274**	4,896
Finished goods	**2,578**	3,680
	35,691	27,121

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
VAT recoverable	**19,386**	12,399
Advances to suppliers	**15,693**	8,871
Amounts due from customers under engineering contracts	**2,810**	1,511
Trade receivables	**15,650**	5,054
Other debtors	**2,843**	1,396
	56,382	29,231

Amounts due from customers under engineering contracts are expected to be billed and settled within one year, and relate to the long-term contracts in progress.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

16. TRADE AND OTHER RECEIVABLES (Continued)

The following is an analysis of the trade receivables by age, presented based on the invoice date.

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Less than one month	**14,342**	4,039
One month to three months	**419**	462
Over three months to six months	**694**	10
Over six months	**195**	543
Total	**15,650**	5,054

The Group allows credit periods ranging from 10 days to 45 days (2010: 5 days to 45 days) to individual third party customers.

17. TRADE AND OTHER PAYABLES

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Trade payables	**11,455**	12,360
Advances from customers	**309**	1,261
Insurance premium payable	**22,518**	24,218
Accruals and other payables	**18,429**	19,246
	52,711	57,085

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

17. TRADE AND OTHER PAYABLES (Continued)

The following is an analysis of the trade payables by age, presented based on the invoice date.

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Less than one month	**7,111**	7,414
One month to three months	**1,262**	1,711
Three months to six months	**276**	1,418
Over six months	**1,018**	29
	9,667	10,572
Trade payables not yet billed	**1,788**	1,788
Total	**11,455**	12,360

For individual third party trade creditors, the average credit period on purchases of goods and services for the period was 23 days (2010: 22 days).

18. ACQUISITION OF A SUBSIDIARY

In accordance with the terms of the joint venture agreement between the Company and a Chinese partner signed and approved by the Chinese Ministry of Commerce on 12 August 2008 for establishment of a jointly control Chinese titanium sponge processing joint venture project, Heilongjiang Jiatai Titanium Co. Limited ("Jiatai Titanium project") was incorporated in the PRC with 65% interest held by the Group and the remaining 35% held by a joint venture partner.

As discussed in note 6, the Company was advised in 2010 that the joint venture partner had decided to withdraw from some of its non-core ventures and consequently no longer wished to proceed with the Jiatai Titanium project. With a view to proceed with the project alone or with a different joint venture partner, the Group entered into an agreement with the joint venture partner on 25 August 2010 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 the joint venture partner's stake in the Jiatai Titanium project.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

18. ACQUISITION OF A SUBSIDIARY (Continued)

On 11 April 2011, the Group successfully acquired the remaining 35% equity stake from the joint venture partner for US$11.5 million pursuant to which the Jiatai Titanium project becomes a wholly-owned subsidiary of the Group. Pursuant to the equity transfer agreement, the joint venture partner waived and released the Jiatai Titanium project from its obligations to pay to its subsidiary an amount of US$3.5 million relating to engineering design, management contracting and other services previously made to the project upon completion of the acquisition by the Company.

Consideration transferred

	US$'000 (unaudited)
Cash paid	11,535
Adjustment on part relating to waiver of debt of Jiatai Titanium project by the joint venture partner	(3,512)
	8,023

Acquisition-related costs were insignificant and recognised as an expense in the period, within the administrative expenses in the condensed consolidated income statement.

The provisional fair value of assets acquired and liabilities assumed at the date of acquisition

	US$'000 (unaudited)
Current assets	
Cash and cash equivalents	9,350
Other receivables	76
Non-current assets	
Property, plant and equipment	658
Current liabilities	
Other payables	(4,479)
	5,605

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. At the date of issue of these condensed consolidated financial statements, the necessary market valuation of the property, plant and equipment held by the Jiatai Titanium project and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely fair value. The directors expects that any additional identification, and the market valuation, of the assets acquired and the liabilities assumed at the date of acquisition would be completed before the end of this year and the Company will then adjust these provisional amounts retrospectively.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

18. ACQUISITION OF A SUBSIDIARY (Continued)

The provisional fair value of other receivables acquired approximated the gross contractual amounts. There are no contractual cash flows not expected to be collected.

Provisional goodwill arising on acquisition

	US$'000 (unaudited)
Consideration transferred	8,023
Plus: Provisional fair value of the previously held equity interest (65%)	3,643
Less: Recognised amount of provisional fair value of identifiable net assets acquired	(5,605)
	6,061

Net cash outflow arising on acquisition

	US$'000 (unaudited)
Consideration paid in cash	11,535
Less: Cash and cash equivalent balances acquired	(9,350)
	2,185

Impact of acquisition of the remaining 35% equity stake in Jiatai Titanium project on the results of the Group

- An aggregate gain of US$1,310,000 was recognised as a result of remeasurement of the previously held equity interest (65%) and the reclassification of foreign translation gain of the project previously recognised in translation reserve (note 7).

- Included in the profit for the period is a post-acquisition loss of US$507,000 attributed to Jiatai Titanium project which has not yet started to generate revenue since the date of the acquisition.

- Had the acquisition of the remaining 35% equity stake in Jiatai Titanium project been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have remained at US$60,432,000, and the profit for the period would have been US$3,643,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2011, nor is intended to be a projection of future results.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

19. DISPOSAL OF SUBSIDIARIES

On 10 June 2010, the Group disposed of its interest in Aricom Finance UK Limited and Aricom Treasury UK Limited and its subsidiaries to Petropavlovsk PLC. These entities were part of the intercompany financing structure of the Aricom Group and their principal assets were group company current accounts, and were not considered to be a discontinued operation of the Group.

Total consideration of US$468,732,000 has been received for the sale of these entities. The loss on sale of these entities of US$168,509,000 was recognised in equity as a transfer to the equity holder, as it was generated by the difference between the value of the intercompany receivables in the standalone accounting records of each entity, compared to the balance eliminated from the consolidated financial statements. When these loans were transferred to Thorrouble Limited and Thordollar Limited, the difference between the value of the consideration paid by these companies and the contractual amounts of the receivables of US$205,412,000 was recognised as an offsetting transfer of equity by the owner. There were no cash flows arising as a result of this transaction.

20. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below. All of the transactions were reviewed by independent members of the Board.

During the six months ended 30 June 2011, the Group entered into the following transactions with related parties:

Related parties

Petropavlovsk PLC, the ultimate holding company and its subsidiaries and joint ventures are considered to be related parties due to Mr Peter Hambro, Mr George Jay Hambro and Dr Pavel Maslovskiy's shareholdings and directorships in those companies and in Petropavlovsk PLC. As at 30 June 2011, Mr Peter Hambro, Mr George Jay Hambro and Dr Pavel Maslovskiy held 5.66%, nil and 8.98% respectively of ownership interest in Petropavlovsk PLC. During the six months period ended 30 June 2011, Mr Peter Hambro, Mr George Jay Hambro and Dr Pavel Maslovskiy held ownership interest in Petropavlovsk PLC ranging from 5.66% to 5.84%, from nil to 0.0044% and from 8.98% to 9.26% respectively.

Asian-Pacific Bank is considered to be a related party as Mr Peter Hambro and Dr Pavel Maslovskiy have an interest in this company, throughout the periods. As at 30 June 2011, each of Mr Peter Hambro and Dr Pavel Maslovskiy indirectly held 16.56% of ownership interest in Asian-Pacific Bank. During the periods, Mr Peter Hambro and Dr Pavel Maslovskiy indirectly held ownership interest in Asian-Pacific Bank ranging from 16.48% to 16.56% each.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

20. RELATED PARTY DISCLOSURES (Continued)

OJSC Apatit ("Apatit"), a subsidiary of JSC PhosAgro ("PhosAgro"), is considered to be a related party due to PhosAgro's non-controlling interest and significant influence in the Group's subsidiary, OJSC Giproruda.

Mr Peter Hambro is a Director and a beneficial owner of 51% interest in Peter Hambro Limited.

LLC Uralmining ("Uralmining") is an associate of the Group and hence is a related party.

Other than those disclosed in elsewhere in the condensed consolidated financial statements, transactions with related parties of the Group entered into during the six months ended 30 June 2011 including that related to the day-to-day operation of the business are set out below.

	Sales		Purchases	
	Six months ended 30 June		Six months ended 30 June	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(audited)	**(unaudited)**	(audited)
Petropavlovsk PLC and its subsidiaries and joint ventures				
Petropavlovsk PLC	**21**	420	**515**	—
OJSC Irgiredmet	**—**	—	**535**	64
LLC NPGF Regis	**25**	7	**144**	167
CJSC Peter Hambro Mining Engineering	**1**	—	**1,582**	1,968
CJSC Pokrovsky Rudnik	**34**	3,966	**9**	18
Dalgeologia	**278**	74	**4,295**	1,725
Kapstroy	**151**	1,720	**1,233**	18,148
MC Petropavlovsk	**445**	423	**120**	248
PRP Stansii	**3**	9	**9**	61
Gidrometallurgia	**87**	73	**—**	—
Odolgo	**6**	11	**—**	—
Trading transactions with other related parties				
Apatit	**577**	1,969	**—**	—

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

20. RELATED PARTY DISCLOSURES (Continued)

The outstanding balances with related parties at the end of the reporting period are set out below.

	Amounts owed by related parties[(a)]		Amounts owed to related parties[(b)]	
	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)	**As at 30 June 2011 US$'000 (unaudited)**	As at 31 December 2010 US$'000 (audited)
Petropavlovsk PLC and its subsidiaries and joint ventures				
Petropavlovsk PLC	**89**	—	**58**	246
OJSC Irgiredmet	**49**	610	**5**	5
LLC NPGF Regis	**5**	4	**67**	205
LLC Obereg CHOP	**—**	—	**—**	42
CJSC Peter Hambro Mining Engineering	**1,744**	1,789	**569**	1,187
CJSC Pokrovsky Rudnik	**251**	228	**9**	1
CJSC Malomyrskiy Rudnik	**—**	9	**—**	800
Dalgeologia	**36**	95	**754**	625
Kapstroy	**14**	—	**159**	127
MC Petropavlovsk	**150**	34	**2,042**	—
PRP Stansii	**2**	—	**—**	—
Gidrometallurgia	**1**	2	**—**	—
Odolgo	**—**	2	**—**	—
Aricom Rouble Treasury UK Ltd.	**—**	17	**—**	—
Aricom Finance UK Ltd.	**27**	26	**—**	—
Asian — Pacific Bank	**—**	—	**—**	—
Outstanding balances with other related parties				
Apatit	**808**	925	**—**	—
	3,176	3,741	**3,663**	3,238

(a) The amounts are recorded in trade and other receivables, which are unsecured, non-interest bearing and repayable on demand.

(b) The amounts are recorded in trade and other payables, which are unsecured, non-interest bearing and repayable on demand.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

20. RELATED PARTY DISCLOSURES (Continued)

Banking arrangements

The Group has bank accounts with Asian-Pacific Bank. The bank balances at the end of the reporting period are set out below:

	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Asian-Pacific Bank	**6,767**	13,531

The Group earned interest on the balances held on accounts with the above bank details of which are set out below.

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Interest income from cash and cash equivalents	**7**	35

Guarantee arrangements

On 13 December 2010, the Group entered into a project finance facility agreement with the Industrial and Commercial Bank of China Limited ("ICBC") (the "ICBC Facility Agreement"), pursuant to which ICBC will lend US$340,000,000 (equivalent to HK$2.64 billion) to LLC KS GOK ("KS"), a wholly owned subsidiary of the Company, to be used to fund the construction of the Group's mining operations at K&S in time for the start of major construction works in 2011. Interest under the facility will be charged at 2.80% above London Interbank Offering rate ("LIBOR") per annum. The facility is repayable over a period of 11 years.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

20. RELATED PARTY DISCLOSURES (Continued)

Guarantee arrangements (Continued)

Petropavlovsk PLC has agreed to guarantee the Group's obligations under the ICBC Facility Agreement. Petropavlovsk PLC, the Company and KS have entered into an agreement setting out the terms on which Petropavlovsk PLC is prepared to give the guarantee ("Recourse Agreement"). No fee will be payable by the Company in respect of the provision of the guarantee by Petropavlovsk PLC while Petropavlovsk PLC remains the parent company of the Company. In the event that Petropavlovsk PLC ceases to be the parent company of the Company, a fee established on normal commercial terms will be payable by the Company to Petropavlovsk PLC in respect of the guarantee. No security will be granted by the Group to Petropavlovsk PLC in respect of the guarantee. Pursuant to the Recourse Agreement, Petropavlovsk PLC will have the right to inject funds into the Group by shareholder loan (on normal commercial terms at the time) in order to enable the Group to make payments under the ICBC Facility Agreement or for other working capital purposes. The Recourse Agreement also contains reporting obligations and customary covenants from the Group which require Petropavlovsk PLC's consent as guarantor (acting reasonably and taking into account the effect upon the Group's ability to fulfill its obligations under the ICBC Facility Agreement) for certain actions including the issuance, acquisition or disposal of securities, and entry into joint ventures.

As at 30 June 2011, Petropavlovsk PLC beneficially owns approximately 65.61% (at 31 December 2010: 65.61%) of the issued share capital of the Company. Under the ICBC Facility Agreement, each of the following will constitute a covenant and non-compliance with any covenant will constitute an event of default upon which the ICBC Facility Agreement will become immediately due and payable: (i) Petropavlovsk PLC must retain a not less than 30% direct or indirect interest in the Company; (ii) Petropavlovsk PLC has an obligation to maintain a minimum tangible net worth of not less than US$750,000,000, a minimum interest cover ratio of 3.5:1 and a maximum leverage ratio of 4:1; and (iii) there are also certain limited restrictions on Petropavlovsk PLC's ability to grant security over its assets, make disposals of its assets, or enter into merger transactions.

As at 30 June 2011 and 31 December 2010, the Group did not utilise any of the bank facilities described above.

Financing transactions

The Group has provided a loan to an associate, Uralmining. The interest income accrued on the loan to Uralmining amounted to US$238,000 for the six months ended 30 June 2011 (for the six months ended 30 June 2010: US$476,000).

The loan and interest income receivable as at 30 June 2011 and 31 December 2010 was fully impaired in the condensed consolidated income statement as the loan to Uralmining was considered to be unrecoverable.

Interim Financial Report
Notes to the condensed consolidated financial statements (Continued)
For the six months ended 30 June 2011

20. RELATED PARTY DISCLOSURES (Continued)

Key Management Compensation

During the six months ended 30 June 2010, George Jay Hambro, Brian Egan and Yury Makarov, who were then also employed by Petropavlovsk PLC, were considered the key management personnel of the Group. Accordingly, a component of their Petropavlovsk PLC remuneration was allocated to the Group to reflect the proportion of their roles that related to the Group's business during that period. During the six months ended 30 June 2011, George Jay Hambro, Yury Makarov, Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Pavel Maslovskiy and Simon Murray were considered the key management of the Group. The remuneration of key management personnel is set out below in aggregate.

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Short-term benefits	**1,274**	663
Post-employment benefits	**110**	24
Share-based payments	**2,045**	105
	3,429	792

The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

21. CONTINGENT LIABILITIES

The Group has no significant contingent liabilities apart from those disclosed in the Group's annual financial statements for the year ended 31 December 2010.

Corporate Governance and Other Information

Directors' interests

As at 30 June 2011, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules and adopted by the Company (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares of the Company

Name of director	Nature of interest	Number of shares in the Company	Percentage of issued shares in the Company
George Jay Hambro	Contingent beneficial interest[1]	23,220,000	0.69%
Yury Makarov	Contingent beneficial interest[1]	20,317,500	0.60%
Raymond Kar Tung Woo	Contingent beneficial interest[1]	14,512,500	0.43%

Name of director	Nature of interest	No. of shares in Petropavlovsk PLC ("Petropavlovsk")	Percentage of issued shares in Petropavlovsk
George Jay Hambro	Contingent beneficial interest	54,166	0.08%[2]
Yury Makarov	Contingent beneficial interest	41,666	0.02%[2,3]
	Beneficial interest	53,846	0.03%[4]
Dr Pavel Maslovskiy	Interest of a controlled corporation and beneficial interest	14,903,486	7.93%

Corporate Governance and Other Information

Mr George Jay Hambro is the son of Mr Peter Hambro. Mr Yury Makarov is the stepson of Dr Pavel Maslovskiy. Mr. Peter Hambro and Dr. Pavel Maslovskiy are substantial shareholders in Petropavlovsk PLC.

1 An Employee Benefit Trust ("EBT") was established for the purpose of making appointments and settling awards made under the Long-Term Incentive Plan (the "LTIP"). The LTIP is to provide equity incentives over already issued Shares to selected employees of the Group, including executive directors of the Company but excluding directors of Petropavlovsk. The trustee of the EBT is SG Hambros Trust Company (Channel Islands) Limited. It is intended that the EBT shall not hold more than 5% of the outstanding share capital of the Company at any time. As at 30 June 2011, the EBT held 116,100,000 shares of the Company, representing 3.45% of the total issued share capital of the Company. Awards may be granted and appointments may be made in accordance with the terms of the EBT to eligible employees for the benefit of their families under the terms of the LTIP by the EBT. Any such award shall be subject to the recommendation of the Remuneration Committee of the Board (the "Committee"), with respect to the terms of such award and the exercise of any discretions. The same vesting conditions shall be applied to awards granted by the EBT as are applied to awards granted at the same time by the Committee.

2 These are conditional interests in shares in Petropavlovsk held in Petropavlovsk's employee benefit trust (the "Petropavlovsk EBT") and relate to performance share awards which the trustee of the Petropavlovsk EBT granted and made appointments on 26 June 2010 under Petropavlovsk's long term incentive plan and in accordance with the terms of the Petropavlovsk EBT for the benefit of the families of each of Jay Hambro and Yury Makarov.

3 Assuming the issued share capital of Petropavlovsk is increased only by the number of shares to be issued to Yury Makarov upon the vesting of the shares awarded to him pursuant to Petropavlovsk's long term incentive plan on 26 June 2010.

4 Yury Makarov was awarded shares in Petropavlovsk in April 2009 pursuant to the merger of Aricom and Petropavlovsk (then known as Peter Hambro Mining plc). These shares vested in February 2010 and are currently held in the Petropavlovsk EBT.

Long Positions in shares of an associated corporation

Name of Director	Name of associated corporation	Capacity and nature of interest	Number of Shares
Dr Pavel Maslovskiy	Petropavlovsk	Beneficial owner and interest of a controlled corporation	14,903,486
Mr George Jay Hambro	Petropavlovsk	Contingent beneficial interest	54,166
Mr Yury Makarov	Petropavlovsk	Contingent beneficial interest and beneficial owner	95,512

Corporate Governance and Other Information

Directors' interests in contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2011.

Substantial shareholders' and other persons' interests

So far as is known to any Director or chief executive of the Company, as at 30 June 2011, the Company's shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company as under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of Shares in the Company (Note)	Approximate percentage of the Company's total issued share capital
Petropavlovsk PLC	Corporate interest	2,205,900,000 (L)	65.61%
Cayiron Limited*	Interest of a controlled corporation	2,205,900,000 (L)	65.61%
Blackrock, Inc.	Interest of a controlled corporation	231,543,950 (L)	6.89%
		12,722,000 (S)	0.38%
General Enterprise Management Services Limited ("GEMS")	Interest of a controlled corporation	215,568,000 (L)	6.41%
ARF Investment Management Limited	Investment manager	215,568,000 (L)	6.41%
Asia Resources Fund Limited	Interest of a controlled corporation	215,568,000 (L)	6.41%
Development Bank of Japan Inc.***	Interest of a controlled corporation	215,568,000 (L)	6.41%
General Enterprise Management Services (International) Limited	Interest of a controlled corporation	215,568,000 (L)	6.41%
General Enterprise Marbella Holdings Limited**	Beneficial owner	215,568,000 (L)	6.41%

Note: "L" denotes long position and "S" denotes short position.

* Cayiron Limited is a wholly owned subsidiary of Petropavlovsk PLC.

** Marbella Holdings Limited is a wholly-owned subsidiary of Asia Resources Fund Limited, which is managed by ARF Investment Management Limited which is a wholly owned subsidiary of General Enterprise Management Services (International) Limited.

*** Development Bank of Japan Inc. holds a 46.51% interest in Asia Resources Fund Limited.

Corporate Governance and Other Information

Save as disclosed above and those disclosed under "Directors' Interests", the Group had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, the Company had not been notified of any short positions being held by any substantial shareholder in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Purchase, sale or redemption of the company's listed securities

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate governance

The Management and Board of IRC are committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Detailed disclosure of the Company's corporate governance policies and practices is available in the 2010 Annual Report.

Throughout the six months ended 30 June 2011, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the period and they have confirmed their full compliance with the required standard set out in the Model Code.

The 2011 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

Corporate Information and Advisers

Corporate Information

Headquarters, registered address and principal place of business in Hong Kong:

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Corporate Website: http://www.ircgroup.com.hk

Hong Kong Business Registration number:
52399423
Hong Kong Company Registration number:
1464973

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Executive Directors:

Chairman: G.J. Hambro
Chief Executive Officer: Y.V. Makarov
Chief Financial Officer and Company Secretary:
R.K.T. Woo

Non-Executive Directors:

Dr P.A. Maslovskiy
S. Murray, CBE, *Chevalier de la Légion d'honneur*

Independent Non-Executive Directors:

D.R. Bradshaw, Senior Independent Non-Executive Director
C.F. Li
J.E. Martin Smith

Committees of the Board:

Audit Committee
C.F. Li (Chairman)
J.E. Martin Smith
D.R. Bradshaw

Remuneration Committee
J.E. Martin Smith (Chairman)
D.R. Bradshaw
C.F. Li

Health, Safety and Environmental Committee
D.R. Bradshaw (Chairman)
C.F. Li
J.E. Martin Smith

Authorised Representatives for the purposes of the Stock Exchange of Hong Kong Limited
G.J. Hambro
R.K.T. Woo

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Disclaimer

Certain statements contained in this Interim Report are forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "intends", "may", "will" or "should" or in each case their negative, or other variations or comparable terminology. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among other things, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, currency fluctuations, the Group's ability to recover its reserves or develop new reserves and to implement its expansion plans and achieve cost reductions and efficiency measures, changes in business strategy or development, political and economic uncertainty and other risks. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Interim Report will, in fact, occur. Any forward-looking statements in this Interim Report reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations and growth strategy. Shareholders should specifically consider the factors identified in this Interim Report which could cause results to differ before making an investment decision.

These forward-looking statements speak only as at the date of this Interim Report. The Group will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Interim Report, except as required by law or by any appropriate regulatory authority. Nothing in this Interim Report should be considered as a profit or loss forecast. Past performance cannot be relied on as a guide to future performance.