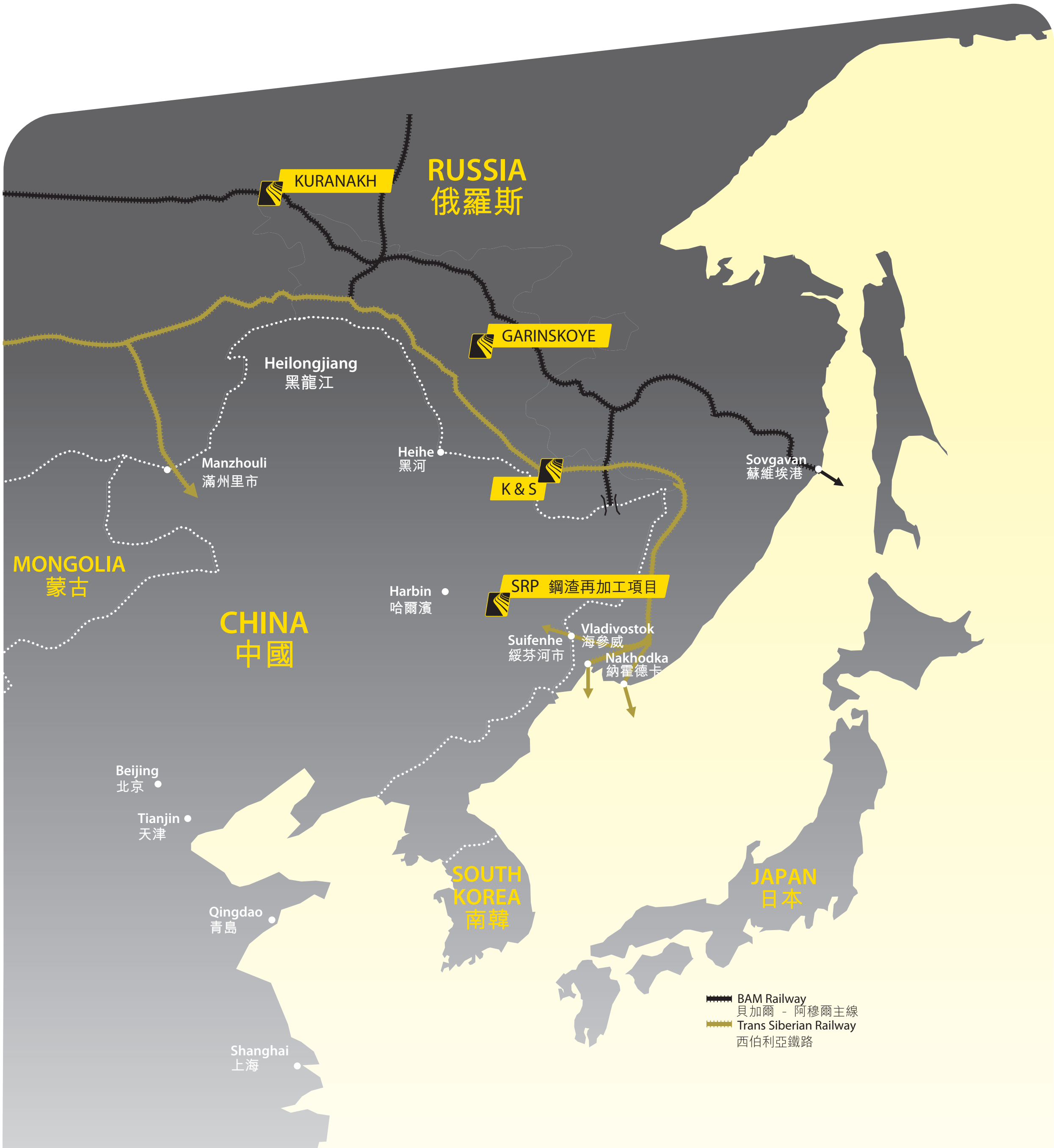
IRC Limited
鐵江現貨有限公司

HONG KONG STOCK CODE 股份代號: 1029

Interim Report 2012
中期報告



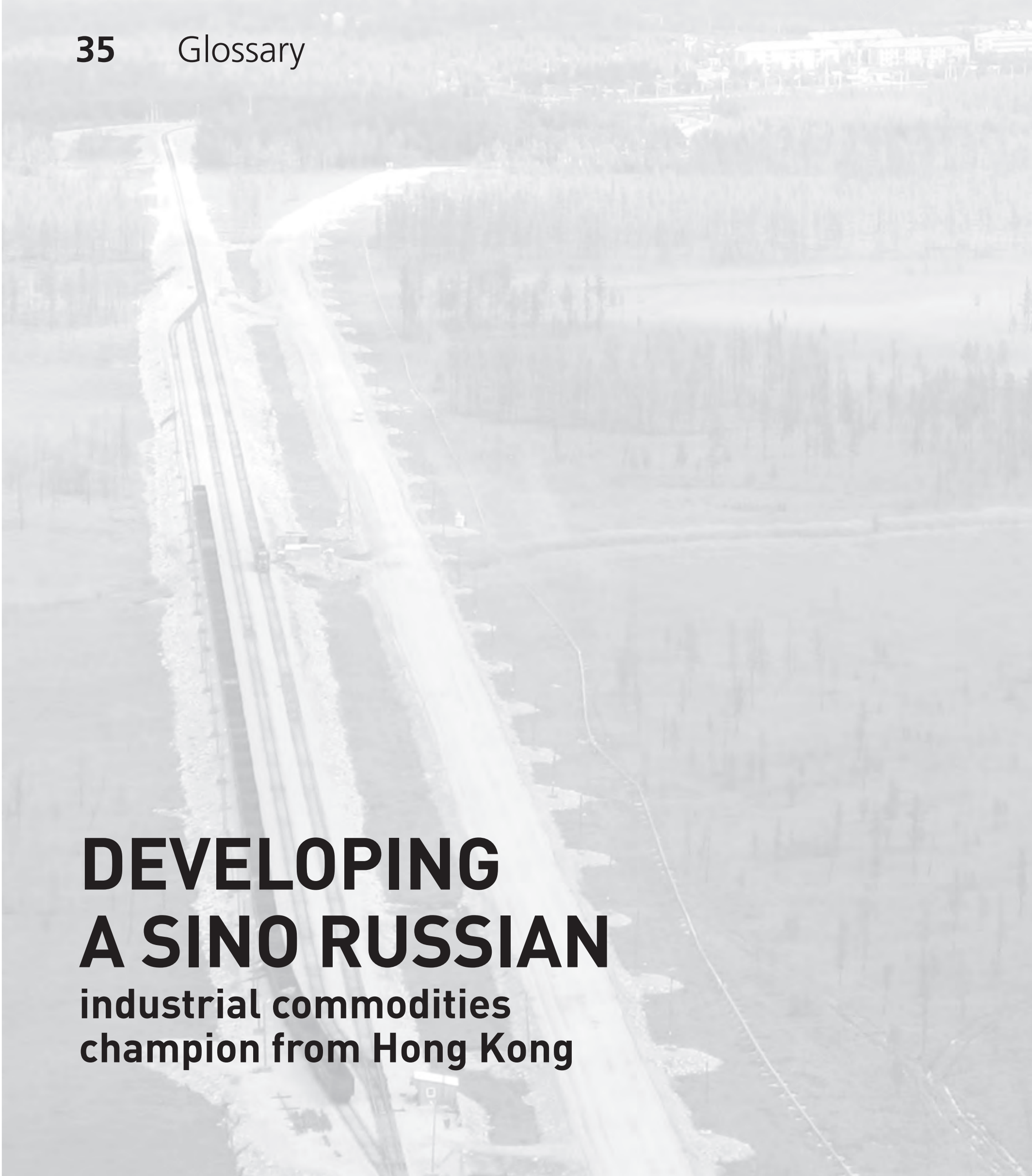
A unique combination of **geology**, **geography** and **infrastructure** ensures that IRC continues to grow as a **Sino-Russian industrial commodities champion**.

During the first half of 2012, IRC continued to deliver on production and construction targets, whilst adding ilmenite and molybdenum optionality to the exploration portfolio.

地質、**地理**及**基建**的獨特組合，確保鐵江現貨作為**中俄工業商品行業之冠**持續增長。

於2012年上半年，鐵江現貨繼續履行生產及建設目標，同時將鈦鐵礦及鉬選項加入勘探組合。

CONTENTS



DEVELOPING A SINO RUSSIAN

industrial commodities champion from Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to report another period of progress for IRC. Despite challenging conditions our team has delivered: our production targets at Kuranakh; with the collective efforts of our contractors the K&S project is developing to plan; Garinskoye has moved a step nearer development; and we've added ilmenite and molybdenum optionality to our exploration portfolio.

I am aware, however, that our achievements are set against a backdrop of deteriorating sentiment across the global economy and presently low iron ore prices. Therefore, I want to use this opportunity to remind shareholders why I believe IRC remains a great investment.

Over the last decade I have been fortunate to spend considerable time in Russia and China, building a view of what is happening on the ground. I recognise Chinese growth rates are slowing, however, it is important to understand that lower growth off an enlarged base is never a reduction in aggregate demand. Chinese steel production is substantial and growing, driven by increased infrastructure spending and urbanisation. With Chinese mining rates falling there is an increasing dependence on imports. In light of this, for those enjoying the geological and geographical advantages we have, the future is positive.

Our position on the Sino-Russian border provides us a unique insight into northeastern China as we are closer to our customers than most international suppliers. Through the first half of the year, we have continued to see firm demand for our iron ore and ilmenite products. The Kuranakh Mine is running at full iron ore production rates and in the second half of this year as the new ilmenite circuits enter production, this will be complemented by full ilmenite production rates. The K&S Project is advancing well and every day the risk profile reduces as we near first production in 2014 and annual production thereafter of 3.2 million tonnes of high quality iron ore. We also see great interest in our production growth which provides me with confidence that we are doing the right things today and for the long-term.

Nevertheless, negative sentiment surrounds the sector. I am reminded of the saying: "if you don't have the facts don't have an opinion", as this rings true in the analysis of Chinese iron ore markets, where the reality is not being reflected in the equity or commodity markets. As the real picture surfaces, I am optimistic that this will correct and be reflected in share prices.

Returning to our successes during 2012, I want to reiterate that we have delivered on our short-term promises. Furthermore, we have added longer-term value by increasing our reserves and resources and advancing our exploration projects together with an ongoing programme to find partners to develop our asset portfolio. I would like to thank all the IRC team for their hard work together with our loyal supporters and look forward to sharing our progress as we continue to deliver on our promises and build a champion in industrial commodities.

G. JAY HAMBRO
Executive Chairman

OPERATIONS REVIEW

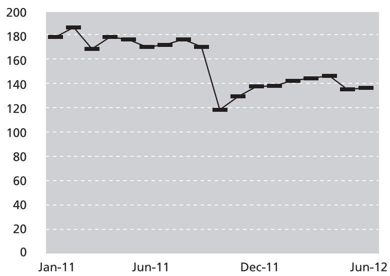
For the first six months of 2012, progress was achieved in production, construction, development and exploration. Key highlights include:

Kuranakh: production targets reaffirmed
K&S: construction activities on track
Garinskoye: low cost development opportunity announced
Exploration: acquisition of ilmenite and molybdenum opportunities

Prices

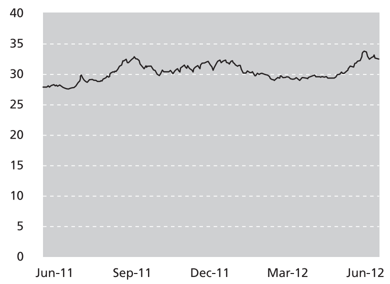
Iron ore prices for the first six months were firm. The benchmark price for delivery to China (Tianjin CFR 62% Fe iron ore fines) averaged US$141. However, the price dipped below US$130 per tonne in July 2012, a level that commentators suggest is close to the floor because it is approximate to the marginal cost of much Chinese production. Nevertheless it continues to soften in the early part of August and is putting pressure on margins.

Tianjin Iron Ore Price (US$/t 62% Fe CFR)



The price for ilmenite concentrate (a titanium dioxide product) sustained gains in 2011. The average price was US$283 per tonne (FOB Sovetskaya Gavan).

Dollar Rouble Exchange Rate



The rouble averaged 30.4 to the dollar, though the currency did weaken due to falls in the oil price, which is Russia's biggest export earner, and market malaise due to the European debt crisis.

Kuranakh

This year Kuranakh celebrated it's second anniversary of commercial production. The operation is the first vertically-integrated titanomagnetite mining, processing and production facility in Russia, proudly designed, built and managed by IRC. Since being officially opened by former Russian President Medvedev in July 2010, the mine has produced over 1.4 million tonnes of iron ore and 110,000 tonnes of ilmenite concentrates. The operation currently employs approximately 1,300 people and is a significant contributor to the local economy and communities through a range of environmental and social activities.

Safety

Our safety vision is for a culture of zero harm. We are committed to the safety of our employees and contractors by adhering to the strictest safety policies and standards. In April 2012, it is regrettable that a fatality occurred at Kuranakh when a Chinese subcontractor was involved in a railtrack accident. A full third-party investigation concluded that the subcontractor was operating outside of prescribed safety standards, nevertheless, additional safety measures and training have been implemented by IRC for contractors. The LTIFR per 1,000,000 hours worked was 3.43 for the first six months, an improvement compared to previous periods.

Production

Mining activities continued to plan. A second pit has been opened up, increasing ore flexibility and marginally reducing stripping ratios and increasing recoveries. 2.2 million cubic metres of overburden and 1.8 million tonnes of ore were removed.

The Crushing and Screening Plant processed over 1.7 million of ore producing just over 950,000 tonnes of pre-concentrate. This was transported to the nearby Olekma Processing Plant, yielding production of 432,310 tonnes of iron ore concentrate (Fe 62.5%) and 55,445 tonnes of ilmenite concentrate (TiO_2 48%).

Iron ore production has been running at near-full capacity levels since October 2011. With over 50% of the annualised production achieved, the 2012 production target of 820,000 tonnes of iron ore concentrate is reaffirmed.

Ilmenite production is also running to target. During the second half of the year, additional new ilmenite separators will be added resulting in an increased annual capacity to 160,000 tonnes. Because the installation occurs in the second half, an intermediate target of 125,000 tonnes of production is forecast for 2012, however, if there are installation complications, this will be revised accordingly.

Stockpiles at the end of June 2012 totaled approximately 257,000 tonnes, equivalent to 2 months feed for the Processing Plant.

Financial Performance

Sales volume for the first six months was above expectations with 424,021 tonnes of iron ore and 52,966 tonnes of ilmenite concentrate sold.

The average selling price (ASP) for IRC was US$122 per tonne. Prices for iron ore concentrate are secured under a long-term offtake agreement and are calculated on the INCOTERM "Delivered at Place" (DAP) basis. The ASP calculation is based on a formula which takes into account prices in preceding months, and therefore lags spot prices.

During the first half of 2012, Kuranakh generated revenues of US$51.7 million. Cash costs averaged US$65.2 per tonne. This is a respectable decrease compared to previous periods due to an increased contribution from ilmenite sales which are deducted as a by-product and efficiency gains as production stabilises at full capacity levels. The long term cash cost target is estimated at US$60 per tonne as ilmenite production further ramps up.

K&S

The K&S Project is under construction and due to commence production in 2014. It is a large magnetite operation with a first phase production of 3.2 million tonnes of iron ore concentrates per annum for 25 years. The project is funded through a debt facility with ICBC.

An optimisation study for a second stage development suggests the potential to almost double production to 6.3 million tonnes of iron ore concentrates per annum whilst lowering operating expenses due to economies of scale.

Safety

The K&S Project continued to report an excellent safety performance during the first half of 2012. The reported LTIFR rate per 1,000,000 hours worked was 0.00, an exceptional performance.

At the end of June 2012, 578 people were employed at the project in addition to varying contractor numbers depending upon the activities.

Mining

The modern mining fleet has been put to good use, with overburden stripping intensifying during the summer. To date over 5.5 million cubic metres of overburden has been removed — this is ahead of plan at more than a third of total 14.5 million cubic metres required before for the start of operations. A portion of the overburden will be used to construct the tailings dam, construction of which will commence in winter to take advantage of the cold weather conditions.

Processing Plant

The Processing Plant is a turnkey project for delivery in 2014. It is funded through equity and a project finance facility provided by ICBC. Major construction is being undertaken by CNEEC; project managed by IRC. The plant has been designed for modular expansion so that it can process additional ore feed in the future from an expanded K&S operation and Garinskoye.

Activities during the first half of 2012 progressed to plan. Three concrete batching plants have been constructed on site, providing CNEEC the capacity and flexibility needed to produce the different concrete mixes needed for the foundations. At the same time, the importation of steel construction products such as reinforcing bars continues, ensuring adequate supplies for construction activities and a conservative stockpile.

Infrastructure

The K&S Project is well situated. The operation is adjacent to the Trans-Siberian Railway and Federal Highways, with good access to labour in nearby cities, and access to power and water. All the requisites needed to build and operate this large-scale mining and processing operation are in place.

IRC with the assistance of specialist contractors is constructing the infrastructure needed to support mining and processing activities.

The railway bridge connecting the Trans-Siberian Railway and the Processing Plant was connected in February. In May 2012, the electrical transformer site was completed and is now ready for connection to the national power grid. The construction for all necessary support buildings and functions are largely in place and operational.

Outlook

The construction schedule is on track. The cooperative working relationship between IRC and CNEEC has strengthened further and this is reflected in the excellent progress that is being achieved on all fronts, notably the selection and importation of materials and equipment, transportation, licensing and testing certification, and immigration and customs practicalities.

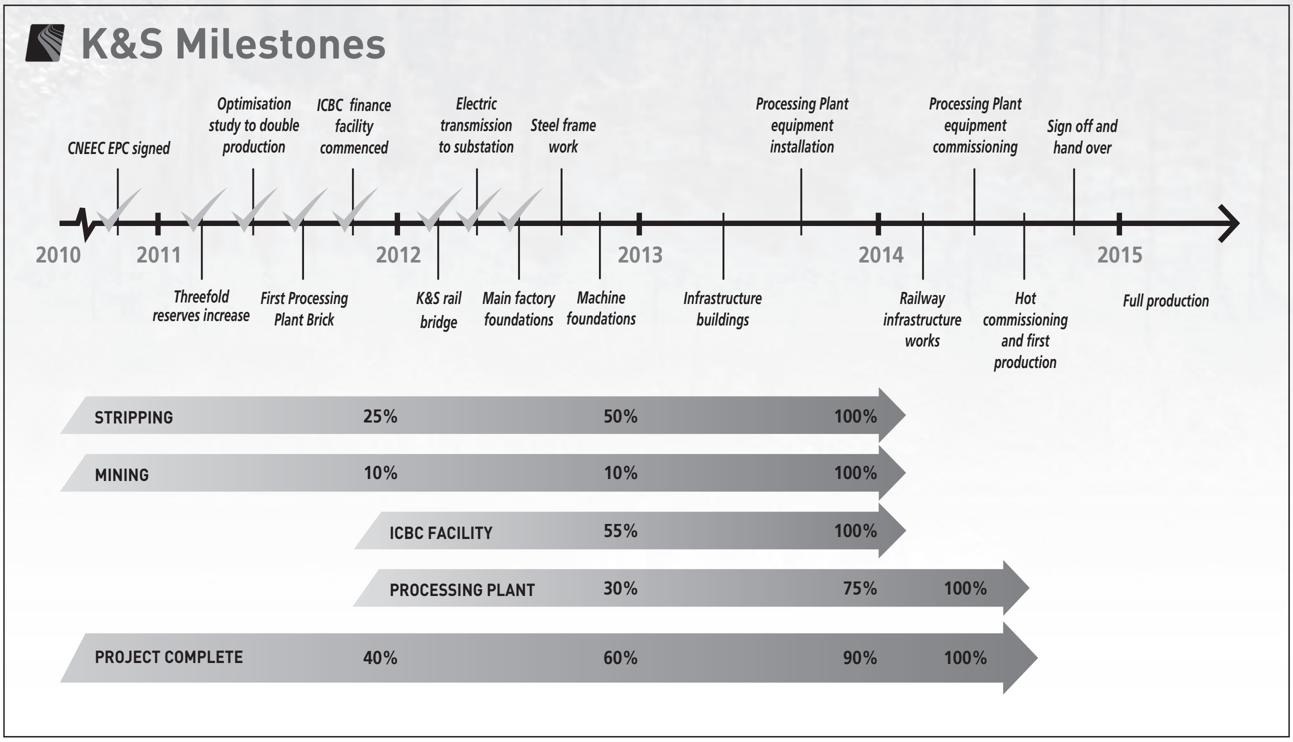
Exploration

Garinskoye

The Garinskoye Project has advanced following the announcement in April 2012 for a Direct Shipment Ore (DSO) style operation as an intermediate opportunity before proceeding with the original full-scale open-pit mining operation.

The initial DSO operation is for production potential of 2.1 million tonnes of iron ore per annum (60% Fe iron ore fines). The project is attractive on a range of measures due to low capital costs and a short construction period. Furthermore, the use of simple technology and production facilities suggests low operating costs, and proximity to the Chinese border will result in lower transportation costs.

K&S Construction Timetable & Milestones



IRC has commenced discussions with a range of potential financial providers for the construction of the Garinskoye DSO project. The project's position at the lowest point on both the operational and capital cost curves has generated a range of financing opportunities.

Bolshoi Seym

In July 2012, IRC completed the acquisition of the remaining 51% ownership of the high-grade Bolshoi Seym ilmenite deposit, resulting in 100% ownership. The attractive geology with approximately 330 million tonnes of reserves and resources demonstrates the potential for annual production capacity of approximately 200,000 tonnes of ilmenite concentrate. Because the deposit is located adjacent to IRC's established Kuranakh operation, economies of scale and synergies could be leveraged from an enlarged operation.

Molybdenum Exploration

In July 2012, IRC completed the acquisition of a controlling 50% plus one share stake, and an option over all remaining shares, in a molybdenum exploration project. The low-cost acquisition provides IRC with an attractive new development opportunity whilst enhancing commodity and regional diversification.

SRP

The Steel Slag Reprocessing Plant in North-Eastern China, 46% owned by IRC, continues to make enhancements in recoveries during the first six months, ramping up to near full capacity. Stable production output is helping to improve efficiencies and production costs. First commercial product sales have been made. However, due to current negative market sentiment the majority of product is being warehoused pending recovery of prices of vanadium.

FINANCIAL REVIEW

The following table sets out the consolidated income statement for IRC for the six months ended 30 June, 2012 and 2011.

	For the six months ended 30 June	
	2012 US$'000	2011 US$'000
Revenue	**56,948**	60,432
Operating expenses		
Site operating expenses and service costs	**(54,278)**	(52,661)
Central administration expenses	**(13,773)**	(13,479)
Impairment charges	**(6,061)**	—
Share of results of joint ventures and associate	**(1,883)**	(697)
Net operating loss	**(19,047)**	(6,405)
Other gains and losses and other expenses	**(7)**	10,135
Net financial (expense)/income	**(649)**	200
(Loss)/profit before taxation	**(19,703)**	3,930
Taxation expense	**(110)**	(190)
(Loss)/profit for the period	**(19,813)**	3,740
Non-controlling interests	**(67)**	(103)
(Loss)/profit for the period attributable to owners of the Company	**(19,880)**	3,637

Revenue

Although the volume of iron ore sold in the first half of 2012 increased by 16% from 367,000 tonnes in the first half of 2011 to 424,000 tonnes, the corresponding sales revenue decreased by US$2.2 million to US$51.7 million. This was primarily due to the softening of the iron ore market price in 2012, with our average selling price dropping an approximate 17% from US$146.8 per tonne in the first six months of 2011 to US$121.8 per tonne over the same period in 2012. Approximately 53,000 tonnes of ilmenite were sold in the first half of 2012 while we sold 12,000 tonnes over the same period last year, representing a 342% increase.

Engineering service revenues from Giproruda, our small complementary mine design business, decreased by 19% from US$6.6 million to US$5.3 million, reflecting decreased billing of our engineering consulting services.

Operating Expenses

Site operating expenses and service costs

In the first half of 2012, the Group increased its production volumes as we fully ramped up our Kuranakh Processing Plant in the second half of 2011. As a result, our site operating expenses and service costs, including the staff costs of the plant, cost of fuel and consumables, associated costs of marketing and selling of iron ore and railway tariffs, increased accordingly. Total site operating expenses and service costs for Kuranakh in the first half of 2012 amounted to approximately US$47.1 million (30 June 2011: US$44.0 million), of which approximately US$19.2 million was railway tariffs and related transportation costs (30 June 2011: US$15.1 million). During the first six months of 2012, we produced approximately 432,000 tonnes of iron ore concentrate to which we incurred approximately US$28.2 million of production cash cost. The table below details the key cash cost components:

	US$' million	US$/t
Mining	15.7	36.3
Processing and production overheads	11.8	27.3
Transportation to plant	3.9	9.0
Site administration and others	5.8	13.4
Contribution from ilmenite concentrate by-product* and others	(9.0)	(20.8)
Total	28.2	65.2

* net of tariff and other railway charges for ilmenite

Central administration expenses

In the light of the challenging operating environment, additional attention was paid to maintaining and controlling costs. Despite the increase in production volume and developments in our mines and other projects, IRC's administrative expenses of US$13.8 million incurred in the first half of 2012 remains comparable to that of 2011 of US$13.5 million.

Impairment Charges

The provisional goodwill of US$6.1 million recognised last year in respect of the acquisition of additional equity interest in the Jiatai Titanium joint venture was reallocated to land use right in 2012. The amount represented the carrying value of the land use right which was arrived at with reference to the market value of the land. Prior to the period end, we were advised by the potential venture partner that they would not be able to proceed with the investment and we concluded that the most appropriate and prudent approach is to fully impair the land use right. In 2011, we did not have any impairment charges.

Segmental Information

Despite the softening of the iron ore selling price and the rising operating costs, the Group's two income generating segments, "Mine in production" and "Engineering" segments, contributed segmental profits of US$4.5 million (30 June 2011: US$9.8 million) and US$0.1 million (30 June 2011: US$0.7 million) respectively. Excluding the one-off non-cash impairment provision of US$6.1 million mentioned above, total segmental profit of the Group for the first half of 2012 was US$0.8 million (30 June 2011: US$7.1 million).

Net Operating Loss

Our net operating loss in the first half of 2012 increased by US$12.6 million, to US$19.0 million, mainly resulted from the softening of iron ore prices and the impairment charge relating to the Jiatai project.

Other Gains and Losses and Other Expenses

In the first six months of 2011, we recorded other gains of US$10.1 million, primarily comprising an exchange gain of approximately US$6.8 million and a reversal of provision of listing expenses of US$2.0 million, while no such gain was recorded in 2012.

Net Financial (Expense)/Income

In the first half of 2012, the Group reported a net financial expense of US$0.6 million, as compared to a net financial income of US$0.2 million over the same period last year, mainly due to the drawdown of short term working capital facilities in 2012.

(Loss)/Profit for the Period Attributable to Owners of the Company

As a result of the above, we recorded a loss attributable to owners of the Company of US$19.9 million in first half of 2012 (30 June 2011: profit of US$3.6 million).

Liquidity, Financial and Capital Resources

Cash position and capital expenditure

As at 30 June 2012, the carrying amount of the Group's cash and bank balances was approximately US$24.5 million (31 December 2011: US$39.2 million), of which US$6.0 million is under restricted cash deposit. It represents a decrease of US$14.7 million, of which the majority was spent on the mine development for K&S project. It is anticipated that most of the future capital expenditure for the development of the K&S project would be funded by the undrawn facility from ICBC loan amounted to approximately US$257.5 million.

Expenditure incurred on exploration, development and mining production activities

In the first half of 2012, US$134 million (30 June 2011: US$115.4 million) was incurred on exploration, development and mining production activities, details of which are set out below:

US$'m	For the 6 months ended 30 June 2012			For the 6 months ended 30 June 2011
	Operating expenses	**Capital expenditure**	**Total**	Total
Kuranakh	**47.1**	**5.5**	**52.6**	49.2
K&S	**—**	**79.1**	**79.1**	54.7
Other exploration projects	**—**	**2.3**	**2.3**	11.5
	47.1	**86.9**	**134.0**	115.4

Borrowings and Charges

As of 30 June 2012, the Group had a gross borrowing of US$92.0 million (31 December 2011: US$21.3 million). All of the Group's borrowings are denominated in US dollars. Of the gross borrowings, US$17.0 million is unsecured bank borrowing repayable within one year while the remaining US$75.0 million represents long term borrowing drawn from the US$340 million ICBC loan facility which is guaranteed by Petropavlovsk. The Group has kept its borrowing costs at market level, with its weighted average interest rate at approximately 6.44% per annum.

As of 30 June 2012, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, remained at a healthy level of 8%.

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, primarily through holding the relevant currencies. At present, the Group does not undertake any foreign currency transaction hedging. The foreign exchange movements between US dollars and Russian Roubles during first half of 2012 are illustrated on page 3.

Employees and Emolument Policies

As at 30 June 2012, the Group employed a total of approximately 2,300 employees. With the increase in production volume in 2012, after the Kuranakh mine was fully ramped up in the second half of 2011, and the expanding scope of operation for our mines in development, the total staff costs excluding share based payments incurred were approximately US$30.2 million for the first half of 2012 (30 June 2011: US$24.0 million). 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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 condensed consolidated financial statements of IRC Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 10 to 29, which comprises the condensed consolidated statement of financial position as of 30 June 2012 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 certain 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2012

INTERIM FINANCIAL REPORT

Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
	Notes	**2012 US$'000 (unaudited)**	2011 US$'000 (unaudited)
Revenue	5	**56,948**	60,432
Operating expenses	6	**(68,051)**	(66,140)
Impairment charges	7	**(6,061)**	—
		(17,164)	(5,708)
Share of results of joint ventures		**(1,878)**	(80)
Share of results of an associate		**(5)**	(617)
Net operating loss		**(19,047)**	(6,405)
Other gains and losses and other expenses	8	**(7)**	10,135
Financial income	9	**194**	525
Financial expenses	10	**(843)**	(325)
(Loss) profit before taxation		**(19,703)**	3,930
Taxation expense	11	**(110)**	(190)
(Loss) profit for the period		**(19,813)**	3,740
(Loss) profit for the period attributable to:			
Owners of the Company		**(19,880)**	3,637
Non-controlling interests		**67**	103
(Loss) profit for the period		**(19,813)**	3,740
(Loss) earnings per share (US cent)	13		
Basic		**(0.61)**	0.11
Diluted		**(0.61)**	0.11

Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	**(19,813)**	3,740
Other comprehensive (expenses) income for the period:		
Exchange differences on translation of foreign operations	**(223)**	1,710
Reclassification adjustment on translation difference upon acquisition of additional interest in Jiatai Titanium project	**—**	(882)
Total comprehensive (expenses) income for the period	**(20,036)**	4,568
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(20,006)**	4,084
Non-controlling interests	**(30)**	484
	(20,036)	4,568

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2012

	Notes	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited) (restated)
NON-CURRENT ASSETS			
Exploration and evaluation assets	14	**45,196**	44,493
Property, plant and equipment	14	**584,338**	568,385
Land use right	7	**—**	6,061
Interest in an associate		**698**	703
Interests in joint ventures		**5,220**	7,086
Other non-current assets	15	**149,406**	98,360
Restricted bank deposit	19	**6,000**	6,000
		790,858	731,088
CURRENT ASSETS			
Inventories	16	**47,592**	41,301
Trade and other receivables	17	**64,523**	57,005
Cash and cash equivalents		**18,496**	33,188
		130,611	131,494
TOTAL ASSETS		**921,469**	862,582
CURRENT LIABILITIES			
Trade and other payables	18	**(26,649)**	(21,616)
Current income tax payable		**(275)**	(293)
Bank borrowings — due within one year	19	**(17,000)**	(15,000)
		(43,924)	(36,909)
NET CURRENT ASSETS		**86,687**	94,585
TOTAL ASSETS LESS CURRENT LIABILITIES		**877,545**	825,673
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(2,073)**	(2,160)
Provision for close down and restoration costs		**(4,059)**	(4,092)
Bank borrowings — due more than one year	19	**(74,986)**	(6,343)
		(81,118)	(12,595)
TOTAL LIABILITIES		**(125,042)**	(49,504)
NET ASSETS		**796,427**	813,078
CAPITAL AND RESERVES			
Share capital		**4,330**	4,330
Share premium		**1,029,131**	1,029,131
Treasury shares		**(43,000)**	(43,000)
Capital reserve		**17,984**	17,918
Reserves		**38,402**	35,209
Accumulated losses		**(255,015)**	(235,135)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**791,832**	808,453
NON-CONTROLLING INTERESTS		**4,595**	4,625
TOTAL EQUITY		**796,427**	813,078

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Total attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Treasury shares US$'000	Accumulated losses US$'000	Share-based payments reserve US$'000	Translation reserve US$'000	Other reserves[(a)] US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2011 (audited)	4,330	1,028,468	16,946	(43,000)	(236,136)	12,442	(14,815)	32,057	800,292	4,326	804,618
Profit for the period	—	—	—	—	3,637	—	—	—	3,637	103	3,740
Other comprehensive income for the period											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,329	—	1,329	381	1,710
Reclassification to profit or loss upon acquisition of additional interest in the Jiatai Titanium project (note 20)	—	—	—	—	—	—	(882)	—	(882)	—	(882)
Total comprehensive income for the period	—	—	—	—	3,637	—	447	—	4,084	484	4,568
Share-based payments	—	—	—	—	—	3,347	—	—	3,347	—	3,347
Reversal of over-accrued listing-related expenses	—	663	—	—	—	—	—	—	663	—	663
Balance at 30 June 2011 (unaudited)	4,330	1,029,131	16,946	(43,000)	(232,499)	15,789	(14,368)	32,057	808,386	4,810	813,196
Balance at 1 January 2012 (audited)	**4,330**	**1,029,131**	**17,918**	**(43,000)**	**(235,135)**	**18,993**	**(15,841)**	**32,057**	**808,453**	**4,625**	**813,078**
Loss for the period	**—**	**—**	**—**	**—**	**(19,880)**	**—**	**—**	**—**	**(19,880)**	**67**	**(19,813)**
Other comprehensive expenses for the period											
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**(126)**	**—**	**(126)**	**(97)**	**(223)**
Total comprehensive expenses for the period	**—**	**—**	**—**	**—**	**(19,880)**	**—**	**(126)**	**—**	**(20,006)**	**(30)**	**(20,036)**
Share-based payments	**—**	**—**	**66**	**—**	**—**	**3,319**	**—**	**—**	**3,385**	**—**	**3,385**
Balance at 30 June 2012 (unaudited)	**4,330**	**1,029,131**	**17,984**	**(43,000)**	**(255,015)**	**22,312**	**(15,967)**	**32,057**	**791,832**	**4,595**	**796,427**

(a) 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 of Hong Kong Limited (the "Stock Exchange").

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Six months ended 30 June 2012 US$'000 (unaudited)	 2011 US$'000 (unaudited)
OPERATING ACTIVITIES			
Net cash used in operations		**(8,882)**	(33,565)
Interest expenses paid		**(927)**	—
Income tax paid		**(309)**	(265)
NET CASH USED IN OPERATING ACTIVITIES		**(10,118)**	(33,830)
INVESTING ACTIVITIES			
Purchases of and prepayment for property, plant and equipment and exploration and evaluation assets		**(86,857)**	(69,653)
Acquisition of a subsidiary, net of cash acquired	20	**—**	(2,185)
Contribution to share capital of associate		**—**	(617)
Interest received		**194**	525
Proceeds on disposal of property, plant and equipment		**5,697**	—
NET CASH USED IN INVESTING ACTIVITIES		**(80,966)**	(71,930)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**77,519**	—
Loan arrangement and commitment fees paid		**(844)**	(2,066)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**76,675**	(2,066)
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**(14,409)**	(107,826)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		**33,188**	225,468
Effect of foreign exchange rate changes		**(283)**	4,433
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		**18,496**	122,075

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 and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

In preparing the condensed consolidated financial statements, the directors of the Company have given consideration to the future liquidity and going concern of the Company and its subsidiaries (collectively referred to as the "Group") in light of the Group's loss for the period and the Group's capital and other commitments as at 30 June 2012. The directors of the Company are satisfied that the Group has sufficient financial resources and available funding to meet its financial obligations as they fall due for the foreseeable future.

2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied for the first time, a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

The application of the amendments to 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.

3. Adjustments to Provisional Amounts

The fair value assessment in respect of the acquisition of Jiatai Titanium Project (see Note 20) was completed in April 2012, and the comparative 31 December 2011 consolidated statement of financial position has been restated to reflect the adjustment set out below:

	31 December 2011 US$'000 (originally stated)	Restatement US$'000	31 December 2011 and 1 January 2012 US$'000 (as restated)
Goodwill	6,061	(6,061)	—
Land use right	—	6,061	6,061
	6,061	—	6,061

4. 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 2012 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Segment revenue					
External sales	**51,657**	**—**	**5,291**	**—**	**56,948**
Total revenue	**51,657**	**—**	**5,291**	**—**	**56,948**
Site operating expenses and service costs	**(47,135)**	**(17)**	**(5,145)**	**(1,981)**	**(54,278)**
Site operating expenses and service costs include:					
Depreciation and amortisation	**(4,823)**	**(2,278)**	**(251)**	**(45)**	**(7,397)**
Impairment charges	**—**	**—**	**—**	**(6,061)**	**(6,061)**
Share of results of joint ventures	**—**	**—**	**—**	**(1,878)**	**(1,878)**
Share of results of an associate	**—**	**(5)**	**—**	**—**	**(5)**
Segment profit (loss)	**4,522**	**(22)**	**146**	**(9,920)**	**(5,274)**
Central administrative expenses					**(13,589)**
Central depreciation and amortisation					**(184)**
Other gains and losses and other expenses					**(7)**
Financial income					**194**
Financial expenses					**(843)**
Loss before taxation					**(19,703)**

Six months ended 30 June 2011 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Segment 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 profit (loss)	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)
Profit before taxation					3,930

5. Revenue

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

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(unaudited)	(unaudited)
Revenue		
Sales of goods	**51,657**	53,871
Rendering of services	**5,291**	6,561
	56,948	60,432

6. Operating Expenses

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(unaudited)	(unaudited)
Site operating expenses and service costs[a]	**54,278**	52,661
Central administrative expenses[b]	**13,773**	13,479
	68,051	66,140

(a) Site operating expenses and service costs

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs	**24,151**	19,298
Fuel	**8,291**	5,555
Materials	**10,360**	4,675
Depreciation	**7,397**	4,639
Electricity	**1,417**	1,393
Royalties	**1,156**	549
Railway tariff	**17,788**	15,080
Movement in finished goods and work in progress	**(16,383)**	(184)
Inventory written off	**—**	1,065
Engineering services cost	**6,012**	4,648
Professional fees**	**136**	432
Bank charges	**280**	152
Insurance (compensation) expenses, net	**(54)**	92
Office rent	**533**	450
Business travel expenses	**390**	551
Office costs	**1,232**	740
Mine development costs capitalised in property, plant and equipment	**(13,140)**	(8,570)
Allowance for (reversal of) allowance for bad debts*	**9**	(133)
(Gain) loss on disposal of property, plant and equipment	**(966)**	6
Other expenses	**5,669**	2,223
	54,278	52,661

* Reversal of allowance for bad debts of approximately US$133,000 was recognised in profit and loss for the six months ended 30 June 2011, which represented certain recovery of a trade debtor at OJSC Giproruda.

6. Operating Expenses (Continued)

(b) Central Administrative Expenses

	Six months ended 30 June	
	2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Staff costs	**6,069**	4,698
Depreciation	**184**	206
Professional fees**	**1,654**	1,831
Bank charges	**31**	37
Insurance	**100**	461
Office rent	**907**	910
Business travel expenses	**890**	884
Share-based payments	**3,385**	3,347
Office costs	**303**	344
Loss on disposal of property, plant and equipment	**—**	2
Other expenses	**250**	759
	13,773	13,479

** Professional fees comprise audit fees, legal fees, consulting fees, management services fees and engineering consultancy fees.

7. Land Use Right

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited) (restated)
At the beginning of the period	**6,061**	—
Acquired on acquisition of Heilongjiang Jiatai Titanium Co. Limited (note 20)	**—**	6,061
Impairment recognised	**(6,061)**	—
At the end of the period	**—**	6,061

As disclosed in note 3, the comparative 31 December 2011 consolidated statement of financial position has been restated to reflect the finalised fair value of assets acquired and liabilities assumed from acquisition of Jiatai Titanium Project.

Prior to the period end, the Group was advised that the potential venture partner previously identified would not be proceeding with the investment in the Jiatai Titanium project. As a result, the directors of the Company decided to postpone the Jiatai Titanium project indefinitely. As the usage of the parcel of land owned by Jiatai Titanium project is restricted and transfer of legal title is subject to approval by the municipal authorities, the Group's ability to recover the land use right was call into in doubt. The directors of the Company concluded that the most appropriate course of action was to recognise an impairment charge of approximately US$6 million. This impairment charge was recognised in the condensed consolidated income statement for the six months ended 30 June 2012.

8. Other Gains and Losses and Other Expenses

	Six months ended 30 June 2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Gain on acquisition of an additional interest in Jiatai Titanium project (note 20)		
— 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
Net foreign exchange (loss) gain	**(7)**	6,825
Reversal of listing expenses[(a)]	—	2,000
	(7)	10,135

(a) The amount for the six months ended 30 June 2011 represented the proportion of the costs refunded by the underwriter in relation to the listing of the Company on the Stock Exchange that relate to existing shares listed.

9. Financial Income

	Six months ended 30 June 2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Interest income on cash and cash equivalents	**190**	520
Interest income on other loans and receivables	**4**	5
	194	525

10. Financial Expenses

	Six months ended 30 June 2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Interest expenses on bank borrowings	**1,032**	—
Less: interest expenses capitalised	**(250)**	—
	782	—
Unwinding of discount on environmental obligation	**61**	325
	843	325

11. Taxation Expense

	Six months ended 30 June 2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Cyprus current tax	—	(1)
Russia current tax	**(162)**	(176)
Current tax expense	**(162)**	(177)
Deferred tax credit (expense)	**52**	(13)
	(110)	(190)

11. Taxation Expense (Continued)

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2011 and 2012.

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

For the six months ended 30 June 2012, the Group had no assessable profit subject to Cyprus corporation tax. No Hong Kong profits tax, UK Corporation tax and PRC enterprise income tax was provided for as the Group had no assessable profit arising in or derived from these tax jurisdictions during both periods.

12. Dividends

No dividends were paid, declared or proposed during both six months ended 30 June 2012 and 2011. The directors do not recommend the payment of an interim dividend.

13. Loss/Earnings Per Share

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

Loss/earnings

	Six months ended 30 June	
	2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per ordinary share ((loss) profit for the period attributable to owners of the Company)	**(19,880)**	3,637

Number of shares

	Six months ended 30 June	
	2012 Number '000	2011 Number '000
Number of ordinary shares for the purposes of basic (loss) earnings per ordinary share	**3,246,000**	3,246,000
Effect of dilutive potential ordinary shares:		
Shares awarded under the Group's long-term incentive plan	**—**	26,919
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per ordinary share	**3,246,000**	3,272,919

The computation of diluted loss per share for the six months ended 30 June 2012 does not include the outstanding shares issuable under the Group's long-term incentive plan since their issuance would result in a decrease in loss per share.

14. Exploration and Evaluation Assets and Property, Plant and Equipment

During the period, the Group spent approximately US$86.9 million (for the period ended 30 June 2011: US$69.7 million) on the mine development and acquisition of property, plant and equipment, including prepayments for property, plant and equipment as disclosed in note 15.

At 30 June 2012, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$279.4 million (31 December 2011: US$332.7 million).

At 30 June 2012 and 31 December 2011, the Group had a commitment to contribute US$80.6 million to capital of its subsidiary, Heilongjiang Jiatai Titanium Co. Limited.

15. Other Non-Current Assets

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Deferred insuance premium for bank facilities	**17,056**	22,057
Prepayments for property, plant and equipment	**125,563**	68,580
Deferred loan arrangement fee	**6,416**	7,373
Cash advances to employees	**371**	350
	149,406	98,360

16. Inventories

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Stores and spares	**29,366**	29,110
Work in progress	**8,833**	3,958
Finished goods	**9,393**	8,233
	47,592	41,301

17. Trade and Other Receivables

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
VAT recoverable	**34,835**	28,588
Advances to suppliers	**12,118**	13,401
Amounts due from customers under engineering contracts	**2,623**	2,514
Trade receivables	**9,645**	6,165
Other debtors	**5,302**	6,337
	64,523	57,005

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.

17. 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 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Less than one month	**7,754**	5,976
One month to three months	**1,520**	177
Over three months to six months	**86**	3
Over six months	**285**	9
Total	**9,645**	6,165

The Group allows credit periods ranging from 10 days to 45 days (2011: 10 days to 45 days) to individual third party customers.

18. Trade and Other Payables

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Trade payables	**8,734**	10,512
Advances from customers	**4,125**	2,992
Accruals and other payables	**13,790**	8,112
	26,649	21,616

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

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Less than one month	**3,819**	6,254
One month to three months	**337**	1,327
Three months to six months	**475**	380
Over six months	**4,103**	763
	8,734	8,724
Trade payables not yet billed	**—**	1,788
Total	**8,734**	10,512

19. Bank Borrowings

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Bank loans		
Asian Pacific Bank	**17,000**	15,000
Industrial and Commercial Bank of China ("ICBC")	**74,986**	6,343
Total	**91,986**	21,343
Unsecured	**17,000**	15,000
Secured	**74,986**	6,343
Total	**91,986**	21,343
Carrying amount repayable		
Within one year	**17,000**	15,000
More than two years, but not exceeding five years	**74,986**	6,343
Total	**91,986**	21,343

Bank loans from Asian Pacific Bank

On 10 October 2011, the Group entered into a US$15,000,000 loan facility with Asian Pacific Bank. The facility bears an annual interest of 10.0% which is payable monthly. The principal of the drawndown is repayable by 9 October 2012. As at 30 June 2012 and 31 December 2011, the whole amount was utilised under the loan facility.

On 21 March 2012, the Group further entered into a US$10,000,000 trade finance facility with Asian Pacific Bank. The facility bears an annual interest of 10.3% which is payable monthly. The principal of the drawndown is repayable by 31 December 2012. As at 30 June 2012, US$2,000,000 was utilised under the trade finance facility.

As at 30 June 2012, the Group had US$8,000,000 (31 December 2011: nil) undrawn financial facility granted by Asian Pacific Bank.

The loans are not secured against any assets of the Group or other related parties.

Bank loan from Industrial and Commercial Bank of China

On 6 December 2010, LLC KS GOK, a wholly owned subsidiary of the Company, had entered into the HK$3.11 billion (equivalent to US$400 million) engineering, procurement and construction contract with China National Electric Engineering Corporation, contractor at the twin deposits of Kimkan and Sutara ("K&S") project for the construction of the Group's mining operations at K&S.

On 13 December 2010, the Group entered into a project finance facility agreement with ICBC (the "ICBC Facility Agreement") pursuant to which ICBC would lend US$340,000,000 (equivalent to HK$2.64 billion) to LLC KS GOK to fund the construction of the Group's mining operations at K&S. Interest under the facility was charged at 2.80% above London Interbank Offering rate ("LIBOR") per annum. The facility is repayable over a period of 11 years.

19. Bank Borrowings (Continued)

Bank loan from Industrial and Commercial Bank of China (Continued)

On 14 December 2011, the Group made the first drawdown amounting to US$6,958,000. During the six months ended 30 June 2012, the Group made further drawndowns amounting to US$75,519,000. The loan is carried at amortised cost with effective interest rate at 5.63% per annum as at 30 June 2012 and 31 December 2011, respectively.

As at 30 June 2012 and 31 December 2011, US$6,000,000 was deposited with ICBC under a security deposit agreement related to the ICBC Facility Agreement and is presented as restricted deposit under non-current assets.

As at 30 June 2012, the Group had approximately US$257,523,000 (2011: US$333,042,000) undrawn financial facility in relation to the ICBC Facility Agreement.

Details of guarantee granted by Petropavlovsk PLC in relation to the ICBC Facility Agreement are set out in note 21.

20. Acquisition of a Subsidiary

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

In 2010, the Group was advised 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 proceeding 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 the Group 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.

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 became 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 a subsidiary of the joint venture partner 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 Group.

Consideration transferred

	US$'000 (audited)
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 within the administrative expenses in the condensed consolidated income statement for the six months ended 30 June 2011.

20. Acquisition of a Subsidiary (Continued)

Fair value of assets acquired and liabilities assumed at the date of acquisition

	US$'000 (audited) (restated)
Current assets	
Cash and cash equivalents	9,350
Other receivables	76
Non-current assets	
Property, plant and equipment	658
Land use right	6,061
Current liabilities	
Other payables	(4,479)
	11,666

Net cash outflow arising on acquisition

	US$'000 (audited)
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

- Jiatai Titanium project has changed from a joint venture to a subsidiary of the Group. An aggregate gain of US$1,310,000 was recognised for the six months ended 30 June 2011 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 8).

- Included in the profit for the six months ended 30 June 2011 was 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 2012 would have remained at US$60,432,000, and the profit for the respective period would have been US$3,643,000. The pro forma 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.

21. 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 and approved by independent members of the Board of Directors.

During the six months ended 30 June 2012, the Group entered into the following transactions with related parties:

Related parties

Petropavlovsk PLC, which is the Group's ultimate holding company, its subsidiaries and joint ventures are considered to be related parties. Mr. Peter Hambro and Dr. Pavel Maslovskiy, shareholders of Petropavlovsk PLC, are close family members of the Group's directors, Mr. George Jay Hambro and Mr. Yury Makarov, respectively.

Asian Pacific Bank is considered to be a related party as Mr. Peter Hambro and Dr. Pavel Maslovskiy have interests and, collectively, exercise significant influence over Asian Pacific Bank.

Vanadium Joint Venture is a joint venture of the Group and hence is a related party.

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 2012 including that related to the day-to-day operating of the business are set out below.

	Services provided[a] Six months ended 30 June		Services received[b] Six months ended 30 June	
	2012 US$'000 (unaudited)	2011 US$'000 (unaudited)	**2012 US$'000 (unaudited)**	2011 US$'000 (unaudited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**21**	21	**187**	515
OJSC Irgiredmet	**—**	—	**125**	535
LLC NPGF Regis	**23**	25	**74**	144
CJSC Peter Hambro Mining Engineering	**—**	1	**261**	1,582
CJSC Pokrovsky Rudnik	**28**	34	**—**	9
Dalgeologia	**—**	278	**42**	4,295
Kapstroy	**—**	151	**—**	1,233
MC Petropavlovsk	**421**	445	**283**	120
CJSC Yamalzoloto	**216**	—	**—**	—
OJSC ZDP Koboldo	**4**	—	**—**	—
LLC Karagay	**2**	—	**—**	—
LLC Albynskiy Rudnik	**5,697**[c]	—	**—**	—
PRP Stansii	**—**	3	**—**	9
Gidrometallurgia	**86**	87	**—**	—
Petropavlovsk PLC's joint venture				
Odolgo	**—**	6	**—**	—

(a) Amounts represent fee received from related parties for provision of administrative support.

(b) Amounts represent fee paid to related parties for receive of administrative support and helicopter services.

(c) Amount represents the consideration from the disposal of property, plant and equipment.

21. Related Party Disclosure (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 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)	**As at 30 June 2012 US$'000 (unaudited)**	As at 31 December 2011 US$'000 (audited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**184**	160	**54**	26
OJSC Irgiredmet	**125**	97	**—**	—
LLC NPGF Regis	**4**	5	**53**	11
CJSC Peter Hambro Mining Engineering	**385**	553	**411**	367
CJSC Pokrovsky Rudnik	**6**	6	**1**	1
Dalgeologia	**172**	195	**58**	43
Kapstroy	**—**	1	**—**	—
MC Petropavlovsk	**216**	7	**1,998**	1,817
PRP Stansii	**19**	—	**—**	—
Gidrometallurgia	**1**	2	**—**	—
CJSC Yamalzoloto	**—**	79	**55**	—
LLC Karagay	**58**	23	**—**	—
Outstanding balances with other related parties				
Millennium Implementation Ltd	**—**	—	**—**	667
	1,170	1,128	**2,630**	2,932

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

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

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:

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Asian Pacific Bank	**6,533**	7,888

21. Related Party Disclosure (Continued)

Banking arrangements (Continued)

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	
	2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Interest income from cash and cash equivalents	**44**	7

Guarantee arrangements

In relation to the ICBC loan as disclosed in note 19, Petropavlovsk PLC has guaranteed the Group's obligations under the ICBC Facility Agreement. Petropavlovsk PLC, the Company and LLC KS GOK have entered into an agreement setting out the terms on which Petropavlovsk PLC provides 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 obligation 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 2012, Petropavlovsk PLC beneficially owns approximately 65.61% (at 31 December 2011: 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.

Key management compensation

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. During the six months ended 30 June 2012, except for Pavel Maslovskiy, who has reduced his involvement in the Group's management decision, thus no longer considered as the key management of the Group, all other key management personnel continue in office. The remuneration of key management personnel is set out below in aggregate.

	Six months ended 30 June	
	2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Short-term benefits	**2,415**	1,274
Post-employment benefits	**123**	110
Share-based payments	**1,987**	2,045
	4,525	3,429

Short-term benefits in the first half of 2012 included a bonus payment to the executive management team. No such bonus was paid in the first half of 2011. The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

22. Contingent Liabilities

There is no significant contingent liability as at 30 June 2012 apart from those disclosed in the Group's annual financial statements for the year ended 31 December 2011.

23. Events after the Reporting Period

(a) Acquisition of Bolshoi Seym Deposit

On 9 April 2012, the Group, through its wholly-owned subsidiary, Brasenose Services Limited ("Brasenose"), concluded an agreement to acquire from LLC Intergeo Managing Company ("Intergeo") the remaining 51% interests in LLC Uralmining ("Uralmining") not previously owned by the Group. The agreement also provides for the assignment of indebtedness owing by Uralmining to the Company. Uralmining changed from an associate to a subsidiary of the Group thereof. Uralmining holds the exploration and mining licenses of Bolshoi Seym Deposit. The transaction was completed on 24 July 2012 and the consideration was satisfied through the issuance and allotment of 74,681,360 ordinary shares of the Company with a nominal value of HK$0.01 each to Intergeo.

Further details of the transaction have been set out in the announcements of the Company made on 10 April 2012 and 25 July 2012. As at the date of these interim condensed consolidated financial statements authorised for issuance, the directors of the Company are still assessing the financial impact of the acquisition.

(b) Acquisition of Molybdenum Exploration Project

On 6 April 2012, the Group concluded an agreement to acquire from Sangritta Limited ("Sangritta") and Lania Consulting Limited ("Lania"), 50% equity interest plus one share stake in Caedmon Limited ("Caedmon"), hence, gaining control in Caedmon. In addition, the Group also acquired the related shareholder indebtedness and an option to acquire the remaining 50% equity interest minus one share stake in Caedmon ("Option") from Sangritta. The Group may exercise the Option any time over a two-year period commencing on the date of completion of the transaction.

Caedmon holds the exploration and mining licenses of Molybdenum Exploration Project.

The transaction was completed on 11 July 2012 and the total consideration were satisfied through the issuance and allotment of 54,491,029 and 2,861,912 ordinary shares of the Company with a nominal value of HK$0.01 each to Sangritta and Lania, respectively. US$180,000 and US$320,000 would be payable to Sangritta for the grant of Option, and the shareholder indebtedness, respectively within six months of the completion of the transaction.

Further details of the transaction have been set out in the announcement of the Company made on 10 April 2012 and 12 July 2012. As at the date of these interim condensed consolidated financial statements authorised for issuance, the directors of the Company are still assessing the financial impact of the acquisition.

(c) Loan facility from Peter Hambro Mining Treasury UK Limited ("PHM")

In July 2012, the Group has obtained a US$15,000,000 loan facility from PHM, a subsidiary of Petropavlovsk PLC. The loan facility bears interest at 10.30% per annum and is repayable by 31 December 2012. As at the date of these interim condensed consolidated financial statements authorised for issuance, the Group has drawndown US$10,000,000 from the loan facility.

(d) Asian Pacific Bank Loan

In August 2012, the Group has obtained a US$15,000,000 new loan facility from Asian Pacific Bank to replace the original US$15,000,000 facility, which will expire on 9 October 2012. The loan facility bears interest at 11.00% per annum and is repayable in August 2013. As at the date of these interim condensed consolidated financial statements authorised for issuance, the Group has not yet drawndown any amount from the loan facility.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' Interests

As at 30 June 2012, 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	Approximate % of the Company's total issued share capital as at 30 June 2012
George Jay Hambro	Contingent beneficial interest[1]	23,220,000	0.69%
	Beneficial interest	352,000	0.01%
Yury Makarov	Contingent beneficial interest[1]	20,317,500	0.60%
	Beneficial interest	238,000	0.007%
Raymond Kar Tung Woo	Contingent beneficial interest[1]	14,512,500	0.43%
	Beneficial interest	120,000	0.004%

Name of director	Nature of interest	Number of shares in Petropavlovsk PLC ("Petropavlovsk")	Approximate % of Petropavlovsk PLC's total issued share capital as at 30 June 2012
George Jay Hambro	Contingent beneficial interest	54,166	0.03%[2]
Yury Makarov	Contingent beneficial interest	41,666	0.02%[2,3]
	Beneficial interest	53,846	0.03%[4]

Subsequent to 30 June 2012, the Company issued and allotted shares for acquisitions of Bolshoi Seym Deposit and Molybdenum Exploration Project. Please refer to Note 23 (a) and (b) of the Interim Financial Report on page 29 for more details.

Long positions in shares of an associated corporation

Name of director	Name of associated corporation	Capacity and nature of interest	Number of shares
George Jay Hambro	Petropavlovsk	Contingent beneficial interest	54,166
Yury Makarov	Petropavlovsk	Contingent beneficial interest and beneficial interest	95,512

Mr George Jay Hambro is the son of Mr Peter Hambro, the Chairman of 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. Although the amounts above reflect a 100% allocation for the issue of shares under the LTIP for individual directors, the actual issue of shares will depend on meeting a series of performance conditions, and subject to a three-year bullet vesting period. The vesting of the LTIP is dependent on the satisfaction of performance conditions relating to operations, profitability, development and health, safety and environmental matters, and in case of certain employee, share price performance as well. These conditions are not set out in full due to the commercial nature of the targets and the creation of forecasts in so presenting but the Remuneration Committee believes them to be suitably challenging. In general, subject to meeting of a series of performance targets, such shares awards will only be vested three years after grant date. 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 31 June 2012, 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 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.

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 year ended 30 June 2012.

Substantial Shareholders' and other Persons' Interests

So far as is known to any Director or chief executive of the Company, as at 30 June 2012, 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 % of the Company's total issued share capital as at 30 June 2012
Petropavlovsk PLC, via its wholly owned subsidiary, Cayiron Limited	Corporate interest	2,205,900,000 (L)	65.61%
BlackRock, Inc.	Interest of a controlled corporation	225,783,903 (L) 8,684,000 (S)	6.46% 0.24%
General Enterprise Management Services Limited ("GEMS")	Interest of a controlled corporation	215,568,000 (L)	6.41%
GEMS Investment Management Limited (formerly known as "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%
Marbella Holdings Limited*	Beneficial owner	215,568,000 (L)	6.41%

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

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

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

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 2012.

Subsequent to 30 June 2012, the Company issued and allotted shares for acquisitions of Bolshoi Seym Deposit and Molybdenum Exploration Project. Please refer to Note 23 (a) and (b) of the Interim Financial Report on page 29 for more details.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2012, 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.

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 2011 Annual Report.

During the six months ended 30 June 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save that the Non-Executive Director, Mr. Simon Murray and an Independent Non-Executive Director, Mr. Jonathan Martin Smith, were unable to attend the annual general meeting of the Company held on 16 April 2012 as provided for in code provision A.6.7 as they had overseas engagements.

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 2012 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

CORPORATE INFORMATION

IRC Limited — 鐵江現貨有限公司

(Stock Exchange of Hong Kong: 1029)

Corporate Information

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

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Hong Kong SAR
People's Republic of China

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Facsimile: +852 2772 0329
Corporate Website: http://www.ircgroup.com.hk

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

Principal Place of Business in Russia

21/3, Building 1
Stanislavskogo
Business Center "Fabrika Stanislavskogo"
109004 Moscow
Russia
(LLC Petropavlovsk-Iron Ore)

Executive Directors:

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

Non-Executive Director:

S. Murray, *CBE, Chevalier de la Légion d'Honneur*

Emeritus Director:

Senator Dr P.A. Maslovskiy

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

Nomination Committee

G.J. Hambro (Chairman)
D.R. Bradshaw
J.E. Martin Smith

Authorised Representatives for the purposes of the Stock Exchange of Hong Kong Limited

G.J. Hambro
R.K.T. Woo

GLOSSARY

This glossary contains definitions of certain terms used in this report in connection with the Group and its business. Some of these may not correspond to standard industry definitions.

GLOSSARY

Board	The board of Directors
Cayiron	Cayiron Limited, a wholly owned subsidiary of Petropavlovsk and the immediate controlling shareholder of the Company
CFR	INCOTERM Cost and Freight
CIM	The Canadian Institute of Mining, Metallurgy and Petroleum
CNEEC	China National Electric Engineering Company Limited, the principle EPC contractor at the K&S Project
Company Shareholders	Shareholders of the Company
Concentrate	The clean product recovered from a treatment plant
DAP	Delivery at Place, is a standard INCO commercial trading term established by the International Chamber of Commerce. DAP is when the seller’s obligation ends when he has delivered the goods to the disposal of the buyer at the named destination place, cleared for export, but not cleared for import.
Deposit	Mineral deposit or ore deposit is used to designate a natural occurrence of a useful mineral, or an ore, in sufficient extent and degree of concentration
Directors	The directors of the Company
Direct Reduction or DR	An alternative route of iron making developed to overcome some of the difficulties of conventional blast furnaces
DRI	An abbreviation of “Direct Reduced Iron”, being iron produced using the DR method
DSO	Direct shipping ores. Ores that are economic due to their high grades and therefore limited requirement for upgrading and processing before sale to end users. Raw material for iron ore concentrate, isometric mineral, 8Fe
EPC	Engineering, Procurement and Construction
Exploration	Method by which ore deposits are evaluated
Fe	The chemical symbol for iron
Feasibility study	An extensive technical and financial study to assess the commercial viability of a project
Flotation	A mineral process used to separate mineral particles in a slurry, by causing them to selectively adhere to a froth and float to the surface
Geophysical	Prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing
Geotechnical	Referring to the use of scientific methods and engineering principles to acquire, interpret, and apply knowledge of earth materials for solving engineering problems
Grade	Relative quantity or the percentage of ore mineral or metal content in an ore body
Haematite	An iron mineral with the formula Fe_2O_3; found as an accessory in igneous rocks, in hydrothermal veins and replacements, and in sediments, generally high grade (>60% iron)
HK$	Hong Kong dollars, the lawful currency of Hong Kong
HKEx	Hong Kong Exchanges and Clearing Limited
Hong Kong	The Hong Kong Special Administrative Region of the PRC
ICBC	Industrial and Commercial Bank of China Limited, a company listed on the Stock Exchange (Stock code: 1398)
Ilmenite	Iron titanium oxide; a trigonal mineral, chemical formula $FeTiO_3$
JORC code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time.
K&S	A magnetite development project in the Company’s portfolio consisting of the Kimkan deposit and the Sutara deposit
LTIFR	Lost time injury frequency rate, the number of lost time injuries per million man hours worked
Magnetite	$8FeOFe_2O_3$; major mineral in banded iron formations, generally low grade (1.5-40% iron)
Manganese	Grey-white, hard, brittle metallic element; chemical symbol Mn
Metallurgical	Describing the science concerned with the production, purification and properties of metals and their applications
Micon	Micon International Limited has provided consulting services to the international mining industry since 1988, with particular focus upon mineral resource estimations, metallurgical services, mine design and production scheduling, preparation of pre-feasibility and feasibility studies, independent reviews of mining and mineral properties, project monitoring, independent engineer roles, financial analysis and litigation support. Micon’s resource estimate complies with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required by Canadian National Instrument 43-101 (NI 43-101)
Mill	Equipment used to grind crushed rocks to the desired size for mineral extraction
Mineralisation	Process of formation and concentration of elements and their chemical compounds within a mass or body of rock
NI 43-101	Also referred to as National Instrument 43-101, the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101 as amended from time to time
Open-pit	A large scale hard rock surface mine; mine working or excavation open to the surface
Optimisation	Co-ordination of various mining and processing factors, controls and specifications to provide optimum conditions for technical/ economic operation
Ore	Material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives
Ore-field	A zone of concentration of mineral occurrences
Ore body	Mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions
Precious metal	Gold, silver and platinum group minerals
Primary	Characteristic of or existing in a rock at the time of its formation; pertains to minerals, textures etc.; original

Processing	Methods employed to clean, process and prepare materials or ore into the final marketable product
Recovery	Proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
Run-of-mine or ROM	Recovered ore, as mined with dilution, before any pre-concentration or other form of processing
Russian Far East	Refers to the Far Eastern Federal district of the Russian Federation, which covers the area of Russia between Lake Baikal in Siberia and the Pacific Ocean. The Far Eastern Federal district includes the Amur Region, EAO, Kamchatka Krai, Magadan Region, Primorsky Krai, Sakha Republic (Yakutia), Sakhalin Region, Khabarovsk Krai, and Chukotka Autonomous District
Shareholder(s)	Holder of the Share(s)
SRP	Steel/Slag Reprocessing Project
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strike	The longest horizontal dimension of an ore body or zone of mineralisation
Tailings	Material that remains after all metals/minerals considered economic have been removed from the ore
TiO_2	Titanium dioxide. A fine white powder. Used in paints, plastics or paper, it provides for maximum whiteness and opacity
Titanomagnetite	Concentrate which is a variation of a magnetite concentrate typically with a high vanadium and titanium content
Treatment plant	A plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
Tonne/t	I metric tonne (1,000 kg)
US Dollar or US$	United States Dollar

LIST OF ABBREVIATIONS

$^{\circ}C$	degrees Celsius, a thermal unit equivalent to Kelvin+273.15
CaO	chemical symbol for calcium oxide or quicklime
Fe	chemical symbol for iron
Fe_{magn}	total iron in the ore originating from magnetite
$Fe_{(total)}$	total amount of iron content
Fe_2O_3	chemical symbol for haematite
kg	kilogramme, the SI unit of mass
km	kilometres, a unit of length equivalent to 1,000 m
km^2	square kilometres, a unit of area equivalent to 1,000,000 m^2
Kt	thousand tonnes
Ktpa	thousand tonnes per annum
kV	kilovolts, one thousand volts, a unit of electromotive force
Kwh	kilowatt hour, a unit of energy
m	metres, the SI unit of length
m^3	cubic meter, a unit of volume
mm	millimetres, unit of length equivalent to 0.001 m
Mt	million tonnes
Mtpa	million tonnes per annum
mWt	megawatt, one million watts, a unit of power
nm	not measured
sq.m.	square metre, a unit of area
t	a metric tonne, a unit of mass equivalent to 1,000 kg
tpa	tonnes per annum
TiO_2	chemical symbol for titanium dioxide
V_2O_5	chemical symbol for vanadium pentoxide

2015 & beyond 二零一五年及以後

- **K&S** Doubling production
  產量倍增
- **Garinskoye** Production
  投產

2014 二零一四年

- **K&S** Production
  投產

2012 二零一二年

- **Kuranakh** Ilmenite production full capacity
  鈦鐵礦生產達產
- **K&S** Ongoing construction
  建設中
- **Garinskoye** DSO operation announced
  公告直接輸出礦石營運
- **Exploration 勘探** Ilmenite & Molybdenum Exploration acquisitions
  鈦及鉬勘探之收購

2011 二零一一年

- **Kuranakh** Full year production targets exceeded
  超越全年生產目標
- **IRC 鐵江現貨** Group reserves increase threefold
  公佈集團的儲量為上一次公佈的三倍
- **K&S** First drawdown ICBC facility
  Optimisation Study to double K&S production
  提取首筆工商銀行貸款
  公佈優化研究，將產量倍增
- **SRP 鋼渣加工項目** First production
  正式投產
- **Kuranakh** Iron ore production full capacity
  鐵礦石生產達產

ON TRACK TO DELIVER SUPERIOR GROWTH & RETURNS

正在理想增長及理想回報之軌道上邁進

2010 二零一零年

- **K&S** US$340m ICBC facility
  US$400m CNEEC EPC contract
  獲授中國工商銀行貸款融資3億4千萬美元
  以發展K&S與中國電力工程有限公司簽訂4億美元的工程、採購及建築(EPC)合同
- **IRC 鐵江現貨** HKEx listing
  於香港交易所上市
- **Kuranakh** Commissioned
  開始營運

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鐵江現貨有限公司

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