IRC Limited

鐵江現貨有限公司

HONG KONG STOCK CODE 股份代號: 1029

INTERIM REPORT

中期報告 2014

我們集獨特組合於一身：
地質、地理及基建，將繼續邁進，
旨在成為**中俄工業商品之行業領先企業**

OUR unique combination of
GEOLOGY, GEOGRAPHY AND INFRASTRUCTURE
ensures that IRC continues on its track to be a leading
CHINA-RUSSIA INDUSTRIAL COMMODITIES PRODUCER

我們世界級的 **K&S項目** **即將完成**
預期**產量**將**增長為目前的四倍**
成本將下降
帶動現金流增加

Our world-class **K&S MINE** is
NEARING COMPLETION
PRODUCTION capacity will soon
QUADRUPLE
COSTS WILL FALL
CASH FLOWS WILL INCREASE

年產能可將1,000萬噸礦石加工為320萬噸優質鐵精礦

Annual capacity to process 10 MILLION TONNES OF ORE into 3.2 MILLION TONNES of high quality IRON ORE CONCENTRATE

Mining 開採 → Ore Stockpiles 礦石庫存 → Primary Crushing 粗碎 → Ore Sorting 篩選 → Secondary & Fine Crushing 二次中細碎 → Dry Magnetic Separation 乾磁選 → Fine Crushed Ore Storage 細碎礦倉 → Processing 選礦 → Drying 烘乾 → Storage 存倉 → Loading/Rail 裝載/鐵路

Post-production techniques were used to alter the appearance of this image as it is made from a series of individual photographs.
由於該圖片乃由多張照片合成，故已使用後期製作技術加以處理，以改變其外觀。

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EXECUTIVE CHAIRMAN & CEO REPORT

Dear Stakeholder,

2014 is proving to be a challenging and exciting year for IRC. We had always expected significant challenges with the commissioning of K&S during the second half of 2014 though we had not fully anticipated the volatility in the iron ore and Chinese credit markets with their consequent impact on IRC. We recognise that stakeholders have been eagerly waiting the commissioning of the new K&S Mine, and so, it is pleasing that soon your patience will be rewarded.

K&S is a world-class iron ore facility. The Phase 1 operation will have production capacity of 3.2 million tonnes of iron ore a year. With a forecast production cash cost of US$45 per tonne, K&S will firmly earn its place in the lower quartile of the cost curve and even at the current market prices for iron ore, enjoy a healthy margin. Moreover, K&S will produce a premium 65% magnetite product, compared to the benchmark 62%; and, with customers in NorthEastern China able to receive a consistent quality in regular, frequent and smaller quantities, we believe that a premium price is achievable, thereby expanding our margin potential even further.

Building a world-class iron ore facility has its challenges, and like any other mining operations, this is especially true as completion nears. The delays experienced due to exceptional weather that we reported last year have had a knock-on effect through the construction programme, and it is regrettable that CNEEC, the Chinese SOE that is the primary processing plant contractor, has notified us of a delay in commissioning until the very end of this year. We regret the delay, and share the frustration of shareholders and stakeholders alike who are keen to enjoy the economic rewards of a large-scale low-cost operation.

Rest assured that we are doing our very best to maintain appropriate pressure on the contractors as well as working ourselves on the other variables that will determine our success in commissioning and continued operations. The current schedule envisages commissioning starting at the end of December. Experience suggests that typically, it then takes approximately 3 months through to commercial production as modifications and debottlenecking enable the facility to ramp-up to full capacity and commercial production. Consequently, we have been guiding the market that we anticipate approximately 2 million tonnes of production from K&S during 2015, and full annual production of 3.2 million tonnes thereafter. This is our base case, and barring any events outside of control, there is the possibility of exceeding this conservative guidance. We have been working for some time now preparing a Phase II expansion at K&S to 6.3 million tonnes and a number of other scenarios to optimise. These could provide reduction in costs due to economies of scale and/or save on transport costs. An investment decision is dependent on completing the General Nice and Minmetals financing amongst other things.

We are also mindful of shareholder desires for a dividend stream from Phase I cash flows. Concerns over entering a further capital development phase in the current market conditions mean it is unlikely that the decision to press ahead with Phase II will not be made until at least the end of this year.

The Kuranakh operation recently celebrated four years of commercial production. During this time it has delivered over 3.5 million tonnes of iron ore and over 400,000 tonnes of ilmenite to customers in China and beyond. In this report last year we highlighted that Kuranakh was close to achieving optimum production capacity levels and that the focus would shift to costs. Good progress was achieved on the production front. For 2013 as a whole we exceeded our iron ore production targets, even after they were revised upwards and for the first half of 2014, we have produced over half of our annual targets for iron ore and ilmenite. Although production rates are above budget and some efficiencies have been achieved, low iron ore and ilmenite prices have weakened margins. Russian inflation has also challenged our cost base which altogether has resulted in the operation recording a negative cash flow. We advised of this possibility in our 2nd Quarter trading update and this report confirms the negative result for Kuranakh and the Group, and also the need for a non-cash impairment at Kuranakh with the possibility that the operation could be placed on care and maintenance or in the worst case, even cease operations.

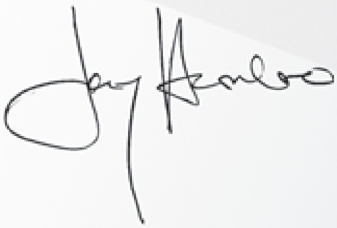
The Board has analysed and discussed the opportunities to turn around the Kuranakh Mine. We are hopeful that following discussions with Russian authorities and suppliers the opportunity for some cost reductions may be possible. With much work still to be done, the future of Kuranakh is still under threat. However, it is too soon to make a final long-term decision when cost savings could be realised and the pricing outlook for our commodities has the potential to improve.

The fall in iron ore prices was partly a response to the rebalancing of the Chinese economy and partly due to the quicker than anticipated supply expansion from Australia. Whilst market commentators suggest that the latter has abated, the availability of credit in China continues to weigh on the economy as a whole.

We are experiencing the effects of this directly as General Nice has missed its subscription obligations for new shares in IRC originally agreed last year. Nevertheless, despite the challenges of raising capital, it is important to note that General Nice have paid over 80% of their subscriptions, with only US$38 million remaining. Once they have paid this, Minmetals Cheerglory will be permitted to pay their subscription of US$30 million. Both parties have confirmed their intention to complete and IRC has secured a personal guarantee from the Chairman of General Nice, and 34,064,000 shares which General Nice had paid and subscribed for at approximately US$4.1 million will not be issued. The delays are regrettable, however, it is important to emphasise that relations between IRC and the investors are good. All parties remain confident that the transaction will complete when possible. We recognise the delay in completion is frustrating, however, we also understand the market environment is challenging for all industry players, which has been well documented in Hong Kong and international press. Also, it is important to preserve our good relationship with General Nice and Minmetals as what we have entered into is a long-term strategic alliance, and as such, we should not jeopardise this with short-term tactics that will not serve the opportunities of working together for years to come.

IRC ends the first half of the year in a comfortable financial position with funds available totalling over US$200m. Cash balances stood at over US$100 million and just under US$100 million was also available in undrawn credit facilities earmarked for the completion of K&S. In addition, a further US$68 million remains committed to be paid by General Nice and Minmetals. To have our flagship mine K&S being so close to production and enjoying a stable cash position is an unusually healthy position for a mining company. This is partly due to locking in the best Chinese partners early-on and successfully raising capital earlier.

We are confident that as we turn the corner and commission K&S, with the benefits of healthy margins and cash returns in 2015, our share will rerate, and that our shareholders, will reap the rewards for your patience. We thank you all for your commitment to IRC. We would particularly like to thank the workforce for another six months of excellent performance despite the distressing market conditions lowering morale and margins.

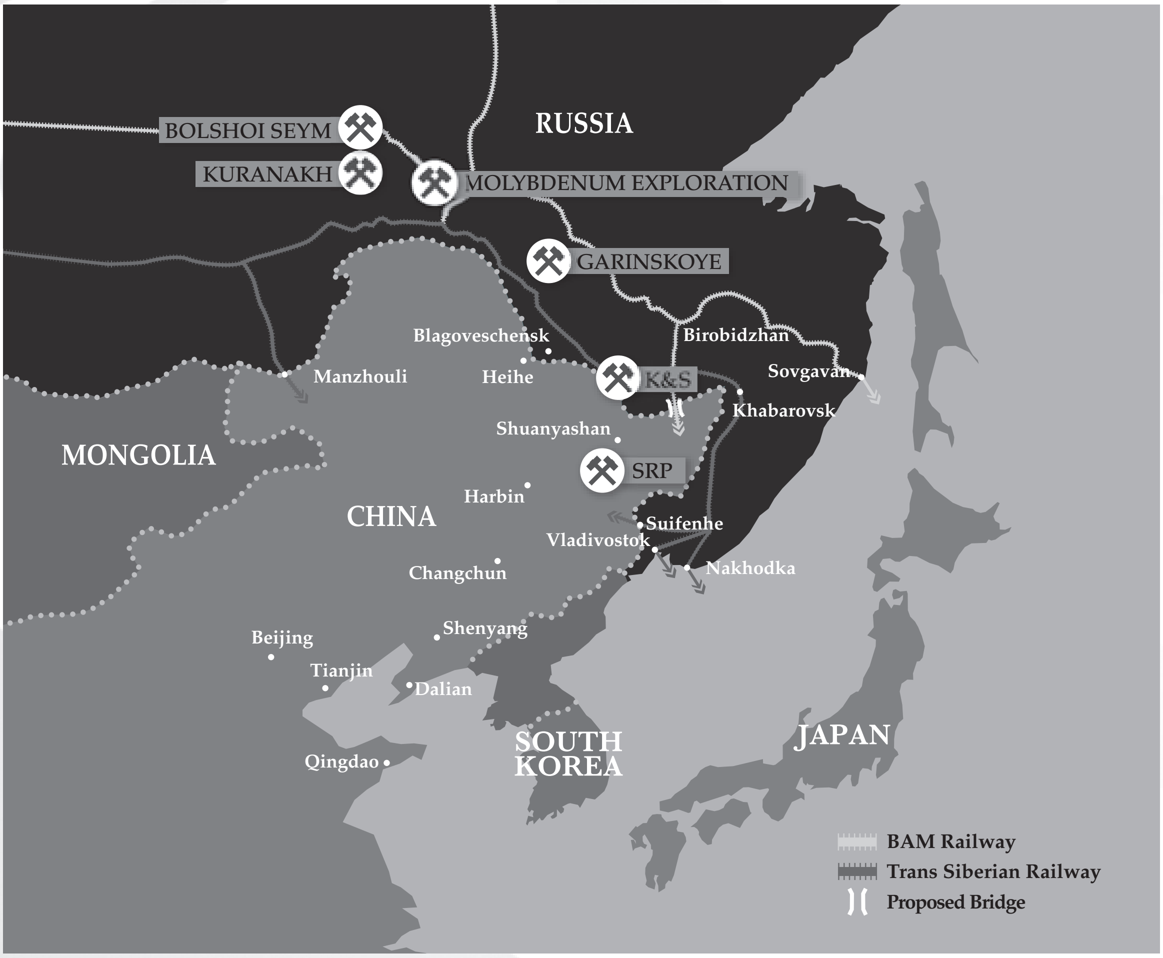


G.J. Hambro
Executive Chairman

Yury Makarov
Chief Executive Officer

OPERATIONS REPORT

IRC is a vertically integrated producer of industrial commodities. Our operations are located in Far Eastern Russia where we enjoy the benefits of good geology, the availability of labour, power and water, and importantly in bulk commodities, established rail access to both China, the world's largest commodity consumer, and also to the Pacific seaports from where we can ship our products to East Asia and beyond.



Upstream we explore, develop and operate mines in the Russian Far East and North-Eastern China. Downstream we beneficiate, transport and market intermediary and finished products for sale to the local and international markets.

Currently, the main iron-ore projects are Kuranakh, K&S (Kimkan and Sutara) and Garinskoye with complementary businesses including exploration projects and the SRP. This year, Kuranakh is celebrating its fourth year since commercial operations began and since then has produced over 3.5 million tonnes of iron ore and 400,000 tonnes of ilmenite concentrates. K&S is currently completing construction and preparing to begin operations, targeting annual production of 3.2 million tonnes of iron ore, with the potential to almost double to 6.3 million tonnes if expanded. Garinskoye is an advanced exploration project. Whilst Garinskoye holds enough reserves to be developed as a large scale open-pit operation, a lower-cost and fast-build DSO-style operation is under consideration as an intermediate development solution. The three projects combined provide a good pipeline from exploration to production and the potential to produce almost 10 million tonnes of iron ore, plus 160,000 tonnes of by-product ilmenite.

Kuranakh

Kuranakh is located in the north-east Tynda District of the Amur Region of the Russian Far East and comprises both the original Saikta open pit and the more recently established Kuranakh open pit processing facilities and an onsite railway spur connecting to the BAM and Trans-Siberian Railways. Since officially opened by former Russian President Medvedev in July 2010, the mine has produced over 3.5 million tonnes of iron ore and 428,000 tonnes of ilmenite concentrates. The operation is the first vertically-integrated titanomagnetite mining, processing and production facility in Russia, proudly designed, built and managed by IRC. The Kuranakh Mine is the largest regional employer, bringing a much needed boost to the local economy through fiscal contributions and stakeholder and biodiversity conservation programmes. Currently 1,700 people are employed at Kuranakh, of which 400 are contractors.

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. The LTIFR per 1,000,000 hours worked was 3.0 for the first six months, a 42% improvement compared to an LTIFR of 5.19 in the first half of 2013. No fatalities occurred during the first half of 2014 within the Company, however a fatality was regrettably recorded by an independent contractor. Whilst the contractor was operating outside of prescribed safety standards, safety-training and operating procedures have been revised to reduce the likelihood of this re-occurring.

Production

During the first half of 2014, mining production and development activities progressed well. Mining works were conducted in accordance with the revised mining plan, keeping the grades and production yields on a stable level.

Ore tonnages for the first six months totalled 1,642,159 tonnes of ore removed, a small increase compared to the same period last year.

The Crushing and Screening Plant managed the additional RoM tonnes and stockpile material well, processing a total 1,927,739 tonnes. Encouragingly, grade improvements were achieved during the first six months, with an average grade of 26.6% Fe and 8.2% TiO_2, resulting in production of 1,009,052 tonnes of pre-concentrate. Stockpiles at the end of June 2014 totalled 218,428 tonnes, equivalent to 20 days feed for the processing plant.

At the Olekma Processing Plant a total 944,960 tonnes of pre-concentrate was processed, resulting in production of 503,871 tonnes of iron ore with a 62.5% grade and 86,693 tonnes of ilmenite concentrate with a 48% grade. This is equal to 56% of the 900,000 tonnes annual iron ore target and 54% of the 160,000 tonnes annual ilmenite target.

Financial Performance

Sales volumes for the first six months decreased slightly to 517,056 tonnes of iron ore and 69,200 tonnes of ilmenite concentrate. This small decrease compared to the same period last year is due to lower production and establishing warehouse stocks of ilmenite in Chinese and Russian ports as part of the new ilmenite sales strategy.

The iron ore ASP for IRC was US$105 per tonne, 15% lower than the US$123.5 per tonne achieved in the first half of 2013. Sales volume for iron ore concentrate are secured under a long-term offtake agreement and prices 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. The ilmenite ASP fell to US$159 per tonne for the first six months of 2014, a 36% decrease compared to the US$250 per tonne achieved in the same period last year.

During the first half of 2014, Kuranakh generated total revenues of US$65.4 million, a 25% decrease compared to the US$87.0 million realised in the first half of 2013 due to lower sales volumes and prices.

Cash costs averaged US$84.9 per tonne. This compares to an average US$66 per tonne in the first half of 2013 and US$59.1 per tonne for the 2013 year as a whole. In addition, transportation costs for iron ore to customers averaged US$31.0 per tonne, a decrease of 16% compared to the US$37.0 per tonne achieved in the first half of 2013.

	1H 2013	FY2013	**1H2014**
Mining	33.9	37.5	**34.1**
Processing	18.7	18.4	**17.7**
Transportation to Plant	6.7	7.0	**9.6**
Production Overheads, Site Admin & Related Costs	25.5	22.4	**30.7**
Movements in Inventories & Finished Goods	3.2	(8.0)	**1.9**
Ilmenite Contribution	(22.0)	(18.2)	**(9.1)**
Transportation to customers	37.0	36.6	**31.0**
Total CFR China	103.0	95.7	**115.9**

Russian inflation continues to rise, reaching 7.8% in June 2014. Despite ongoing efforts to improve operating efficiencies and cut costs, this continues to weigh on the financial performance at Kuranakh.

Kuranakh reported a segmental EBITDA of US$8.1 million for the first half of 2013, however, due to lower revenue and cost pressures, this fell to a loss of US$13.5 million before the impairment provision for the first six months of 2014.

Kuranakh Mine Strategic Review

During the second quarter of 2014, a strategic review was commenced at Kuranakh to assess the economic viability of the operation going forward. IRC is working closely with staff, local and national authorities and various departments to find all opportunities for further cost savings. We are also working with third-party consultants to look for internal savings.

The internal review has identified that whilst operating efficiencies are at near optimal levels, unless further cost savings can be achieved and iron ore and ilmenite prices improve, the Kuranakh Mine will not achieve the financial returns necessary to justify continuing operations.

Externally we expect that a number of new Russian Government initiatives currently under discussion could prove advantageous. We believe Far East Russia is set for development support from the Russian State and following approval, IRC will seek participation in a number of schemes. Specifically IRC will seek support from the fiscal regime and assistance with transportation costs.

Consultations are ongoing and IRC has been encouraged by the will and interest of all parties to engage and discuss opportunities for further enhancing productivity and explore cost saving opportunities. However, this process will take time, and the opportunity for improving margins must be balanced against the social and economic costs of closing down the operation, or indeed placing it on care and maintenance if production is to be restarted at a later date.

K&S

The K&S Mine is located in the Jewish Autonomous Region (EAO) of the Russian Far East. The operation is 4 kilometres west of the town of Izvestkovaya, through which the Trans-Siberian Railway passes. It is also 130 kilometres west by federal highway from the regional capital of Birobidzhan and 300 kilometres west of Khabarovsk, the principal city of the Russian Far East.

Construction activities at K&S continue to progress well through the first half of 2014. At the end of June 2014, the project was estimated to be 78% complete.

IRC informed shareholders that CNEEC, the main contractor for the development of K&S advised that there will be a delay to the original planned commissioning date for the project. IRC and CNEEC are in discussions in regard to the latest proposed commissioning date and CNEEC is taking accelerated steps to mitigate CNEEC's exposure to potential delay penalties. In light of this delay, a revised completion schedule and ramp-up is set out on the next page.

Safety

The K&S Project continued to report an excellent safety performance during the first half of 2014. The reported LTIFR rate per 1,000,000 hours worked was 0.00, an excellent performance and a return to the same performance in the first half of 2013 after a slight deterioration in the second half of 2013.

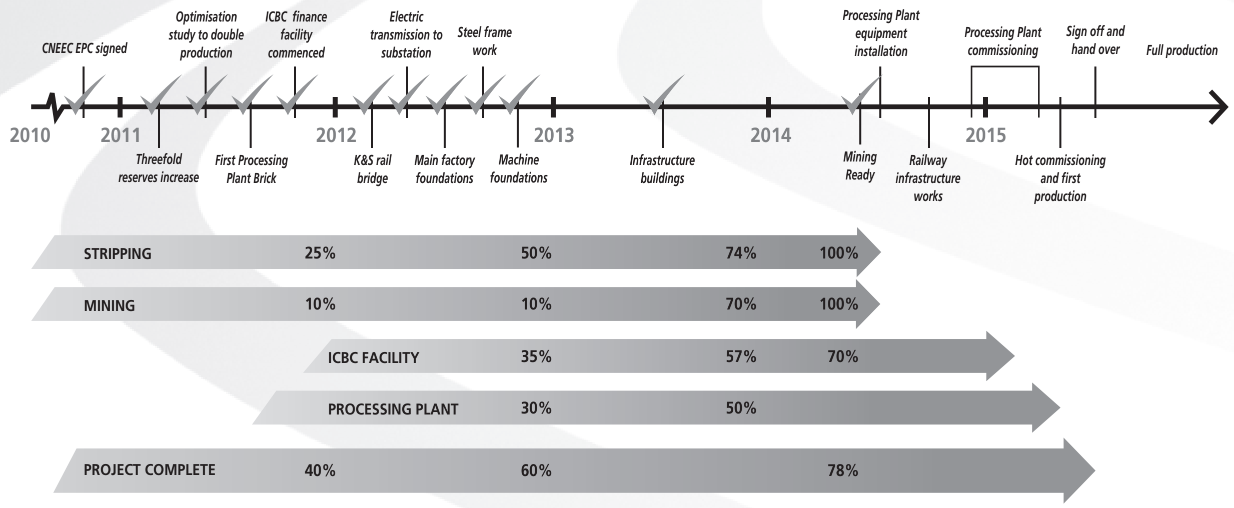
At the end of June 2014, 1,020 people were employed at the project (compared to 657 at the end of June 2013) in addition to varying contractor numbers depending upon the activities. Into late summer, CNEEC have said that the number will increase to almost 1,500 people working on a 24-hour work schedule, resulting in an acceleration of construction activities as the operation nears completion.

Mining

Stripping and mining rates intensified through the first half, in particular the second quarter, due to good weather and employment of mining contractors. The addition of the contractor to complement IRC's small mining fleet has worked well with a total of 12.9 million m^3 of material moved to date of the required 14.5 million m^3 of overburden required and ore stockpiles ready to feed the processing plant totaling 4,366,010 tonnes. This is more than is necessary for start up, however, additional tonnes will be mined to further improve the stockpile grade. This is a solid achievement and provides comfort that the mine will be ready for the start-up of plant operations and demonstrates IRC's ability to manage a large-scale open-pit mining operation.

IRC Project Timeline

K&S Milestones



Estimated simplified project construction schedule

Processing Plant

The Processing Plant is being constructed as a turnkey project. It is funded through a project finance facility provided by ICBC and equity. Major construction is being undertaken by CNEEC with an EPC contract that includes pre-defined penalties if completion is delayed, with project management led 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 potentially also Garinskoye if required.

Installation of the ball mills is in progress. This is the bulkiest processing equipment. Installation is expected to be completed in the third quarter, along with piping and internal networks. Construction and equipment installation of the deslimers, primary crushing, ore sorting, dry magnetic separation secondary and fine crushing facilities are near completion and internal works are on track for completion during the third quarter, with testing to start immediately after.

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. Much of the site infrastructure is complete, with the final efforts focussing on the last section of rail that will connect the processing plant to the already established railway connection to the Trans-Siberian Railway, in addition to completing the required infrastructure to support the plant.

Exploration

Garinskoye

The Garinskoye Project is an advanced large-scale exploration project. Located in the Amur Region of the Russian Far East, located midway between the BAM and Trans Siberian Railways and near to the Zeya River which flows directly to the Chinese border, approximately 190 kilometres away.

Following updated exploration work completed over the last 4 years, a JORC-compliant mineral resource of 177 mt at 33.4% Fe on an indicated basis and a further 86 mt at 32.5% on an inferred basis were established. The original intention was to build a large-scale open-pit mining 10 mt and yielding 4.6 mt of concentrate for 20 plus years. Whilst IRC still intends to develop a large mining operation, due to capital constraints, an intermediate plan to exploit value in the near-term with a smaller scale DSO-style operation has been developed.

The full Bankable Feasibility Study for the revised DSO-style operation has been undertaken. It will be announced once third-party verification and a fatal flaws analysis are completed. In the meantime, potential funding opportunities are ongoing. Several potential project partners have been identified and a full expression of interest for project financing received from a multi-lateral banking institution. The Company intends to announce funding options during 2014.

During the first half of the year, work was focused on preparing design documentation for the construction of industrial facilities at the Garinskoye site and obtaining the necessary local construction permits. The design documentation is being developed by Giproruda and covers Stage 1 of Garinskoye development and DSO operations. Industrial site and facility location studies were commenced, with a general layout of the industrial site now advanced to a detailed design. Finally, the outstanding environmental issues were reviewed and the Environmental Social Impact Assessment analysis updated accordingly.

MARKET REVIEW

IRON ORE MARKET

Chinese demand for iron ore continued to grow during the first half of 2014 as domestic steel production expanded. A marked increase in steel demand for autos and manufactured goods was reported, more than offsetting lower demand for construction. With improvements anticipated in new construction starts during the second half of 2014, the demand outlook for the remainder of 2014 is positive.

The supply chain dynamics in the iron ore and steel markets changed significantly during the first half of the year. Tighter credit markets in China and a renewed emphasis on environmental regulation in the steel industry weighed on the sector as the wider Chinese economy manages the transition to slower growth than in the past. At the same time, an Australian-led iron ore supply surge arrived sooner than anticipated due to the absence of seasonal weather supply disruptions, providing plentiful iron ore. This resulted in a shift in inventories from the steel mills and traders up the supply chain to the ports where record tonnages are being now stored due to confidence in supply and absence of credit.

Towards the end of the first half of the year, a small reduction in Australian imports was recorded and as margins recovered at steel mills, notably in Hebei, the world's largest steel producing base, utilisation rates at blast furnaces also ramped up. The long-awaited Chinese government policy on housing investment and a possible lightening of credit availability have resulted in new optimism that the second half of 2014 could see further growth in steel demand, absorbing much of the new supply and tightening the supply chain once again.

The benchmark iron ore price for delivery to China averaged just US$111 per tonne during the first half of 2014, 19% lower than the first half of 2013 and 17% lower than the second half of 2013. The price hit a low of US$89 per tonne in mid-June, recovering 5% to US$95 per tonne at the end of June.

IRON ORE SALES

Sales for IRC iron ore concentrate from the Kuranakh Mine are secured under a long-term offtake agreement and prices are calculated on the INCOTERM "DAP" (Delivered at Place) basis. During the first half of the year, the average achieved selling price for iron ore was US$105 per tonne, a 15% decrease compared to US$123 per tonne in the first half of 2013 and a 8% decrease compared to the US$114 per tonne in the second half of 2013. The price formula is based on averages for preceding periods and therefore lags the spot price.

However, due to its unique location on the Sino-Russian border and the supply advantages this provides, IRC sold all of the iron ore that it produced to its customers in Heilongjiang, suggesting good demand for IRC's iron ore concentrate product. Over the quarter discussions with potential customers for K&S and Garinskoye products continued, with a wide variety of interest by end-user type and geography.

ILMENITE MARKET

Chinese demand for ilmenite concentrate was weak during the first half of 2014, though some early signs of recovery were evident towards the end of the second quarter with an increasing number of titanium dioxide producers and trading companies expressing interest in IRC ilmenite.

The price for ilmenite concentrate (a titanium dioxide product) remained relatively low compared to the strong prices seen in 2012 and 2013, though it has held above 2011 prices.

ILMENITE SALES

IRC is increasingly a supplier of choice to the industry due to our high-quality product and its availability to purchase from the Kuranakh Mine, and Chinese and Russian ports. In the first half of 2014, ilmenite concentrate was also sold to Japan, and negotiations with potential customers from different countries are ongoing, hopefully resulting in an ever wider customer base.

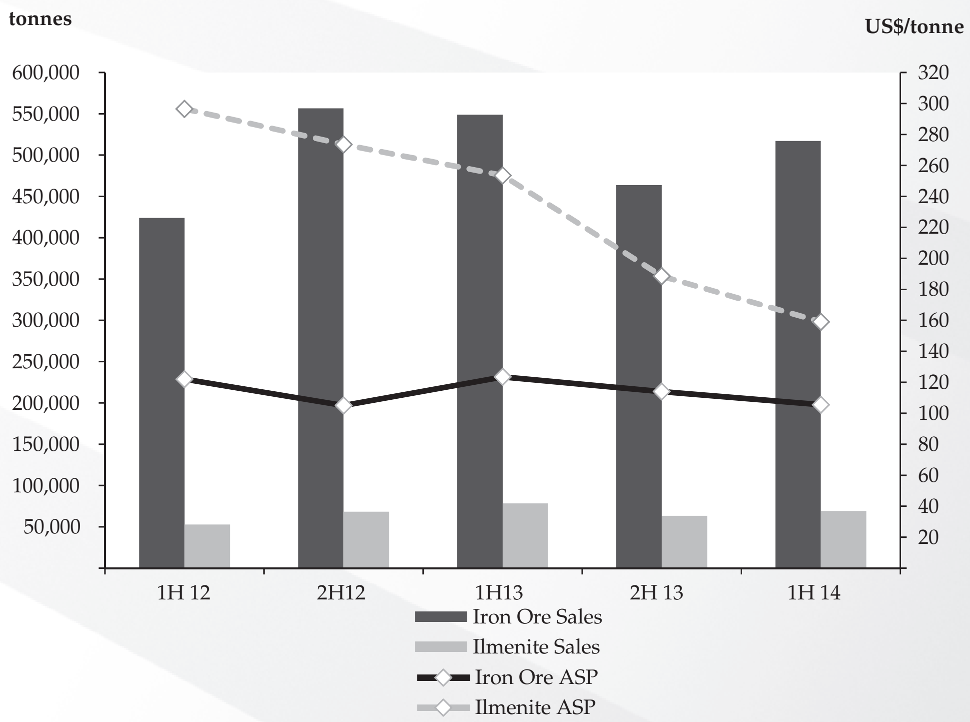
MARKET REVIEW (Continued)

At the beginning of 2014, IRC started a programme of Chinese domestic ilmenite sales from Chinese ports aiming to increase profit margin. Material is now being shipped on a frequent basis to Qingdao, Zhenjiang and Ningbo ports, and selling direct from these warehouses considerably reduces the delivery time for IRC's customers. In the second quarter, the new sales strategy developed further as IRC also started selling ilmenite from warehouse space at Nakhodka Port on the Russia Pacific coast. This new option has lower warehouse costs for IRC than the Chinese ports and provides customers in North East Asia, for example Japan, shorter delivery times than from the Kuranakh Mine. Consequently, IRC can now offer customers a range of delivery options (and prices) for material from the Kuranakh Mine, Russian port or Chinese ports.

Ilmenite sales totalled 69,200 tonnes in the first half of 2014. This is 12% less than in the first half of 2013, although this excludes the material that has been allocated to Russian and Chinese warehouses as part of the new sales strategy.

The market for ilmenite is relatively small and whilst IRC has disclosed its quarterly achieved selling price in the past, IRC's customers have requested that such frequent disclosure be reduced. Consequently, IRC now only discloses the average achieved selling price every six months. For the first half of 2014 it was US$159 per tonne, compared to US$250 per tonne for the first half 2013 and US$189 per tonne for the second half of 2013.

SALES VOLUMES AND PRICE, 1H 2012 TO 1H 2014



RESULTS OF OPERATIONS

The following table summarises the consolidated results of the Group for the six months ended 30 June 2014 and 30 June 2013:

US$'000	For the six months ended 30 June		
	2014	2013	Variance
Iron Ore			
— Sales volume (tons)	**517,056**	548,850	(5.8%)
— Average price (US$/ton)	**105**	123	(14.6%)
Ilmenite			
— Sales volume (tons)	**69,200**	78,336	(11.7%)
— Average price (US$/ton)	**159**	250	(36.4%)
Revenue			
Iron Ore Concentrate	**54,426**	67,649	(19.5%)
Ilmenite	**10,996**	19,392	(43.3%)
Engineering Services	**2,053**	5,192	(60.5%)
Total Revenue	**67,475**	92,233	(26.8%)
Site operating expenses and service costs	**(82,641)**	(85,988)	(3.9%)
Central administration expenses	**(10,242)**	(11,805)	(13.2%)
Impairment charges	**(62,879)**	—	n/a
Share of results of joint venture	**2,278**	(1,394)	n/a
Net operating loss	**(86,009)**	(6,954)	>100%
Other gains and losses and other expenses	**(1,725)**	(1,561)	10.5 %
Financial expenses, net	**(832)**	(1,590)	(47.7%)
Loss before taxation	**(88,566)**	(10,105)	>100%
Taxation credit/(charge)	**172**	(290)	n/a
Loss after taxation	**(88,394)**	(10,395)	>100%
Non-controlling interests	**188**	(258)	n/a
Loss attributable to owners of the Company	**(88,206)**	(10,653)	>100%

REVENUE

Iron ore concentrate

The significant increase in iron ore supply, and commensurate fall in iron ore prices, particularly in the second quarter of 2014, has affected the Group's revenue. Although IRC sold all of the iron ore it produced to its customers in Heilongjiang, suggesting good demand for IRC's iron ore concentrate product, the sales volume and average price fell by 5.8% and 14.6% respectively, resulting in a reduction in revenue by US$13.2 million to US$54.4 million for the first six months of 2014.

Ilmenite

The market demand for ilmenite in the first half of 2014 continued weakened, leading to 36.4% fall in prices. With lower sales, in part to a build of inventories as part of the new sales strategy, revenue from ilmenite sales dropped by US$8.4 million to US$11.0 million.

Despite the market adversity, IRC has been proactive in seeking ways to improve profit margins. During 2014, IRC started a programme of Chinese domestic ilmenite sales from Chinese ports under which the Group could offer customers a range of delivery options and prices for material from the Kuranakh Mine, Russian port or Chinese ports. It is expected that this new marketing strategy and delivery channel could give IRC a competitive advantage in the long run under this challenging market.

Engineering Services

Revenue from Giproruda, the engineering services division of the Group, reduced by US$3.1 million to US$2.1 million, due to decreased billing for its consulting services.

SITE OPERATING EXPENSES AND SERVICE COSTS

Site Operating Expenses and Service Costs mainly represent the mining and operating expenses incurred by the Group's sole mine in production, the Kuranakh mine. The expenses decreased by 3.9% from US$86.0 million to US$82.6 million and a breakdown of the expenses is set out in note 5 to the condensed consolidated financial statements on page 30.

Included in the expenses was a non-cash impairment provision for inventory at Kuranakh of US$3.8 million, due to the falling iron ore price. Excluding this one-off provision, the underlying Site Operating Expenses and Service Costs decreased by 8.3% year-on-year. Considering that the iron ore sales volume only reduced by 5.8%, and also taking into account the relatively high inflation in Russia, the 8.3% cut in cost is a good achievement and demonstrates the Group's continuous efforts to control costs.

During the first half of 2014, 503,871 tonnes of iron ore concentrate and 86,693 tonnes of ilmenite were produced, representing 56.0% and 54.2% of their respective 2014 annual production targets. In accordance with the general market practice and for presentation and analysis purposes, the table below classifies ilmenite sales as a by-product credit by treating the sales revenue as an offsetting item in the production cash cost of iron ore. The details of the key cash cost components are as follows:

	1H 2014		1H 2013
		Cash cost	Cash cost
	Total cash cost	**per tonne**	per tonne
	US$ million	**US$/t**	US$/t
Mining	**17.2**	**34.1**	33.9
Processing	**8.9**	**17.7**	18.7
Transportation to plant	**4.8**	**9.6**	6.7
Production overheads, site administration and related costs	**15.5**	**30.7**	25.5
Transportation to customers	**16.1**	**31.0**	37.0
Movements in inventories and finished goods	**1.0**	**1.9**	3.2
Contribution from sales of ilmenite* and others	**(4.6)**	**(9.1)**	(22.0)
Net cash cost	**58.9**	**115.9**	103.0

* net of tariff and other railway charges for ilmenite

SEGMENT INFORMATION

Despite the Group's effort to reduce operating costs, the decrease in selling prices of iron ore and ilmenite in the first half of 2014 had resulted in the "Mine in production" segment reporting a segmental loss before impairment of US$13.5 million (30 June 2013: profit of US$8.1 million). The "Engineering" segment also recorded a loss of US$0.3 million (30 June 2013: profit of US$0.6 million) due to the decrease in consultancy billings.

CENTRAL ADMINISTRATION EXPENSES

In light of the challenging market and operating environments, special attention continues to be given to controlling administrative costs. The successful implementation of the cost savings initiatives continued to provide benefits, with the Group's central administration costs reducing 13.2% to US$10.2 million.

IMPAIRMENT CHARGES

As operating costs and efficiencies of the Kuranakh mine are at near optimal levels, the business model for this project is therefore particularly sensitive to iron ore and ilmenite prices. Given the significant reductions in iron ore and ilmenite prices, especially in the second quarter of 2014, it is considered appropriate to record a one-off non-cash impairment provision of US$62.9 million (30 June 2013: Nil) against the full carrying value of the project.

SHARE OF RESULTS OF JOINT VENTURE

The vanadium joint venture, 46% owned by IRC, continued to report good operating results following significant decrease of purchase price for vanadium slack and improved recovery rates of vanadium. During the first half of 2014, the Group recorded a share of profit of the joint venture of US$2.3 million (30 June 2013: share of loss of US$1.4 million).

NET OPERATING LOSS

The net operating loss, before taking into account the impairments of Kuranakh's carrying value (US$62.9 million) and inventory (US$3.8 million), increased from US$7.0 million to US$19.3 million, primarily due to the reduction in prices of iron ore and ilmenite. The non-cash impairments increased the net operating loss by US$66.7 million to US$86.0 million.

OTHER GAINS AND LOSSES AND OTHER EXPENSES

The Other Gains and Losses and Other Expenses of US$1.7 million (30 June 2013: US$1.6 million) mainly represent exchange losses recorded during the period.

NET FINANCIAL EXPENSES

Net financial expenses decreased from US$1.6 million in the first half of 2013 to US$0.8 million in the same period in 2014, mainly due to the partial repayment of short term working capital facilities and the increase in interest income following the equity injections from General Nice.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above, the Loss attributable to the Owners of the Company in the first half of 2014 increased to US$88.2 million (30 June 2013: US$10.7 million). The increase is mainly due to the non-cash impairments of US$66.7 million and the reduction in revenue of US$24.8 million, being partially offset by the Group's continuous effort to control costs.

Excluding the non-cash impairments, the underlying loss for the six months ended 30 June 2014 of US$21.5 million is more comparable to the loss of the same period in 2013 of US$10.7 million.

CASH FLOW STATEMENT

The following table summaries the key cash flow items of the Group for the six months ended 30 June 2014 and 30 June 2013:

US$'000	For the six months ended 30 June	
	2014	2013
Net cash (used in) generated from operations	**(21,309)**	18,632
Interest paid	**(4,699)**	(3,657)
Capital expenditure	**(53,952)**	(26,212)
Proceeds on issuance of shares, net of transaction costs	**39,391**	100,460
Proceeds from bank borrowings, net of repayment	**48,381**	10,935
Repayment of loan from Petropavlovsk	**—**	(10,000)
Other payments and adjustments, net	**(636)**	(1,558)
Net movement during the period	**7,176**	88,600
Cash and bank balances (including time and restricted deposits)		
— At 1 January	**98,382**	24,036
— At 30 June	**105,558**	112,636

The net cash used in operations amounted to US$21.3 million, mainly due to the reduction in revenue and other working capital movements. Capital expenditure increased significantly to US$54.0 million following additional CAPEX incurred on the K&S mine, as the construction progress of the project stepped up for completion by the end of 2014.

For financing, the Group had allotted and issued 330.0 million shares (30 June 2013: 817.5 million shares) to General Nice, thereby receiving net cash injections of US$39.4 million (30 June 2013: US$100.5 million). A net bank borrowing of US$48.4 million had been drawn during the first half of 2014 mainly to finance the construction of the K&S project under the ICBC project financing facility.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

On 17 January 2013, the Company entered into a conditional subscription agreement with each of General Nice Development Limited ("General Nice") and Minmetals for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK$1,845 million (equivalent to approximately US$238 million) in aggregate. The share placements not only provided the Group with strong strategic Chinese investment partners, but also solidified the Group's financial strength by unlocking the value in IRC's extensive portfolio of development projects. The transaction also includes off-take and marketing arrangements, providing IRC with both sales volume and cash-flow security.

During 2013, a total of 1,035,876,000 shares were allotted and issued to General Nice for cash considerations of HK$1,006 million (approximately US$130 million). During the first half of 2014, a total of 330,000,000 shares were allotted and issued to General Nice for cash considerations of HK$310 million (approximately US$40 million). The Company is working with General Nice and Minmetals to agree a timely funding plan for the completion of the remaining share subscriptions of HK$529 million (approximately US$68 million).

In accordance with the intended use of proceeds of the transaction as disclosed in the shareholders' circular dated 21 February, 2013, out of the total net proceeds of US$233.5 million, it was envisaged that 90% will be used for the development of K&S Project and Garinskoye Project, and the remaining 10% will be used as general working capital. As of 30 June 2014, the Group has received approximately US$170 million, and we confirm that we have used the proceeds in accordance with the intention above-mentioned. Approximately US$70 million had been spent on financing the construction of the K&S project and funding the general expenses of the Group respectively, with the remaining US$100 million deposited in banks.

Cash Position and Capital Expenditure

As at 30 June 2014, the carrying amount of the Group's cash and bank balances was approximately US$105.6 million (31 December 2013: US$98.4 million) of which US$27.3 million (31 December 2013: US$6 million) was under restricted cash deposit. The balance represents an increase of US$7.2 million, primarily due to the US$40 million investment proceeds from General Nice, net of expenditure to fund the K&S development and administrative costs. It is anticipated that most of the future capital expenditure for the development of the K&S project would be funded by the undrawn loan facility from ICBC of approximately US$98.2 million (31 December 2013: US$145.2 million).

Exploration, Development and Mining Production Activities

For the six months ended 30 June 2014, US$127.5 million (30 June 2013: US$99.1 million) was incurred on development and mining production activities. No exploration activity was carried out during the first half of 2014 and 2013. The following table details the capital and operating expenditures in the first half of 2014 and 2013:

	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
Kuranakh, primarily sustaining capital expenditure	**73.3**	**0.9**	**74.2**	72.9	2.1	75.0
K&S development	**0.3**	**52.2**	**52.5**	0.0	23.6	23.6
Exploration projects and others	**0.1**	**0.7**	**0.8**	0.0	0.5	0.5
	73.7	**53.8**	**127.5**	72.9	26.2	99.1

While CNEEC remains as the main contractor for the construction and purchase of major equipment for K&S project under the US$400 million EPC contract, the table below sets out the details of material new contracts and commitments entered into during the first half of 2014 on a by-project basis.

US$'m Projects	Nature	For the six months ended 30 June 2014	2013
Kuranakh	Purchase of property, plant and equipment	**0.1**	0.9
K&S	Sub-contracting for railways and related works	**—**	1.3
	Sub-contracting for excavation related works	**0.1**	3.5
	Purchase of property, plant and equipment	**—**	0.2
Others	Other contracts and commitments	**0.1**	—
		0.3	5.9

Borrowings and Charges

As 30 June 2014, the Group had gross borrowings of US$263.1 million (31 December 2013: US$214.8 million). All of the Group's borrowings were denominated in US dollars. Of the gross borrowings, US$21.3 million (31 December 2013: US$20.0 million) was unsecured bank borrowing for funding the working capital of the Group while the remaining US$241.8 million (31 December 2013: US$194.8 million) represents long term borrowing drawn from the US$340 million ICBC loan facility which is guaranteed by Petropavlovsk. The Group has been keeping its borrowing costs at market level, with its weighted average interest rate at approximately 6.0% (30 June 2013: 6.2%) per annum. As of 30 June 2014, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, increased to 14.7% (31 December 2013: 10.5%) mainly due to the drawing of the ICBC loan facility to finance the construction of the K&S project.

Risk of Exchange Rate Fluctuation

The Group undertakes certain transactions denominated in foreign currencies, principally Russian Rouble 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.

Employees and Emolument Policies

As at 30 June 2014, the Group employed approximately 2,282 employees (30 June 2013: 2,431 employees). The total staff costs excluding share based payments incurred were approximately US$25.8 million for the first half of 2014 (30 June 2013: US$29.0 million). Overall headcounts decreased in 2014 as part of the measures to reduce costs. 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 20 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

EMPHASIS OF MATTER

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements which indicates that, as at 30 June 2014, the Group incurred loss for the six-month ended 30 June 2014 and as at 30 June 2014, the Group had significant capital and other commitments against the cash and cash equivalents and the credit facilities maintained by the Group. As a consequence, a series of measures are being taken which are disclosed in note 1 to the condensed consolidated financial statements to secure the Group's financing needs. Further, the Group's ability to continue as a going concern is also dependent on the ongoing availability of the financing under the existing ICBC Facility Agreement (as defined in note 19 to the condensed consolidated financial statements) under which the Group's ultimate holding company is the guarantor and required to respect the relevant covenant obligations. The directors of the Company consider that, provided that (i) the Group's ultimate holding company is able to successfully obtain a temporary relaxation of the relevant covenant obligations under the ICBC Facility Agreement; and (ii) the additional financing and cost saving measures of the Group are effective, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The sufficiency of working capital is dependent on the Group's and its ultimate holding company's ability to successfully implement the measures as set out in note 1 to the condensed consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June 2014 US$'000 (unaudited)	2013 US$'000 (unaudited)
Revenue	4	**67,475**	92,233
Operating expenses	5	**(92,883)**	(97,793)
Impairment charges	6	**(62,879)**	—
		(88,287)	(5,560)
Share of results of a joint venture		**2,278**	(1,394)
		(86,009)	(6,954)
Other gains and losses	7	**(1,725)**	(1,561)
Financial income	8	**548**	283
Financial expenses	9	**(1,380)**	(1,873)
Loss before taxation		**(88,566)**	(10,105)
Income tax credit (expense)	10	**172**	(290)
Loss for the period		**(88,394)**	(10,395)
Loss for the period attributable to:			
Owners of the Company		**(88,206)**	(10,653)
Non-controlling interests		**(188)**	258
Loss for the period		**(88,394)**	(10,395)
Loss per share (US cent)	12		
Basic		**(1.89)**	(0.28)
Diluted		**(1.89)**	(0.28)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period	**(88,394)**	(10,395)
Other comprehensive expense for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(508)**	(1,267)
Total comprehensive expenses for the period	**(88,902)**	(11,662)
Total comprehensive expenses attributable to:		
Owners of the Company	**(88,563)**	(11,534)
Non-controlling interests	**(339)**	(128)
	(88,902)	(11,662)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
NON-CURRENT ASSETS			
Exploration and evaluation assets	13	**54,147**	53,303
Property, plant and equipment	13	**580,681**	613,057
Interests in a joint venture		**7,069**	4,893
Other non-current assets	14	**237,426**	224,269
Restricted bank deposit	19	**27,250**	6,000
		906,573	901,522
CURRENT ASSETS			
Inventories	15	**56,666**	55,230
Trade and other receivables	16	**52,742**	46,544
Time deposits	17	**4,463**	2,740
Cash and cash equivalents		**73,845**	89,642
		187,716	194,156
TOTAL ASSETS		**1,094,289**	1,095,678
CURRENT LIABILITIES			
Trade and other payables	18	**(21,425)**	(22,042)
Current income tax payable		**(274)**	(274)
Bank borrowings — due within one year	19	**(57,500)**	(41,250)
		(79,199)	(63,566)
NET CURRENT ASSETS		**108,517**	130,590
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,015,090**	1,032,112
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(1,641)**	(1,986)
Provision for close down and restoration costs		**(8,735)**	(8,616)
Bank borrowings — due more than one year	19	**(188,433)**	(158,672)
		(198,809)	(169,274)
TOTAL LIABILITIES		**(278,008)**	(232,840)
NET ASSETS		**816,281**	862,838
CAPITAL AND RESERVES			
Share capital	20	**1,211,231**	5,834
Share premium		**—**	1,166,006
Treasury shares		**(12,846)**	(12,846)
Capital reserve		**17,984**	17,984
Reserves		**18,043**	15,100
Accumulated losses		**(422,508)**	(334,302)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**811,904**	857,776
NON-CONTROLLING INTERESTS		**4,377**	5,062
TOTAL EQUITY		**816,281**	862,838

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Total attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Capital reserve[b] 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 2013 (audited)	4,500	1,042,016	17,984	(43,000)	(292,689)	25,686	(14,973)	32,057	771,581	11,612	783,193
Loss for the period	—	—	—	—	(10,653)	—	—	—	(10,653)	258	(10,395)
Other comprehensive expenses for the period											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(881)	—	(881)	(386)	(1,267)
Total comprehensive expenses for the period	—	—	—	—	(10,653)	—	(881)	—	(11,534)	(128)	(11,662)
Share-based payments	—	—	—	—	—	3,319	—	—	3,319	—	3,319
Issue of new shares (Note 20)	1,053	102,033	—	—	—	—	—	—	103,086	—	103,086
Transaction costs attributable to issue of new shares	—	(2,626)	—	—	—	—	—	—	(2,626)	—	(2,626)
Balance at 30 June 2013 (unaudited)	5,553	1,141,423	17,984	(43,000)	(303,342)	29,005	(15,854)	32,057	863,826	11,484	875,310
Balance at 1 January 2014 (audited)	5,834	1,166,006	17,984	(12,846)	(334,302)	11,905	(15,825)	19,020	857,776	5,062	862,838
Loss for the period	—	—	—	—	(88,206)	—	—	—	(88,206)	(188)	(88,394)
Other comprehensive expenses for the period											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(357)	—	(357)	(151)	(508)
Total comprehensive expenses for the period	—	—	—	—	(88,206)	—	(357)	—	(88,563)	(339)	(88,902)
Share-based payments	—	—	—	—	—	3,300	—	—	3,300	—	3,300
Issue of new shares (Note 20)	20,209	19,782	—	—	—	—	—	—	39,991	—	39,991
Transaction costs attributable to issue of new shares	(300)	(300)	—	—	—	—	—	—	(600)	—	(600)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	1,185,488	(1,185,488)	—	—	—	—	—	—	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(346)	(346)
Balance at 30 June 2014 (unaudited)	1,211,231	—	17,984	(12,846)	(422,508)	15,205	(16,182)	19,020	811,904	4,377	816,281

(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").

(b) The amounts represent deemed contribution from ultimate holding company for (1) certain administrative expenses and tax expenses of the Group paid by the ultimate holding company in prior years and (2) share-based payment expenses in relation to certain employees of the Group participated in the long term incentive plan of ultimate holding company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

		Six months ended 30 June	
	NOTE	**2014** **US$'000** **(unaudited)**	2013 US$'000 (unaudited)
OPERATING ACTIVITIES			
Net cash (used in) from operations		**(21,309)**	18,632
Interest expenses paid		**(4,699)**	(3,657)
Income tax paid		**(310)**	(333)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(26,318)**	14,642
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and exploration and evaluation assets		**(53,952)**	(26,212)
Restricted bank deposit placed		**(21,250)**	—
Time deposits placed		**(1,723)**	—
Interest received		**548**	283
Proceeds on disposal of property, plant and equipment		**340**	211
NET CASH USED IN INVESTING ACTIVITIES		**(76,037)**	(25,718)
FINANCING ACTIVITIES			
Proceeds on issuance of new shares	20	**39,991**	103,086
Proceeds from bank borrowings		**91,081**	18,235
Repayment of bank borrowings		**(42,700)**	(7,300)
Transaction costs attributable to issuance of new shares		**(600)**	(2,626)
Loan commitment fees paid		**(278)**	(551)
Dividends paid to non-controlling interests		**(346)**	—
Repayment of loan from a related party		**—**	(10,000)
NET CASH FROM FINANCING ACTIVITIES		**87,148**	100,844
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**(15,207)**	89,768
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		**89,642**	15,536
Effect of foreign exchange rate changes		**(590)**	(1,168)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		**73,845**	104,136

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as 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").

The condensed consolidated financial statements are presented in United States Dollars ("US$"), which is also the functional currency of the Company.

In preparing these condensed consolidated financial statements, the directors of the Company have given consideration to the going concern status of the Company and its subsidiaries (collectively referred to as the "Group") in light of the Group's loss for the current interim period, the Group's capital and other commitments as at 30 June 2014 (see note 13), against the cash and cash equivalents and the credit facilities maintained by the Group, and its ultimate holding company's loan covenant requirements under the ICBC Facility Agreement (as defined in note 19).

In order to ensure sufficient financial resources and maintain the Group's banking facilities, to provide liquidity and cash flows to sustain the Group as a going concern, the directors of the Company have taken account of the following:

(i) Under the ICBC Facility Agreement, the Company's ultimate parent, Petropavlovsk plc, is required to respect certain financial covenants (see note 21). Petropavlovsk plc announced in a press release dated 23 January 2014 that it was reviewing refinancing options in relation to convertible bonds it has issued. As part of this refinancing exercise, it will need to obtain agreement to temporarily relax its obligation to respect the ICBC Facility Agreement covenants. Petropavlovsk plc expects to complete this process by September 2014;

(ii) The expected cash proceeds from the issuance of the remaining General Nice Further Subscription Shares (as defined in note 20) of HK$296.4 million (equivalent to approximately US$38.2 million) and share subscription by Minmetals Cheerglory Limited ("Minmetals") for HK$232.5 million (equivalent to approximately US$30.0 million) by the end of 2014 (see note 20 for details);

(iii) The Group is expecting to renew the existing loan facilities of US$15 million as detailed in note 19, with Asian Pacific Bank, upon its expiry in April 2015 for another twelve months;

(iv) The Group is entitled to contractual damages from one of its contractors and is currently in discussion with that contractor to finalise details of the settlement which expects to occur by the end of 2014; and

(v) The Group is also implementing active cost-saving measures to improve its operating cash flows and financial position.

The directors of the Company consider that after taking into account the above, the Group will have sufficient financial resources and available banking facilities to meet its financial obligations as they fall due for the foreseeable future and are satisfied that all covenant obligations will be met accordingly. Accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are mandatorily effective for the current interim period:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the above new Interpretation and 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.

The Group has not early applied any new or revised standards, amendments to standards or interpretation that have been issued at the date of these condensed consolidated financial statements are authorized for issuance but are not yet effective.

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 2014 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	65,422	—	2,053	—	67,475
Segment revenue	65,422	—	2,053	—	67,475
Site operating expenses and service costs	(78,923)	(426)	(2,316)	(976)	(82,641)
Site operating expenses and service costs include:					
Depreciation and amortisation (see note 5(a))	(5,614)	(5,604)	(170)	(9)	(11,397)
Impairment charges	(62,879)	—	—	—	(62,879)
Share of results of a joint venture	—	—	—	2,278	2,278
Segment profit (loss)	(76,380)	(426)	(263)	1,302	(75,767)
Central administrative expenses					(10,135)
Central depreciation					(107)
Other gains and losses					(1,725)
Financial income					548
Financial expenses					(1,380)
Loss before taxation					(88,566)

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2013 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	87,041	—	5,192	—	92,233
Segment revenue	87,041	—	5,192	—	92,233
Site operating expenses and service costs	(78,908)	(1,045)	(4,595)	(1,440)	(85,988)
Site operating expenses and service costs include:					
Depreciation and amortisation (see note 5(a))	(5,424)	(4,179)	(234)	(36)	(9,873)
Share of results of a joint venture	—	—	—	(1,394)	(1,394)
Segment profit (loss)	8,133	(1,045)	597	(2,834)	4,851
Central administrative expenses					(11,699)
Central depreciation					(106)
Other gains and losses					(1,561)
Financial income					283
Financial expenses					(1,873)
Loss before taxation					(10,105)

4. REVENUE

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

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Revenue		
Sale of iron ore concentrate	**54,426**	67,649
Sale of ilmenite	**10,996**	19,392
Engineering services	**2,053**	5,192
	67,475	92,233

5. OPERATING EXPENSES

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Site operating expenses and service costs [a]	**82,641**	85,988
Central administrative expenses [b]	**10,242**	11,805
	92,883	97,793

5. OPERATING EXPENSES (Continued)

(a) Site operating expenses and service costs

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs	**21,239**	22,632
Fuel	**7,105**	8,626
Materials	**14,750**	12,099
Depreciation	**11,397**	9,873
Electricity	**1,404**	1,447
Royalties	**1,768**	1,420
Railway tariff	**21,788**	26,449
Movement in finished goods and work in progress	**(7,107)**	(1,469)
Inventory written down	**3,821**	—
Subcontracted mining costs and engineering services	**19,812**	6,343
Professional fees	**191**	141
Bank charges	**209**	235
Insurance	**232**	103
Office rent	**486**	570
Business travel expenses	**74**	166
Office costs	**400**	647
Mine development costs capitalised in property, plant and equipment	**(18,062)**	(10,478)
Allowance for bad debts	**38**	6
Property tax	**2,061**	2,585
Other expenses	**1,035**	4,593
	82,641	85,988

5. OPERATING EXPENSES (Continued)

(b) Central Administrative Expenses

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs	**4,584**	6,385
Depreciation	**107**	106
Professional fees*	**726**	(86)
Bank charges	**22**	26
Insurance	**69**	332
Office rent	**742**	909
Business travel expenses	**378**	485
Share-based payments	**3,300**	3,319
Office costs	**243**	189
Reversal of allowance for bad debts	**—**	(57)
Property tax	**8**	10
Other expenses	**63**	187
	10,242	11,805

* Professional fees comprise audit fees, legal fees, consulting fees, management services fees and engineering consultancy fees. A reversal of professional fees amounting to approximately US$831,000 were recognised in profit or loss for the period ended 30 June 2013 as a result of overprovision of professional fees in relation to share placement of the Company as detailed in note 20.

6. IMPAIRMENT CHARGES

At 30 June 2014, the Group considered whether there were any indicators that further impairment or the need to reverse previously recognised impairment existed at Kuranakh project located in the Amur Region of the Russian Federation; and K&S project which is at the developing stage and is located in the EAO Region. The related property, plant and equipment of the Kuranakh project has been fully impaired by approximately US$62,879,000 (for the six month ended 30 June 2013: nil), due to its higher cash costs of production, lower purity of the ore concentrates and the weaker forecast iron ore and ilmenite prices mainly affected by the falling commodity prices across the globe. These impairment charges are charged against to mine development costs within property, plant and equipment.

6. IMPAIRMENT CHARGES (Continued)

In addition, mangement concluded that no impairment charge was necessary for the K&S project as at 30 June 2014 as its recoverable value is higher than its carrying value. The management also considered factors like the slight rebound in iron ore price at the spot market subsequent to the reporting date and the fact that the project is still under development and will not be put into commercial run till 2015. The directors of the Group will continue to monitor the latest market developments and assess impairment on an on-going basis based on the then facts and circumstances.

For the purposes of testing for impairment, recoverable amounts have been determined at value in use, being estimated future cash flows discounted to their present value, based on a number of assumptions. The key assumptions are presented in the table below:

	As at 30 June 2014	As at 30 June 2013
Real discount rate post-tax	**11.5% and 11.5%**	11.4% and 13.5%
Real discount rate pre-tax	**14.3% and 14.4%**	13.2% and 16.9%
Average Russian inflation rate from the period-end to 2023 and 2043	**2.2%**	2.0%
Average Russian Rouble: US dollar exchange rate from the period-end to 2023 and 2043	**36.5**	33.5
Average titanomagnetite concentrate prices from the period-end to 2023 and 2043	**US$/tonne 88.5 and 106.7**	US$/tonne 110.0 and 130.8
Average ilmenite prices from the period-end to 2023	**US$/tonne 155.0**	US$/tonne 250.0

Forecast inflation rates and sales prices for iron ore were based on external sources and adjustments to these were made for the expected quality of the forecast production. In addition, management has estimated the long term forecast sales prices for iron ore concentrate prices which take into account their views of the market, recent volatility and other external sources of information. Judgment has then been applied by management in determining a long-term price of iron ore concentrate for the purpose of assessing impairments. The impairment assessments are particularly sensitive to changes in commodity prices. To put the impairment assessment model into perspective, with all other variables kept constant; a further 5% drop in input average iron ore concentrate prices might result in the need to consider an impairment provision of approximately US$53,309,000 on K&S project. Based on recent market volatility in average iron ore concentrate prices, the percentage change analysed represented potential downside scenarios if market volatility persists.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Net foreign exchange loss	**(1,842)**	(1,772)
Gain on dispoal of property, plant and equipment	**117**	211
	(1,725)	(1,561)

8. FINANCIAL INCOME

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest income on cash and cash equivalents	**433**	184
Interest income on time deposits	**85**	70
Others	**30**	29
	548	283

9. FINANCIAL EXPENSES

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings:		
— wholly repayable within five years	**7,027**	4,082
Interest expenses on loan from a related party wholly repayable within five years	**—**	406
Less: interest expenses capitalised to property, plant and equipment	**(5,983)**	(3,137)
	1,044	1,351
Unwinding of discount on environmental obligation	**336**	522
	1,380	1,873

10. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Cyprus current tax	**—**	(2)
Russia current tax	**(109)**	(181)
Current tax expense	**(109)**	(183)
Deferred tax (expense) credit	**281**	(107)
	172	(290)

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2014 and 2013.

Cypriot corporation tax is calculated at a rate of 12.5% of the estimated assessable profit for the six months ended 30 June 2013.

For the six months ended 30 June 2014, the Group had no assessable profit subject to Cypriot corporation tax. For the six months ended 30 June 2014 and 2013, 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 jurisdictions during both periods.

11. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both the six months ended 30 June 2014 and 2013.

12. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per ordinary share being loss for the period attributable to owners of the Company	**88,206**	10,653

Number of shares

	Six months ended 30 June	
	2014	2013
	Number	**Number**
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per ordinary share	**4,663,872**	3,768,535

The computation of weighted average number of ordinary shares for the purposes of basic loss per ordinary share for the six months ended 30 June 2014 does not take into account the Company's 34,684,875 (for the six months ended 30 June 2013: 116,100,000) treasury shares.

The computation of diluted loss per share for the six months ended 30 June 2014 and 2013 does not take into account of the Company's outstanding shares awarded under the Group's Long-term Incentive Plan ("LTIP") and Deferred Subscription Share (as defined in note 20) since assuming their issuance would result in a decrease in loss per share.

13. EXPLORATION AND EVALUATION ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately US$54.0 million (for the period ended 30 June 2013: US$26.2 million) on the mine development and acquisition of property, plant and equipment, including prepayments for property, plant and equipment as disclosed in note 14.

At 30 June 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$150.5 million (31 December 2013: US$179.1 million).

14. OTHER NON-CURRENT ASSETS

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Deferred insurance premium for bank facilities	**6,501**	9,619
Prepayments for property, plant and equipment	**227,555**	209,642
Deferred loan arrangement fee	**3,162**	4,726
Cash advances to employees	**208**	282
	237,426	224,269

15. INVENTORIES

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Stores and spares	**32,080**	33,925
Work in progress	**18,056**	12,777
Finished goods	**6,530**	8,528
	56,666	55,230

Finished goods have been written down by US$3,821,000 during the six months ended 30 June 2014 (31 December 2013: Nil). No inventories had been pledged as security in both periods.

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
VAT recoverable	**28,928**	29,910
Advances to suppliers	**7,119**	6,647
Amounts due from customers under engineering contracts	**958**	2,524
Trade receivables	**12,511**	4,372
Other debtors	**3,226**	3,091
	52,742	46,544

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.

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

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Less than one month	**9,878**	4,267
One month to three months	**2,491**	1
Over three months to six months	**132**	53
Over six months	**10**	51
Total	**12,511**	4,372

16. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows credit periods ranging from 10 days to 90 days (31 December 2013: 5 days to 45 days) to individual third party customers. The directors of the Company considered that the carrying value of trade and other receivables is approximately equal to their fair value.

17. TIME DEPOSITS

Time deposits of the Group comprised short-term bank deposits with an original maturity of six to nine months. The carrying amounts of the assets approximate their fair value. As at 30 June 2014, time deposits carrying interest at fixed rate of 2.0% to 8.2% per annum (31 December 2013: 3.0% to 5.0% per annum).

18. TRADE AND OTHER PAYABLES

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Trade payables	**6,394**	9,349
Advances from customers	**1,754**	986
Accruals and other payables	**13,277**	11,707
	21,425	22,042

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

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Less than one month	**3,843**	6,384
One month to three months	**124**	275
Three months to six months	**221**	271
Over six months	**2,206**	2,419
Total	**6,394**	9,349

19. BANK BORROWINGS

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Bank loans		
Asian Pacific Bank	**21,300**	20,000
Industrial and Commercial Bank of China ("ICBC")	**224,633**	179,922
Total	**245,933**	199,922
Unsecured	**21,300**	20,000
Secured	**224,633**	179,922
Total	**245,933**	199,922
Carrying amount repayable		
Within one year	**57,500**	41,250
More than one year, but not exceeding two years	**45,129**	38,864
More than two years, but not exceeding five years	**143,304**	119,808
Total	**245,933**	199,922

Bank loans from Asian Pacific Bank

In July 2013, the Group renewed the US$15,000,000 term loan facility with Asian Pacific Bank. The loan bears an annual interest of 10.60% which is repayable monthly. In April 2014, the US$15,000,000 term loan facility had been renewed for another 12-month period and with an annual interest of 9% repayable monthly and the loan principal is repayable by 23 April 2015. As at 30 June 2014, the whole loan amount was drawn down under the loan facility (2013: US$15,000,000).

In November 2013, the Group renewed another US$10,000,000 term-loan facility with Asian Pacific Bank for a 12-month period with an annual interest of 10.60% repayable monthly and the loan principal is repayable by 20 November 2014. In February 2014, the Group further renewed this term-loan facility with Asian Pacific Bank with annual interest of 10.60% repayable monthly and the loan principal is repayable by 31 December 2015. As at 30 June 2014, US$6,300,000 was drawn down from such facility (2013: US$5,000,000).

For the six months ended 30 June 2014, the Group drew down US$44,000,000 from these facilities from Asian Pacific Bank in several tranches on a rolling basis and US$42,700,000 were repaid in aggregate during the period.

As at 30 June 2014, the Group had US$3,700,000 (31 December 2013: US$5,000,000) undrawn loan facility with Asian Pacific Bank.

19. BANK BORROWINGS (Continued)

Bank loans from Asian Pacific Bank (Continued)

These facilities are primarily working capital financing the Group's Kuranakh project. The loans are not secured against any assets of the Group or other related parties.

Bank loan from Industrial and Commercial Bank of China ("ICBC")

On 6 December 2010, LLC KS GOK ("K&S"), a wholly owned subsidiary of the Company, had entered into an US$400 million Engineering Procurement and Construction Contract with China National Electric Engineering Corporation 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 will lend US$340,000,000 (equivalent to HK$2.64 billion) to LLC KS GOK 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 early 2011. Interest under the facility was charged at 2.80% above London Interbank Offering rate ("LIBOR") per annum. The whole facility amount is repayable semi-annually in 16 instalments of US$21,250,000 each, starting from December 2014 when the whole facility amount is expected to be drawn down and is fully repayable by June 2022.

Additional drawn downs amounting to US$47,081,000 were made by the Group during the six months ended 30 June 2014. The loan is carried at amortised cost with effective interest rate at 5.63% per annum. The outstanding loan principals were US$241,850,000 as at 30 June 2014 (31 December 2013: US$194,769,000), which is repayable semi-annually starting from December 2014 and is expected to be fully repaid by June 2020.

As at 30 June 2014 and 31 December 2013, US$27,250,000 and US$6,000,000 were deposited with ICBC under a security deposit agreement related to the ICBC Facility Agreement and is presented as restricted bank deposit under non-current assets. The deposit carries interest at prevailing market rate at around 1.0% per annum for the six months ended 30 June 2014 and year ended 31 December 2013.

As at 30 June 2014, the Group had US$98,150,000 (31 December 2013: US$145,231,000) undrawn financing facility in relation to the ICBC Facility Agreement.

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

20. SHARE CAPITAL

As disclosed in note 35 to the Group's 2013 consolidated financial statements, on 17 January 2013, the Company entered into a conditional subscription agreement with each of General Nice Development Limited ("General Nice") and Minmetals for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK$1,845,000,000 (equivalent to approximately US$238,000,000) in aggregate.

As at 31 December 2013, a total of 1,035,876,000 new shares of the Company has been allotted and issued to General Nice, following the receipt of partial subscription monies of approximately HK$1,005.7 million (equivalent to approximately US$129.6 million).

20. SHARE CAPITAL (Continued)

Since the remaining commitment of General Nice to further subscribe for 863,600,000 new shares of the Company ("General Nice Further Subscription Shares") has only been partially fulfilled with 218,340,000 new shares subscribed as of 31 December 2013, the Group signed a supplemental agreement to the conditional share subscription agreements on 29 January 2014 with General Nice that the remaining commitment of the General Nice Further Subscription Shares will be completed as follows:

(a) a payment of at least HK$155.1 million (equivalent to approximately US$20.0 million) on or before 24 February 2014; and

(b) a payment of the balance, being HK$606.6 million (equivalent to approximately US$78.2 million) less the amount paid in (a) above, on or before 22 April 2014.

On 26 February 2014, pursuant to the aforesaid arrangement albeit a delay, the Company received subscription monies of HK$155.1 million (equivalent to approximately US$20 million) from General Nice and allotted and issued 165,000,000 new shares of the Company to General Nice as a further partial subscription of General Nice Further Subscription Shares accordingly.

On 23 April 2014, General Nice informed the Company whilst it remained committed to completing the General Nice Further Subscription Right, it was not in a position to complete the remainder of the General Nice Further Subscription and as such the Company has not received the scheduled receipt of HK$451.5 million (equivalent to approximately US$ 58.2 million).

On 30 April 2014, the Company received subscription monies of HK$155.1 million (equivalent to approximately US$20.0 million) from General Nice and allotted and issued 165,000,000 new shares (the "Partial Further Subscription Shares") of the Company to General Nice as a further partial subscription of General Nice Further Subscription Shares (the "Partial Further Subscription"). The Company agreed with General Nice to complete the remainder of the General Nice Further Subscription by payment to the Company of the remaining amount of HK$296.4 million (equivalent to approximately US$38.2 million) on or before 25 June 2014 ("General Nice Further Subscriptions Completion"). Upon the Company receiving full payment of HK$296.4 million (equivalent to approximately US$38.2 million) on or before 25 June 2014, the Company shall allot and issue to General Nice 315,260,000 new Shares as General Nice Further Subscription Shares and shall also allot and issue 25,548,000 Shares to General Nice as Deferred Subscription Shares. The Company has also agreed with General Nice that, in the event full payment of HK$296.4 million (equivalent to approximately US$38.2 million) was not made on or before 25 June 2014, no General Nice Deferred Subscription Shares shall be issued to General Nice.

On 25 June 2014, the General Nice Further Subscription Completion did not take place as planned. None of the 25,548,000 General Nice Deferred Subscription Shares was or will ever be issued to General Nice.

Further, in accordance with the original subscription agreements, Minmetals subscription shall complete upon full completion of General Nice Further Subscription Shares taking place.

The Company is in negotiation with General Nice on the timing of the General Nice Further Subscriptions Completion and expects it, together with the Minmetals subscription, to be completed by the end of 2014.

20. SHARE CAPITAL (Continued)

At 30 June 2014, a cumulative total of 1,365,876,000 new shares of the Company has been allotted and issued to General Nice to date, following the receipt of subscription monies of approximately HK$1,315.9 million (equivalent to approximately US$169.6 million).

During the six months ended 30 June 2014, transaction costs of approximately US$600,000 directly attributable to the issuance of new shares to General Nice were debited against equity.

Details of the allotment and issuance of ordinary shares by the Company during the six months ended 30 June 2014 are as follows:

	Number of shares	US$'000
Authorised		
At 1 January 2013, 30 June 2013 and 1 January 2014		
— Ordinary shares of HK$0.01 each	10,000,000,000	12,820
At 30 June 2014	Note	Note

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

	Number of shares	US$'000
Issued and fully paid		
At 1 January 2013		
— Ordinary shares of HK$0.01 each	3,494,034,301	4,500
Issue of new ordinary shares of HK$0.01 each to General Nice in April 2013	817,536,000	1,053
At 30 June 2013		
— Ordinary shares of HK$0.01 each	4,311,570,301	5,553
At 1 January 2014		
— Ordinary shares of HK$0.01 each	4,529,910,301	5,834
Issue of new ordinary shares of HK$0.01 each to General Nice in February 2014	165,000,000	213
Transfer from share premium upon abolition of par value	—	1,185,488
Issue of new ordinary shares to General Nice in April 2014	165,000,000	19,996
Transaction costs attributable to issue of new ordinary shares in April 2014	—	(300)
At 30 June 2014		
— Ordinary shares with no par value	4,859,910,301	1,211,231

The shares issued by the Company rank *pari passu* with the then existing issued shares and do not carry pre-emptive rights.

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 by independent members of the Board.

During the six months ended 30 June 2014, the Group entered into the following transactions with related parties:

Related parties

Petropavlovsk plc, which is the Group's ultimate holding company, and its subsidiaries are considered to be related parties. Mr. Peter Hambro, Chairman and shareholder of Petropavlovsk plc, is a close family member of the director of the Company, Jay Hambro, whereas Dr. Maslovskiy, Honorary President of Petropavlovsk plc is a close family member of the director of the Company, Mr. Yury Makarov.

Asian Pacific Bank is considered to be a related party as Mr. Peter Hambro and a deemed connected person of the Company have indirect ownership interests and has practical ability to exercise significant influence over Asian Pacific Bank.

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

Related party transactions the Group entered into that related to the day-to-day operation of the business are set out below except for the interest expenses incurred, which have been disclosed in note 9.

	Services provided[(a)] Six months ended 30 June		Services received[(b)] Six months ended 30 June	
	2014 US$'000 (unaudited)	2013 US$'000 (unaudited)	**2014 US$'000 (unaudited)**	2013 US$'000 (unaudited)
Petropavlovsk plc and its subsidiaries				
Petropavlovsk plc	**1**	21	**10**	96
OJSC Irgiredmet	**—**	—	**4**	10
LLC NPGF Regis	**19**	24	**—**	1
CJSC Peter Hambro Mining Engineering	**—**	—	**2**	380
CJSC Pokrovsky Rudnik	**1**	2	**—**	—
MC Petropavlovsk	**376**	450	**143**	173
OJSC ZDP Koboldo	**—**	5	**—**	—
LLC Karagay	**1**	5	**—**	—
LLC Gidrometallurgia	**84**	90	**—**	—
LLC Kapstroy	**50**	—	**—**	—
LLC Helios	**—**	—	**8**	—
Transaction with other related party				
Asian Pacific Bank	**38**	43	**—**	—

21. RELATED PARTY DISCLOSURES (Continued)

Related parties (Continued)

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

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

The related party transactions as disclosed above were conducted in accordance with terms mutually agreed with counter parties.

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 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)	**As at 30 June 2014 US$'000 (unaudited)**	As at 31 December 2013 US$'000 (audited)
Petropavlovsk plc and its subsidiaries				
Petropavlovsk plc	**980**	985	**767**	814
OJSC Irgiredmet	**—**	—	**4**	—
LLC NPGF Regis	**15**	2	**187**	192
CJSC Peter Hambro Mining Engineering	**—**	—	**—**	4
CJSC Pokrovsky Rudnik	**1**	—	**—**	1
CJSC Dalgeologia	**—**	—	**—**	43
MC Petropavlovsk	**152**	232	**1,972**	2,096
LLC Gidrometallurgia	**2**	2	**—**	—
LLC Karagay	**4**	—	**—**	—
LLC Helios	**7**	6	**3**	—
LLC Kapstroy	**6**	—	**—**	—
Outstanding balances with other related parties				
Asian Pacific Bank	**7**	8	**—**	—
	1,174	1,235	**2,933**	3,150

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

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

21. RELATED PARTY DISCLOSURE (Continued)

Banking arrangements

Other than the related party transactions as disclosed in note 19, 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 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Asian Pacific Bank	24,015	24,417

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	
	2014 US$'000 (unaudited)	2013 US$'000 (unaudited)
Interest income from cash and cash equivalents	163	165

Guarantee arrangements

In relation to the ICBC loan as described 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 Group in respect of the provision of the guarantee by Petropavlovsk plc while Petropavlovsk plc remains the parent company of the Company under relevant financial reporting standards. In the event that Petropavlovsk plc ceases to be the parent company of the Company under the relevant financial reporting standards as agreed with Petropavlovsk plc, a fee of no more than 1.75% on outstanding amount 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.

21. RELATED PARTY DISCLOSURE (Continued)

Guarantee arrangements (Continued)

As at 30 June 2014, Petropavlovsk plc beneficially owns approximately 45.39% (31 December 2013: 48.70%) of the issued share capital of the Company. Though Petropavlovsk plc has less than a majority of the voting rights of the Company, its voting rights are sufficient to give it the practical ability to direct the relevant activities of the Company unilaterally and retains control over the Company. Accordingly, the Company is still considered as a subsidiary of Petropavlovsk plc. Under the ICBC Facility Agreement, each of the following will constitute a covenant; and noncompliance 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 the ability of the Petropavlovsk plc to grant security over its assets, make disposals of its assets or enter into merger transactions. As at 30 June 2014 and 31 December 2013, the Group and Petropavlovsk plc do not have any non-compliance on the above covenants.

Key Management Compensation

During the six months ended 30 June 2014 and 2013, George Jay Hambro, Yury Makarov, Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Simon Murray, Cai Sui Xin and Liu Qingchun 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	
	2014	2013
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**1,412**	2,875
Post-employment benefits	**143**	135
Share-based payments	**1,489**	2,046
	3,044	5,056

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' INTERESTS

As at 30 June 2014, the interests or short positions of the Directors 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 as at 30 June 2014
George Jay Hambro	Beneficial interest*	23,572,000	0.49%
	Contingent beneficial interest**	4,874,539	0.10%
Yury Makarov	Beneficial interest	20,555,500	0.42%
	Contingent beneficial interest**	4,874,539	0.10%
Raymond Kar Tung Woo	Beneficial interest	14,632,500	0.30%
	Contingent beneficial interest**	4,874,539	0.10%
Sui Xin Cai***	Interest of a controlled corporation	1,365,876,000	28.10%

* 352,000 shares are beneficially owned by Mount F Consulting Limited, which is wholly owned by George Jay Hambro. The remaining 23,220,000 shares are held by an affiliated company to George Jay Hambro.

** Subject to the fulfillment of certain performance conditions, and subject to a three-month bullet vesting period.

*** These shares are beneficially owned by General Nice Development Limited ("GND") and Mr. Sui Xin Cai is deemed to be interested in such shares under the SFO by virtue of the fact that General Nice Group Holdings Limited, which is wholly owned by Mr. Sui Xin Cai, holds 50% equity interest in GND. Mr. Sui Xin Cai also directly holds 5% equity interest in GND.

Name of director	Nature of interest	Number of shares in Petropavlovsk plc ("Petropavlovsk")	Percentage of issued shares in Petropavlovsk as at 30 June 2014
George Jay Hambro	Beneficial interest	24,218	0.01%
Yury Makarov	Beneficial interest	75,278	0.04%

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	Beneficial interest	24,218
Yury Makarov	Petropavlovsk	Beneficial interest	75,278

Mr George Jay Hambro is the son of Mr Peter Hambro, the Chairman of Petropavlovsk plc.

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 2014.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at 30 June 2014, 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	Approximate % of the Company's total issued share capital as at 30 June 2014
Petropavlovsk plc	Interest of a controlled corporation	2,205,900,000	45.39%
Cayiron Limited*	Beneficial owner	2,205,900,000	45.39%
Ming Chi Tsoi**	Interest of a controlled corporation	1,365,876,000	28.10%
General Nice Group Holdings Limited***	Interest of a controlled corporation	1,365,876,000	28.10%
General Nice Development Limited	Beneficial owner	1,365,876,000	28.10%

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

** These shares are beneficially owned by General Nice Development Limited ("GND") and Mr. Ming Chi Tsoi is deemed to be interested in such shares under the SFO by virtue of the fact that he holds 35% equity interest in GND.

*** General Nice Group Holdings Limited holds 50% equity interest in GND.

Save as disclosed above and those disclosed under "Directors' Interests", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2014, 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 AND GOING CONCERN ASSESSMENT

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 2013 Annual Report.

During the six months ended 30 June 2014, the Company has complied with the code provisions set out in the Corporate Governance Code 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 Directors, Mr Simon Murray, Mr Cai Sui Xin and Mr Liu Qingchun; and Independent Non- Executive Director, Mr Daniel Bradshaw, were unable to attend the extraordinary general meeting of the Company held on 14 May 2014 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 Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements, the directors of the Company have assessed the going concern status of the Group after taking into account the following:

(i) Under the ICBC Facility Agreement, the Company's ultimate parent, Petropavlovsk plc, is required to respect certain financial covenants (see note 21 on page 43). Petropavlovsk plc announced in a press release dated 23 January 2014 that it was reviewing refinancing options in relation to convertible bonds it has issued. As part of this refinancing exercise, it will need to obtain agreement to temporarily relax its obligation to respect the ICBC Facility Agreement covenants. Petropavlovsk plc expects to complete this process by September 2014;

(ii) The expected cash proceeds from the remaining General Nice Further Subscription Shares (as defined in note 20 on page 40) of HK$296.4 million (equivalent to approximately US$38.2 million) and share subscription by Minmetals Cheerglory Limited ("Minmetals") for HK$232.5 million (equivalent to approximately US$30.0 million) by the end of 2014 (see note 20 on page 40 for details);

(iii) The Group is expecting to renew the existing loan facilities of US$15 million as detailed in note 19 on page 39, with Asian Pacific Bank, upon its expiry in April 2015 for another twelve months;

(iv) The Group is entitled to contractual damages from one of its contractors and is currently in discussion with that contractor to finalise details of the settlement which expects to occur by the end of 2014; and

(v) The Group is also implementing active cost-saving measures to improve its operating cash flows and financial position.

As the sufficiency of working capital is dependent on the Group's and its ultimate holding company's ability to successfully implement the above measures, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group ability to continue as a going concern. The directors of the Company consider that after taking into account the above, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due. Please refer to the unqualified review conclusion on the Report on Review of Condensed Consolidated Financial Statements and the Emphasis of Matter paragraph on page 18, indicating that the consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared on a going concern basis.

The 2014 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 Special Administrative Region of the People's Republic of China

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Facsimile: +852 2772 0329
Website: ircgroup.com.hk

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

SHARE REGISTRAR

Tricor Investor Services Ltd
Telephone: +852 2980 1333
Website: tricoris.com
Email: info@hk.tricorglobal.com

PRINCIPAL PLACE OF BUSINESS IN RUSSIA

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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 DIRECTORS:

S. Murray, *CBE, Chevalier de la Légion d'Honneur*
S.X. Cai
Q.C. Liu

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

EMERITUS DIRECTOR:

Senator Dr P.A. Maslovskiy

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

Company Secretary

R.K.T. Woo

AUTHORISED REPRESENTATIVES FOR THE PURPOSES OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

Executive Management

G.J. Hambro, Executive Chairman
Y.V. Makarov, Chief Executive Officer
R.K.T. Woo, Chief Financial Officer
D. Kotlyarov, Deputy Chief Executive Officer
N.J. Bias, Head of Communication

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

ASP	Average selling price
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
Concentrate	The clean product recovered from a treatment plant
DAP	INCOTERM Delivery at Place
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
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, Fe
EAO	Jewish Autonomous Region, an oblast of the Russian Federation
EPC	Engineering, Procurement and Construction contract
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
FOB	INCOTERM Free on Board
GDP	Gross domestic product
General Nice	General Nice Development Limited is a Hong Kong incorporated holding company which trades and produces steel raw material commodities in China and globally
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
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	Fe_3O_4; major mineral in banded iron formations, generally low grade (1.5-40% iron)
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
Minmetals Cheerglory	Minmetals Cheerglory Limited, the Hong Kong incorporated, wholly owned subsidiary of China Minmetals Corporation
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

GLOSSARY (Continued)

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
Petropavlovsk	Petropavlovsk plc, the London Stock Exchange quoted, Russian gold mining company
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
ROM	Run-of-mine. This is 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.
Shareholder(s)	Holder of the Share(s)
SRP	Steel/Slag Reprocessing Project
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tailings	Material that remains after all metals/minerals considered economic have been removed from the ore
TiO2	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	1 metric tonne (1,000 kg)
US Dollar or US$	United States Dollar

LIST OF ABBREVIATIONS

°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 m2
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
TiO2	chemical symbol for titanium dioxide
V_2O_5	chemical symbol for vanadium pentoxide

All dollars refer to United States Dollars unless otherwise stated.

LACP Vision Awards 2013

Best Annual Report Financials (Honors)

LACP Vision Awards 2013

Gold Award

LACP Vision Awards 2013

Top 20 Chinese Annual Report

LACP Vision Awards 2013

Top 80 Annual Reports Asia-Pacific Region

Institutional Investor 2012+2013

Investor Relations Professional Asia Survey (Third Place)

The Asset 2012

The Asset Corporate Awards (Titanium)

Mines & Money 2012

Deal of the Year

Galaxy Awards 2011

Galaxy Awards (Gold)

2015 & beyond 2015年及以後

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

2014 2014年

- K&S — Commissioning 投產

2013 2013年

- IRC 鐵江現貨 — General Nice + Minmetals Cheerglory Strategic Alliance 與俊安及五礦企榮之戰略聯盟
- K&S — Ongoing construction 建設中

2012 2012年

- Kuranakh — Ilmenite production full capacity 鈦鐵礦生產達產
- Garinskoye — DSO operation announced 公佈直接輸出礦石營運
- Exploration 勘探 — Ilmenite & Molybdenum Exploration acquisitions 鈦鐵礦及鉬礦勘探之收購

2011 2011年

- Kuranakh — Full year production targets exceeded 超越全年生產目標
- IRC 鐵江現貨 — Group reserves increase threefold 公佈集團的儲量較上一次公佈的增加三倍
- K&S — First drawdown ICBC facility; Optimisation Study to double K&S production 提取首筆工商銀行融資 公佈優化研究，將K&S產量倍增
- SRP 鋼渣再加工項目 — First production 首次投產
- 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 2010年

- K&S — US$340m ICBC facility; US$400m CNEEC EPC contract 獲授工商銀行融資340百萬美元 與中國電力工程有限公司簽訂400百萬美元的工程、採購及建築(EPC)合約
- 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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